



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 March 2011 commencing at 4.00 pm**

Business

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

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

Paul Hickey
General Manager

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

An apology has been received from Cr Brown.

- 2. Declarations of Interest**

- 3. Deputations**

4. Committee Reports

4.1 Newlog - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	The objective of the report is to inform Council of the operations of Newlog.

Background

The North East Weight of Loads Group (Newlog) is a joint venture between Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley, Tenterfield and Tweed councils.

Ballina Shire Council provides the administrative services for the joint venture and the report that follows provides an overview of the Newlog operations.

Key Issues

- Budget

Information

Newlog activities are funded by contributions from the constituent councils – 36%, Roads and Traffic Authority – 33% and fines and other Income – 31%.

Total annual operating expenses are approximately \$480,000. Cash reserves of \$280,000 are held to cover equipment change-overs, staff leave liabilities and possible shortfalls in fines and other income.

Newlog own and operate two vehicles with mobile weighing scales and have four full time employees. Ballina Shire Council is responsible for all management services including building space, computers, human resources, finance and supervision.

Ballina Shire Council's contribution to Newlog for 2011/12 is budgeted at \$22,000.

Council also charges Newlog a fee for management services and this is budgeted at \$89,000 for 2011/12.

4.1 Newlog - Operating Budget - 2011/12

Newlog - Operating Result

The draft Newlog budget for 2011/12 (copy attached) is showing an operating loss of \$149,500 (after deducting the non-cash expenses of depreciation and loss on sale of plant). This cash loss is then financed by member contributions of \$175,500. The surplus contributions are transferred to reserves and used to fund vehicle and other plant replacements.

The next table provides a summary of actual results for 2009/10, estimated results for 2010/11 and the budget for 2011/12.

Newlog Budget Summary

Description	2009/10 (Actual)	2010/11 (Estimate)	2011/12 (Estimate)
Operating Movements			
Operating Revenue	313,900	305,500	319,000
Operating Expenses	(480,700)	(469,700)	(496,500)
Operating Result – Surplus/(Deficit)	(166,800)	(164,200)	(177,500)
Add Back Depreciation & Loss on Sale	37,900	16,000	28,000
Cash Result – Surplus/(Deficit)	(128,900)	(148,200)	(149,500)
Capital Movements			
Member Contributions	165,800	170,200	175,500
Capital Purchases	(31,100)	0	(55,000)
Net Reserve Transfer – From/(To)	(5,800)	(22,000)	29,000

Legal / Resource / Financial Implications

Council is committed to Newlog and the provision of both a contribution in cash and the provision of management services at cost.

Consultation

The operating budget is circulated to the RTA and constituent councils for comment and approval.

Options

The Newlog budget must be approved by all constituent councils and often this is carried out at an officer level.

The purpose of this report has to provide Council with an overview of the Newlog operations and the recommendation is to note the contents of the report and approve the budget. This budget does not form part of Council's overall budget and is treated as a separate entity.

RECOMMENDATIONS

That Council notes the contents of the report and endorses the North East Weight of Loads draft operating budget, as attached.

Attachment(s)

1. Newlog Draft Budget – 2011/12 to 2013/14

4.1 Newlog - Operating Budget - 2011/12

Newlog Budget Estimates							
ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED				
			2011/12	%	2012/13	2013/14	2014/15
		OPERATING REVENUES					
		Fees and Charges					
8,600	10500.8901.0228	Legal Costs Recovered	9,000	5	9,300	9,600	9,900
127,400	10500.8902.0222	Fines	131,000	3	135,000	139,100	143,300
		Contributions					
159,200	10500.8900.0165	RTA Contribution	164,000	3	169,000	174,100	179,400
0	10500.0190.0800	Profit on Sale Assets	0	0	0	0	0
		Other Revenues					
0	10500.8901.0236	Profit on Sale of Assets	0	0	0	0	0
10,300	10500.0120.0190	Interest on Investments	15,000	46	15,500	16,000	16,500
0		State Conference	0	0	0	0	0
305,500		Total Operating Revenues	319,000	4	328,800	338,800	349,100
		OPERATING EXPENSES					
		Administration					
228,200	54000.0300.0300	Salaries	235,000	3	242,100	249,400	256,900
13,900	54000.8922.0322	Annual Leave	14,500	4	15,000	15,500	16,000
6,400	54000.8922.0326	Other Leave	6,500	2	6,700	7,000	7,300
5,400	54000.8922.0323	Sick Leave	5,500	2	5,700	5,900	6,100
6,200	54000.8922.0324	Long Service Leave	6,500	5	6,700	7,000	7,300
2,700	54000.0300.0343	State Conference Costs	2,500	(7)	2,600	2,700	2,800
8,900	54000.0300.0345	Workers Compensation	9,500	7	9,800	10,100	10,500
19,500	54000.0300.0334	Superannuation	20,000	3	20,600	21,300	22,000
1,200	54000.0300.0340	Uniforms	1,000	(17)	1,100	1,200	1,300
38,300	54000.8923.0401	Vehicle Running Costs	39,500	3	40,700	42,000	43,300
85,000	54000.8924.0980	Overheads to Newlog	89,000	5	91,700	94,500	97,300
		Operation Costs					
13,400	54002.0365.0422	Legal Costs	14,000	4	14,500	15,000	15,500
4,200	54002.8944.0422	IPB Processing Fees	4,500	7	4,700	4,900	5,100
2,000	54002.0350.0401	Admin Costs	2,000	0	2,100	2,200	2,300
0	54002.0350.0612	Bad & Doubtful Debts	0	0	0	0	0
1,900	54002.0350.0419	Audit Costs	2,000	5	2,100	2,200	2,300
5,400	54002.8945.0635	Insurance	5,500	2	5,700	5,900	6,100
1,700	54002.0450.0401	Sundry Expenses	1,500	(12)	1,600	1,700	1,800
1,100	54002.0350.0640	Telephone	1,000	(9)	1,100	1,200	1,300
8,300	54002.8946.0401	Maintenance of Scales	8,500	2	8,800	9,100	9,400
		Non-cash Expenses					
0	54002.0350.0690	Loss on Sale of Plant	12,000	100	12,000	12,000	12,500
16,000	54002.0350.0740	Depreciation	16,000	0	16,000	16,000	16,500
469,700		Total Operating Expenses	496,500	3	511,300	526,800	543,600
(164,200)		Operating Result - Surplus / (Deficit)	(177,500)	6	(182,500)	(188,000)	(194,500)
16,000		Add Back Depreciation & Loss on Sale	28,000		28,000	28,000	29,000
(148,200)		Cash Result - Surplus / (Deficit)	(149,500)	16	(154,500)	(160,000)	(165,500)
		Capital Movements					
170,200	10505.8966.0169	Add Capital Income (Members Contributions)	175,500	3	180,800	186,300	191,900
22,000	4650.8997.0961	Less Transfer to Reserves	26,000	18	26,300	26,300	26,400
0	4150.8987.0960	Add Transfer from Reserves	55,000		0	56,000	0
0		Less Capital Purchases:					
0	3900.8976.0401	Replacement Scales	55,000		0	56,000	0
0		Replacement Vehicle					
0		Cash Result after Capital Movements	0	0	0	0	0
22,000		Net Change to Cash Reserves	(29,000)		26,300	(29,700)	26,400
283,710		Plus Opening Cash Reserve (incl ELE R)	305,710		276,710	303,010	273,310
305,710		Closing Cash Reserve (Incl ELE)	276,710		303,010	273,310	299,710

4.2 Water Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution from the February 2011 Ordinary meeting asking for further examination of pricing options for Council's main water charges for 2011/12 onwards.

Background

Council considered a report on a possible water charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with an 8% increase likely in 2012/13 and then 5% increases for the three year period 2013/14 to 2015/16.

This recommendation was endorsed at the Finance Committee meeting, however in adopting the Finance Committee minutes, the Council also resolved as follows in respect to water charges.

That Council receive a report on the options and assumptions available to achieve increases of less than 10% in the water charging structure in the draft 2011/12 Delivery Plan.

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

Typically, as a public authority, Council's financial modelling is based on conservative assumptions, as:

- we are dealing with public monies
- councils are normally risk adverse
- the downside of incorrect financial modelling can be significant as we are dealing with critical infrastructure and services (i.e. roads, water, sewer etc).

4.2 Water Charges - Pricing Options - 2011/12

It is important to be conservative to ensure reliable outcomes however it is also important to ensure that the charges being levied are reasonable and affordable. This is particularly true for services such as water, sewer and waste where customers have no other service providers available.

In order to prepare any financial model, for our water operations, the major components of our water budget need to be analysed. Those components are operating revenues, operating expenses, capital income and capital expenditure. Each of these items is now reviewed in the next section of this report.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	1,585,188	1,806,150	2,138,400	2,461,000	2,672,900	2,812,800	2,959,900
User Charges	3,678,619	4,614,753	4,501,400	4,705,500	5,080,700	5,334,300	5,600,600
Operating Grants	147,353	145,677	197,000	167,000	172,100	177,300	182,700
Fees & Fines	88,818	212,063	256,600	217,000	223,600	230,400	237,400
Other Revenues	214,686	93,446	136,000	142,500	147,200	152,000	156,900
Interest	669,972	531,616	493,400	514,000	545,000	250,700	218,200
Total	6,384,636	7,403,705	7,722,800	8,207,000	8,841,500	8,957,500	9,355,700

What these figures highlight is that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components for modelling purposes.

Annual Access Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

The next table provides an analysis of annual charge income, from residential properties, for the period 2005/06 to 2010/11.

The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

4.2 Water Charges - Pricing Options - 2011/12

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	95.00	95.00	100.00	110.00	123.00	142.00
Actual Income Collected	1,244,316	1,254,705	1,335,499	1,480,219	1,670,087	1,940,400
Number of Residential Services	13,098	13,207	13,355	13,457	13,578	13,665
Annual % Growth in Services	N/A	0.83%	1.12%	0.76%	0.90%	0.99%

The average growth in residential services for this period is 0.92%. For the purposes of providing a forward financial model it is reasonable to assume that residential services will grow at approximately 0.90%.

In respect to non-residential properties the annual charge is based on the main size with the **2009/10** connection numbers as follows:

Table Three - Non-residential Connections Summary - 2009/10

Main Size	Connections	Charge (\$)
20mm	1,010	123
25mm	294	193
32mm	157	315
40mm	79	493
50mm	65	770
65mm	1	1,300
80mm	16	1,970
100mm	19	3,080
150mm	2	6,930

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the increase in annual charges on an annual basis.

This information is outlined in the following table.

**Table Four - Annual Charge Summary - Non-residential
2005/06 to 2010/11**

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	301,697	309,602	321,086	354,476	397,946	455,800
% Change in Income		2.6%	3.7%	10.4%	12.3%	14.5%
% Change in Annual Charges		0.0%	5.3%	10.0%	11.8%	15.4%
Number of non-res services (1)	1,468	1,548	1,339	1,577	1,493	1,643
Annual % Growth in Services (1)	5.46%	-13.49%	17.75%	-5.32%	10.04%	5.46%

(1) These figures are estimates only as the information is not readily available from Council's financial system.

What this table highlights is that there is a strong correlation between the change in total income collected and the increase in the annual charge each year. However there are large variations in the number of connections.

Applying this information, for modelling purposes, the preferred option for annual charge non-residential income is to increase total income by the percentage increase in the annual charge, as this appears to be a more reliable source than relying on the number of connections.

4.2 Water Charges - Pricing Options - 2011/12

Consumption Charges

Income collected from consumption charges is an area where there could potentially be significant variations due to seasonal conditions (i.e. wet weather, droughts etc).

The next table outlines the consumption charge income collected since 2005/06.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential - Consumption \$	2,051,896	2,198,776	2,463,406	2,682,685	3,320,690	3,290,000
Annual % Change - Residential		7.2%	12.0%	8.9%	23.8%	-0.9%
Non-residential - Consumption \$	658,961	756,098	894,500	975,353	1,279,166	1,186,000
Annual % Change - Non-resid		14.7%	18.3%	9.0%	31.1%	-7.3%
Total Consumption \$	2,710,857	2,954,874	3,357,906	3,658,038	4,599,856	4,476,000
Annual % Change - Total		9.0%	13.6%	8.9%	25.7%	-2.7%
Price - Cents per KL - First 350	0.82	0.90	1.07	1.18	1.32	1.52
Price - Cents per KL- Above 350	1.05	1.20	1.60	1.77	1.98	2.28
Council Approved % Change (1)		10%	19%	10%	12%	15%

(1) Represents the percentage change for the first 350 kilolitre charge

This table highlights that the correlation between the Council approved increase in prices often varies significantly from the actual consumption income. This means for modelling purposes it is not simply a matter of multiplying the traditional income figures by the percentage increase, but rather a more detailed analysis is required of overall consumption trends.

The next table provides information on consumption figures for recent years.

Table Six - Kilolitres Billed Per Annum - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	2,475,000	2,413,000	2,264,000	2,236,000	2,474,000	2,112,000
Non-residential	786,000	819,000	808,000	799,000	937,000	743,000
Total	3,261,000	3,232,000	3,072,000	3,035,000	3,411,000	2,855,000

These figures highlight that despite the growth in connections across the shire there has been limited growth, if any, in total consumption. This is particularly so before 2009/10 which was the first increase in total consumption since prior to 2005/06.

The 2010/11 figures are estimates only and the income figure was reduced significantly at the December 2010 budget review, due to the very wet weather that occurred during the first six months of the financial year. This means this figure could substantially change by year end.

The average consumption figures for the six years in Table Six are 2.3 million kilolitres for residential and 820,000 for non-residential with an average total consumption of 3.12 million. If the 2010/11 estimated figures are removed (as they are only estimates) the revised averages are 2.35 million for residential and 840,000 for non-residential.

4.2 Water Charges - Pricing Options - 2011/12

The overall variability of these figures makes it difficult to determine what assumption should be applied for total growth in water consumption in the forward financial plan. Essentially there has been no total growth for a number of years and from a conservative perspective it may be appropriate to apply this assumption into the future.

As the number of residential properties is increasing, yet the total residential water consumption is remaining static, this highlights that the consumption figures per property must be decreasing, as per the next table.

Table Seven - Average Consumption Per Connection- 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	194	188	174	171	187	158

The average per connection consumption figure for the six years in this table is 179 kilolitres. If the 2010/11 estimated figure is removed (as it is only an estimate) the revised average is 183.

For the purposes of financial modelling it may be appropriate to have minimal, if any growth, in total residential water consumption, albeit there must be a point at some time where a minimum threshold is reached,

In summing up there are a number of assumptions that can be applied in financial modelling the future annual charge and consumption income.

The key assumptions are:

- Residential connections - Table two highlights that average growth in the number of residential connections has been 0.93% in recent years and it is recommended that a figure of 0.9% be applied to Council's financial model
- Annual charge income from non-residential connections - Table four demonstrates that there is a strong correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council.

There also appears to be no steady increase in the number of non-residential connections, therefore the recommended assumption is to increase total non-residential revenue by the annual increase in Council charges

- Total water consumed - Tables five to seven highlight that there has been little, if any, growth in total water consumed across the shire in recent years. On this basis, a conservative approach would be to apply a no total growth assumption to Council's financial model.
- Water consumed at higher threshold - The other factor not mentioned to date is the amount of water consumed at the higher price threshold. Council's current pricing is based on the first 350 kilolitres being at one price and any consumption above that pays a 50% premium per kilolitre.

This approach is consistent with State Government guidelines.

4.2 Water Charges - Pricing Options - 2011/12

Based on historical trends approximately 8% of residential consumption is at the higher threshold and almost 70% of non-residential consumption.

For the purposes of financial modelling it is recommended that the 8% be retained, whereas the 70% could be gradually reduced to 50% during the next ten years.

The reason for this is that it is considered that major water users will have more opportunity to invest in water reduction measures as prices increase.

Operating Expenses

The figures presented to the February Finance Committee are as follows.

Table Eight - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	168,090	200,702	220,700	227,500	234,600	242,000	249,500
Admin & Customer Ser	442,135	352,470	484,100	399,500	412,300	425,600	439,000
Engineering & Tech	92,091	72,201	224,600	72,500	74,700	77,100	79,500
Purchase of Water	3,285,100	3,679,947	4,260,500	4,899,500	5,046,600	5,198,100	5,354,100
Energy Costs	26,153	31,446	36,200	33,000	33,400	34,800	36,400
Groundwater Bores	95,548	67,514	81,300	85,000	87,800	90,700	93,700
Reservoirs	82,099	64,191	62,400	64,500	66,500	68,500	70,600
Treatment Plants	42,913	69,192	72,000	74,000	76,300	78,700	81,200
Water Supply Mains	597,708	312,671	362,300	366,000	377,100	388,500	400,200
Water Supply Ops	453,008	833,859	874,400	903,000	926,300	940,400	969,200
Telemetry Operations	8,647	18,574	25,800	26,500	27,300	28,200	29,100
Miscellaneous	8,605	7,330	8,800	9,000	9,300	9,600	9,900
Conservation	4,580	1,570	5,700	6,000	6,200	6,400	6,600
Overheads Distributed	815,004	900,000	1,007,000	1,037,000	1,068,200	1,100,200	1,133,200
Interest On Loans	820	767	600	500	200	0	0
Total	6,122,501	6,612,434	7,726,400	8,203,500	8,446,800	8,688,800	8,952,200

Purchase of water is clearly the major cost for operating expenses with this figure ranging from 54% to 60% of the total. Rous Water County Council has been increasing the charge to constituent councils by 15% for the last four and 2011/12 is expected to be the last increase of this magnitude.

Rous is currently advising that from 2012/13 onwards the increase in this charge should be more in line with CPI.

Even though Rous has been working on a 15% increase, the contribution made by each council can vary, dependent on the movement of that council's water consumption compared to the other constituent councils. Ballina Council has now received advice that our increase for 2011/12 is 18.24% as per the following two tables.

Table Nine - Rous Council 2009/10 Consumption for 2010/11 Charges

Council	Kilolitres	% Total Sales	Cost @ \$1.1287 Cents / KI
Lismore	3,714,530	34.50	4,192,600
Byron	2,553,812	23.72	2,882,500
Richmond Valley	724,812	6.73	818,100
Ballina	3,772,556	35.04	4,258,100
Totals	10,765,710	100	12,151,300

Table Ten - Rous Council 2010/11 Consumption for 2011/12 Charges

Council	Kilolitres 2010/11	Trend %	% Sales	Cost @ \$1.4278 cents / Kl	% Change
Lismore	3,205,487	-13.70	32.75	4,576,800	9.16
Byron	2,462,994	-3.56	25.17	3,516,700	22.00
Richmond Valley	592,468	-18.26	6.05	845,900	3.40
Ballina	3,526,075	-6.53	36.03	5,034,600	18.24
Totals	9,787,024	-9.09	100.00	13,974,000	15.00

The Rous calculation looks at the trend for 2010/11 consumption (as per second table) and then divides that to equal the total revenue required (i.e. \$13.974 million). Based on these figures the increase for Ballina is 18.24% compared to the previous year (\$5,034,600 compared to \$4,258,100).

This again places further pressure on our operating result and this trend may well continue as Ballina's percentage of total consumption grows due to our overall faster growth rate compared to the other constituent councils.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$6.419 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$640,000 per annum with the maximum figure being \$858,000 and the lowest \$485,000.

Council is currently reviewing its Section 64 water and sewer plans and it is highly likely that the current contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for water \$3,200 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average future section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$700,000 p.a. compared to the current average of \$640,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The final capital income item is loan funding. Loan funding is always an option and a decision on whether capital expenditure needs to be financed from loans depends on issues such as;

- Availability of reserves
- Life of asset
- Beneficiaries from asset
- Availability to finance the interest and principal repayments

4.2 Water Charges - Pricing Options - 2011/12

Typically loan funding is the last option once Council determines whether other options such as reserves are available to finance the expenditure. In respect to capital expenditure the next table provides the works presented to the February Finance Committee meeting for 2010/11 to 2014/15.

**Table 11 - Capital Expenditure - 2010/11 to 2014/15
(February Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		1,750,000			
Reservoirs - Pacific Pines		2,317,000			
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster	70,000				
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster	180,000				
Pumping Stns - Pacific Pines Booster	110,000				
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1					
Water Mains WD19 Angels Bch - Stage 2					80,000
Water Main WD01 Ballina Hts Trunk					140,000
Water Main WD02 Ballina Hts Distribution				220,000	
Water Mains WM01 Reservoir Supply				80,000	
Nth Ball Pressure Zone Distn Area 1		990,000			
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1				300,000	
WD07 Pac Pines - Stage 1				100,000	
WD06 Pac Pines - Res Supply				70,000	
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2				150,000	
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,100	54,700
Water Mains Renewal Program	375,000	200,000	206,000	212,200	218,600
Telemetry Installation	79,000				
Generator	15,000				
Total	1,254,000	5,307,000	1,627,500	1,425,300	553,300

4.2 Water Charges - Pricing Options - 2011/12

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table 12 - Capital Expenditure - 2010/11 to 2014/15
(March Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		3,500,000			
Reservoirs - Pacific Pines					
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster			70,000		
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster			180,000		
Pumping Stns - Pacific Pines Booster			110,000		
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1			80,000		
Water Mains WD19 Angels Bch - Stage 2				140,000	
Water Main WD01 Ballina Hts Trunk			220,000		
Water Main WD02 Ballina Hts Distribution			80,000		
Water Mains WM01 Reservoir Supply		990,000			
Nth Ball Pressure Zone Distn Area 1					
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1			300,000		
WD07 Pac Pines - Stage 1			100,000		
WD06 Pac Pines - Res Supply			70,000		
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2			150,000		
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,000	54,600
Water Mains Renewal Program	375,000	400,000	500,000	515,000	530,500
Telemetry Installation	79,000				
Generator	15,000				
Total	894,000	4,940,000	3,281,500	948,000	645,100

4.2 Water Charges - Pricing Options - 2011/12

The one major item not shown in this table is the provision of a new reservoir near Ross Lane, which is scheduled for 2017/18, at a cost in excess of \$4 million. This item has a significant impact on the forward financial plan due to the magnitude of the expenditure required for the project.

The current review of the Section 64 contribution plans for Water and Sewer also involves a major review of future capital works. Once these plans are completed Council will have a further improved long term financial plan for capital works.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model.

The outcomes from that modelling are then effectively the cash forecasts for water, for the next ten years.

The information submitted to the February Finance Committee resulted in the following cash forecasts.

**Table 13 - Water Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,722	8,207	8,841	8,957	9,355	9,696	9,929	10,243	10,564	10,898	11,243
Operating Exps	7,726	8,203	8,446	8,688	8,952	9,223	9,502	9,790	10,067	10,393	10,708
Operating Result	(3)	3	395	269	403	473	427	453	477	505	535
% Change Fees	15.00	15.00	8.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00
Charge (20mm)	142	163	176	185	194	204	210	217	223	230	237
Price Per KL < 350	1.52	1.75	1.89	1.98	2.08	2.19	2.25	2.32	2.39	2.46	2.53
Price Per KL > 350	2.28	2.62	2.83	2.97	3.12	3.28	3.38	3.48	3.58	3.69	3.80
Capital Expenditure	1,254	5,308	1,627	1,425	553	2,761	300	408	308	317	328
Reserve Balances											
Water Reserves	2,871	2,217	2,041	1,123	1,170	624	707	791	878	966	1,056
Section 64 Conts	6,459	2,172	1,489	1,640	1,844	525	995	1,393	1,927	2,492	3,089
Total Reserves	9,330	4,389	3,531	2,764	3,015	1,150	1,702	2,184	2,805	3,458	4,145

Key features of this cash forecast are:

a) Operating Result - The result remains relatively poor as on a cash basis (i.e. depreciation has not been included). Council is only just making a cash surplus with this surplus not increasing to any great extent over the next ten years

b) Reserve Balances - Overall the level of reserves held remain relatively high, albeit that they dip during the period 2015/16 and 2016/17.

4.2 Water Charges - Pricing Options - 2011/12

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on fee increases of less than 10% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.9% for 2011/12, 8% for 2012/13 and then three years at 5%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.9%.
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections
- d) Assuming there is no net growth in total consumption. This results in the consumption per residential connection decreasing over time
- e) Developer contribution collections increasing from the traditional average of \$640,000 to \$700,000 in 2012/13
- f) Revised operating expenses based on the latest review of the current year, along with the increased purchase cost for water from Rous County Council.
- g) Revised capital expenditure as per Table 12 of this report.

The outcomes from that financial model are shown in the following table.

**Table 14 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,145	8,506	8,778	9,222	9,716	10,016	10,365	10,522	10,888	11,266
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(352)	(249)	(243)	(73)	138	147	196	(37)	11	62
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	156	169	177	186	195	201	207	213	220	226
Price Per KL < 350	1.52	1.67	1.80	1.89	1.99	2.09	2.15	2.22	2.28	2.35	2.42
Price Per KL > 350	2.28	2.51	2.71	2.84	2.98	3.13	3.23	3.32	3.42	3.53	3.63
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,682	1,637	1,461	1,420	1,386	1,477	732	1,325	1,961	2,644
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,508	2,118	2,233	2,786	2,799	3,506	828	1,457	2,107	2,782
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

4.2 Water Charges - Pricing Options - 2011/12

Points of note from this analysis are:

- a) This proposal, based on the assumptions applied, is financially feasible. However the operating surplus remains poor and limits our ability to respond to major variations.
- b) The last two rows highlight that average consumption decreases from 158 to 146 kls per connection. If total consumption increased this would improve the financial result.
- c) In this proposal \$1million in loan funding has been used to assist in financing the Ross Lane Reservoir upgrade in 2017/18. Without loan funds the reserves will be overdrawn. The loan interest repayments then result in a small deterioration in the operating surplus in 2018/19 onwards.
- d) The difference in charges in 2011/12 for a property using 200 kilolitres per annum is \$490 compared to \$513 based on the 15% increase, whereas for 150 kilolitres the difference is \$407 to \$426.

The first attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 14.

In looking at further options the use of 9.9% as a percentage increase was considered slightly unusual, therefore further modelling was carried out on 9%. The results from this option are shown in the next table.

**Table 15 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One A - 9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,085	8,437	8,701	9,138	9,624	9,915	10,256	10,405	10,760	11,127
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(413)	(318)	(320)	(157)	46	46	87	(154)	(117)	(77)
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	155	167	176	184	194	199	205	211	218	224
Price Per KL < 350	1.52	1.66	1.79	1.88	1.97	2.07	2.13	2.20	2.26	2.33	2.40
Price Per KL > 350	2.28	2.49	2.68	2.82	2.96	3.11	3.20	3.30	3.40	3.50	3.60
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,621	1,508	1,255	1,130	1,003	994	139	615	1,124	1,668
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,447	1,989	2,027	2,496	2,417	3,022	236	748	1,270	1,806
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

The results from this model are very similar to option one (9.9%), albeit that the major concern remains that the operating surplus under this model effectively remains in deficit for almost every year.

Further variations from 9.1% to 9.2% to 9.3% upwards to 9.9% were applied to the model and the conclusion drawn was that 9.9% was the minimum increase that should be contemplated for 2011/12.

4.2 Water Charges - Pricing Options - 2011/12

It should also be noted that a number of assumptions such as capital expenditure, operating expenses and the Rous Council contribution have been varied for this report, as compared to the February Finance Committee report, due to updated information.

To ensure a fair comparison to the February report it is also interesting to look at the flow on effects of continuing to apply a 15% increase for 2011/12, as this will allow Council to reduce the size of increases needed in future years.

For example, the next table highlights that by increasing the charges by 15% in 2011/12 we are able to reduce the future year charges to three years at 5% then CPI. The original model presented to the February Finance Committee, as per Table 13, was based on 8% followed by another three years at 5%.

**Table 16 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 15% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,485	8,663	8,953	9,416	9,749	10,051	10,402	10,501	10,869	11,254
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,479	10,799	11,128
Operating Result	(4)	(13)	(92)	(68)	121	172	182	233	22	71	125
% Change Fees	15.00%	15.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	163	171	180	189	195	201	207	213	219	226
Price Per KL < 350	1.52	1.75	1.84	1.93	2.02	2.08	2.15	2.21	2.28	2.35	2.42
Price Per KL > 350	2.28	2.62	2.75	2.89	3.04	3.13	3.22	3.32	3.42	3.52	3.62
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	3,021	2,134	2,133	2,285	2,284	2,411	702	1,376	2,096	2,868
Section 64 Concs	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,847	2,615	2,905	3,651	3,698	4,440	799	1,509	2,242	3,007
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

Loan funds are not needed under this model for the Ross Lane works in 2017/18. This model essentially highlights the benefits of compounding as future increases are based on higher prices.

The second attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 16.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report, different assumptions can result in substantially different outcomes, and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for water will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling.

The key drivers in the financial model are:

1. Water Annual Charge - Percentage increase per annum
2. Water Consumption Charge - Percentage increase per annum
3. Total Consumption - Consumption per connection and growth
4. Operating Expenses - Percentage increase per annum
5. Water Purchases - Percentage increase per annum from Rous Council
6. Section 64 contribution collection rate
7. Capital Expenditure

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years
- b) Implement a 9.9% increase. This is considered to be the minimum increase required, particularly when the Rous Council charges are increasing by in excess of 18%
- c) Implement an increase somewhere between 9.9% and 15%.

It is considered that all these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative, can be justified by the Rous Council increases, and has long term flow on effects as future price increases, on a percentage basis, will be lower.

The 9.9% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.9% and 15% benchmarks.

Also attached to this report are the two financial models for the 9.9% and 15% options. The first attachment is for the 9.9% and the second for the 15%.

Each attachment has eight pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances.

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between both options. The major change is the percentage increase in annual and consumption charges.

Page three - Operating Revenues and Expenses - This is a summary of the water operating budget.

Page four - Water Management - This is more detailed information on the water operating budget. The information from this page is then linked to the summary.

Page five - Water Operations - Similar to page four it provides more detailed information on items that make up the water operating budget.

Page six - Water Capital - Summary of major capital expenditure and funding.

Pages seven and eight - Loan Repayments - Provides details of loan repayments, if any are needed, and the loan repayment schedule.

The attachments are provided to assist in reviewing the information provided as part of this report.

Finally it is also recommended that Council adjust the current operating and capital budgets for the water program. The two attachments to this report have the updated figures for 2010/11 and these changes result in significant flow on benefits in future years. This is one of the major reasons that the 9.9% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

RECOMMENDATIONS

1. Option A

That Council, based on the information outlined in this report, endorses a 9.9% increase for water annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council endorses a 15% price increase for water annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for water based on the latest figures included in the two attachments to this report.

4.2 Water Charges - Pricing Options - 2011/12

Attachment(s)

1. Financial Plan - Option One - 9.9% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 15% increase in 2011/12 (separate attachment)

4.3 Sewer Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution arising from the February 2011 Finance Committee minutes asking for further examination of pricing options for Council's main sewer charges for 2011/12 onwards.

Background

Council considered a report on a possible sewer charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with 12% increases for the four year period 2012/13 to 2015/16. The actual resolution arising from that report, as adopted at the February Council meeting, was as follows:

- 1. That a dynamic model be developed and used to assess sewerage charges where 9.5% is set as the maximum increase per year and lower reserve balances are permitted.*
- 2. That the results of this model be presented at another workshop to assess the feasibility of the 9.5% lower reserve balances approach.*
- 3. A specific debt reduction and debt management strategy be developed to cover the entire life of the loans.*

Items to be covered include:-

- Getting best terms to begin with ie
 - Rate
 - Term
 - Ability to prepay in part or full
 - Tranche arrangements*
 - Managing reserve to prepay as much as possible, as early as possible*
 - Strong control of operating costs and cash flows.*
- 4. That a Debt Reduction & Debt Management Sub-Committee be formed to pursue all opportunities to achieve rapid paydown of sewerage debt. This sub-committee to be formed of 2 councillors, 3 staff and chaired by the General Manager.*

4.3 Sewer Charges - Pricing Options - 2011/12

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

This report follows a similar theme to the previous report on water charges in that we are dealing with financial models for our sewer operations and Council needs to determine the level of risk to be included in our pricing structures. In summary, lower prices mean there is an increased risk that we may not have sufficient funding for projects, whereas higher prices provide a greater buffer for variations.

As per the water financial model, for our sewer operations we need to review the major components of our sewer budget. Those components are operating revenues, operating expenses, capital income and capital expenditure and each of these items is now reviewed as follows.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	6,451,084	7,135,228	8,318,600	9,652,000	10,936,300	12,388,400	14,030,200
User Charges	691,616	808,758	770,900	870,500	963,000	1,066,300	1,181,600
Operating Grants	147,397	148,632	157,600	162,500	167,400	172,500	177,700
Fees & Fines	52,863	80,095	74,200	76,500	78,900	81,400	83,900
Other Revenues	217,987	285,384	268,600	276,500	284,900	293,600	302,500
Interest	1,019,492	4,168,858	814,200	591,000	438,100	214,100	103,200
Total	8,580,439	12,626,955	10,404,100	11,629,000	12,868,600	14,216,300	15,879,100

As per water, these figures highlight that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components.

Annual Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

4.3 Sewer Charges - Pricing Options - 2011/12

The next table provides an analysis of annual charge income from residential properties for the period 2005/06 to 2010/11. The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	360	360	400	440	480	550
Actual Income Collected	4,745,087	4,784,688	5,361,165	5,970,368	6,720,524	7,630,000
Number of Residential Services	13,181	13,291	13,403	13,569	14,001	13,873
Annual % Growth in Services	N/A	0.83%	0.84%	1.24%	3.18%	-0.92%

The average growth in residential services for this period is 1.04%. With the water financial model, it was assumed that residential services would grow at approximately 0.90% and this is considered to be a reasonable assumption to apply for sewer also.

In respect to non-residential properties the annual charge is based on the main size with the 2010/11 connection charges are as follows:

Table Three - Non-residential Connection Charges

Main Size	Charge (\$)
Not connected / minimum	415
20mm	415
25mm	645
32mm	1,060
40mm	1,655
50mm	2,585
65mm	4,370
80mm	6,620
100mm	10,340
150mm	23,265

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the annual Council increase in prices.

This information is outlined in the following table.

Table Four - Annual Charge Summary - Non-residential 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	547,886	578,812	676,990	748,680	685,544	975,000
% Change in Income		5.64%	16.96%	10.59%	-8.43%	42.22%
% Change in Annual Charges		0.00%	11.11%	10.00%	9.09%	14.58%

The average percentage change for income is 13.4% and 8.96% for changes in pricing. This table demonstrates that there is not a strong correlation between the change in total income collected and the increase in the annual charge each year, and there are also large variations in income.

4.3 Sewer Charges - Pricing Options - 2011/12

Based on this it can only be suggested that for modelling purposes that Council apply the percentage change in annual charges as the most reliable figure, without any growth factor included. This is the only recommended approach as there does not appear to be any other consistent information available for forecasting non-residential access charges over a longer period of time.

Consumption Charges

Non-residential properties also pay a sewer discharge fee based on their water consumption. The next table provides details on that income for year years.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Non-residential - Consumption \$	441,308	485,504	481,044	536,087	648,149	640,000
Annual % Change in Income		10.01%	-0.92%	11.44%	20.90%	-1.26%
Council Approved % Change		0.00%	11.11%	10.00%	9.09%	14.58%

Similar to the previous table there is very little correlation between the actual percentage change in income figures and the Council approved percentage change.

However it is interesting to note that the average percentage change in income received for the total period is 8.04% and the average change in prices for the total period is 8.96%.

Therefore it may well be reasonable to assume, for forward modelling purposes, that there is some correlation, in the longer term, between increases in prices and income.

In summing up the key assumptions that could be applied in financial modelling the future annual charge and consumption income for our sewer operations are:

- Residential connections - Table Two highlights that average growth in the number of residential connections has been 1.04% in recent years. This figure is close to the 0.90% applied to the water financial model and for consistency it is recommended that 0.90% be applied in both models for residential growth.
- Annual charge income from non-residential connections - Table Four demonstrates that there is little correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council. Despite there being little correlation this remains the recommended approach due to a lack of viable alternatives.
- Consumption for non-residential connections - Table Five highlights that there is some correlation between increases in income and increases in the consumption charge over time, and that basis it is recommended that a similar approach be applied to Council's financial model.

4.3 Sewer Charges - Pricing Options - 2011/12

Even though there is not a sound and tested method for forecasting non-residential income, both access charge and consumption, importantly the figures for residential access charge income are reasonably consistent. As residential income represents around 75% of the total income for sewer operations, it does mean we have a relatively high level of reliability in our forecasting income over time, as the non-residential income is a relatively small component of the total income budget.

Operating Expenses

The figures presented to the February Finance Committee were as follows.

Table Six - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	435,869	591,675	569,100	581,000	597,900	616,200	635,000
Admin & Customer Ser	471,681	431,517	460,300	475,000	490,000	505,200	521,100
Engineering & Tech	354,108	351,837	343,500	313,500	323,100	332,900	343,100
Energy Costs	550,864	643,313	718,500	679,500	693,400	707,700	729,300
Pumping Stations	1,283,047	1,916,270	1,778,000	1,776,000	1,811,800	1,848,400	1,904,300
Reuse Water Facilities	1,761,094	1,365,678	1,927,000	1,924,500	1,963,300	2,002,800	2,063,200
Mains Operations	808,466	821,505	640,000	857,000	874,200	891,700	918,500
Plans & Investigations	148,909	134,632	209,800	138,500	140,500	144,900	149,400
Donations and Legals	12,079	12,951	10,600	12,000	12,500	13,000	13,500
Conservation/Promotion	2,000	24,396	105,100	108,000	102,100	102,200	105,300
Telemetry Operations	10,537	32,551	51,000	62,000	63,300	64,600	66,600
Other Costs	138,185	189,538	204,200	198,000	202,300	206,400	212,500
Overheads	1,017,996	1,161,000	1,238,000	1,275,500	1,313,800	1,353,200	1,393,800
Interest on Loans	21,000	21,000	8,600	1,000,000	3,983,000	4,878,000	4,748,000
Total	7,015,835	7,697,863	8,263,700	9,400,500	12,571,200	13,667,200	13,803,600

There is no one major expenditure item that forms part of the overall operating expenses and the major change in recent times has been the increase in pumping station expenses and re-use facilities.

The level of expenditure across sewer operations has been reviewed in recent weeks and based on that review it is proposed to adjust the forward operating expenses as per the next table.

Table Seven - Revised Operating Expenses - 2011/12 to 2014/15

Description	February 2010/11	February 2011/12	Revised 2011/12	Revised 2012/13	Revised 2013/14	Revised 2014/15
Engineering Mgmt	569,100	581,000	581,000	598,000	615,000	632,000
Admin & Customer Ser	460,300	475,000	532,500	548,000	565,000	582,000
Engineering & Tech	343,500	313,500	300,000	310,000	320,000	330,000
Energy Costs	718,500	679,500	801,300	881,600	969,700	1,066,700
Pumping Stations	1,778,000	1,776,000	1,610,000	1,657,000	1,705,000	1,754,000
Reuse Water Facilities	1,927,000	1,924,500	1,977,000	2,037,000	2,098,000	2,160,000
Mains Operations	640,000	857,000	660,000	680,000	700,000	721,000
Plans & Investigations	209,800	138,500	65,000	67,000	69,000	71,000
Donations and Legals	10,600	12,000	12,000	12,000	12,000	12,000
Conservation/Promotion	105,100	108,000	100,000	103,000	106,000	109,000
Telemetry Operations	51,000	62,000	62,000	64,000	66,000	68,000
Other Costs	204,200	198,000	222,000	228,000	234,000	240,000
Overheads	1,238,000	1,275,500	1,302,000	1,341,000	1,381,000	1,422,000
Total	8,255,100	8,400,500	8,224,800	8,526,600	8,840,700	9,167,700

The revised figures show the adjusted budgets for 2011/12 onwards. In comparing the 2011/12 figures to the February report, there is a significant reduction in pumping station which results in the revised figures being actually less than the current 2010/11 budget.

Interest on loans has been left out as this is discussed in further detail later in this report.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$4.954 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$740,000 per annum with the maximum figure being \$1.1m and the lowest \$308,000.

As mentioned in the water report, Council is currently reviewing both its Section 64 plans for water and sewer and it is highly likely that the current sewer contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for sewer is \$8,000 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$800,000 p.a. compared to the current average of \$740,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The other major cash contribution that Council needs to consider is a contribution from Rous Council for the use of recycled water that displaces demands on the region's potable water supply. Rous has indicated their support for payments to Ballina Council for infrastructure we provide that contributes to the sources of water for the region.

The sewer program has an extensive recycling and re-use component (i.e. dual reticulation) and by providing this, at a significant cost to our community, Rous recognise that this is in fact saving the region the cost of new water infrastructure. Council's Civil Services Group has commenced discussions with Rous on this matter and it is considered that we will be in a position to collect funding from Rous in the not too distant future.

4.3 Sewer Charges - Pricing Options - 2011/12

There is some uncertainty over the level of funding we will be able to receive, however for the purposes of the sewer financial model it is recommended that we include \$200,000, commencing from the 2012/13 financial year. The \$200,000 is a relatively small contribution compared to the magnitude of expenditure being incurred by Council on this project and with the income being delayed until 2012/13 this provides over 12 months for Council to negotiate a suitable agreement with Rous.

The final capital income item is loan funding. As per the water report, loan funding is the final option once Council determines whether other financing options such as reserves and on-going operating surpluses are in a position to finance capital expenditure. It is fair to say that loan funds will be needed for sewer due to the scale of the capital expenditure program.

In respect to capital expenditure the next table provides the total value of works presented to the February Finance Committee meeting for 2010/11 to 2020/21.

**Table Eight - Capital Expenditure - 2010/11 to 2020/21
(February Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Funding Sources											
Section 64	4,950	588	968	434	0	1,091	0	0	0	0	0
Loans	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserves	2,894	4,132	2,398	275	273	1,082	290	298	317	317	326
Total	20,273	42,320	15,866	709	273	2,173	290	298	317	317	326

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table Nine - Capital Expenditure - 2010/11 to 2020/21
(March Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	14,847	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389

As the capital expenditure program includes numerous projects it has not been reproduced in this section of the report. However the attachments, which are the revised financial models, provide complete details of the expenditure program. The funding sources have also not been included as the type of funding allocated represents a major part of the financial modelling options.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model. The outcomes from that modelling are then effectively the cash forecasts for sewer, for the next ten years. The information submitted to the February Finance Committee resulted in the following cash forecasts.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table Ten - Sewer Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,629	12,869	14,216	15,879	17,887	18,572	19,388	20,272	21,215	22,221
Operating Exps	8,264	9,400	12,571	13,667	13,803	13,948	14,100	14,282	14,431	14,610	14,697
Operating Result	2,140	2,229	298	549	2,076	3,939	4,472	5,126	5,841	6,605	7,524
% Change Fees	15.00	15.00	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	633	708	793	889	995	1,025	1,056	1,088	1,120	1,154
Capital Expend	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Loan Principal	1,185	1,258	2,105	2,483	2,613	2,743	2,873	3,003	3,133	3,263	2,510
Loan Funds	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	10,219	6,990	2,709	435	(187)	(185)	1,021	2,703	4,910	7,691	12,080
Section 64 Conts	1,004	1,145	933	1,267	1,801	1,566	2,435	3,369	4,376	5,458	6,620
Total Reserves	11,223	8,135	3,642	1,702	1,614	1,381	3,456	6,072	9,286	13,149	18,700

Key features of this cash forecast are:

- a) Operating Result - The operating result is good, however it needs to be, to finance the capital expenditure and loan repayments.
- b) Reserve Balances - The level of reserves remain relatively sound, albeit that they dip during the period 2014/15 and 2015/16.

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on increases of 9.5% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.5% for 2011/12 and then four years at 12%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.5%
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections and consumption and multiplying the current income by the percentage increase in fees each year
- d) Developer contribution collections increasing from the traditional average of \$740,000 to \$800,000 in 2012/13
- e) Including a contribution from Rous Council of \$200,000 from 2012/13 onwards

4.3 Sewer Charges - Pricing Options - 2011/12

- f) Revised operating expenses based on the latest review of the current year and for 2011/12 as per Table Seven
- g) Revised capital expenditure as per Table Nine of this report
- h) Reducing existing reserves over more than one year to allow price increases to be implemented more gradually
- i) Using loan funds based on 20 year terms, at an interest rate of 8%. A longer loan term could be used, however from the analysis undertaken by staff, the difference between 20 and 25 years is minimal in respect to the annual cash flow, although the cumulative interest repayments are far higher.

The outcomes from this financial model are shown in the next table.

**Table 11 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.5% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	12,174	13,508	15,183	17,099	17,795	18,548	19,475	20,462	21,370
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,033	13,168	13,304	13,441	13,573	13,700
Operating Result	2,710	3,144	332	895	2,367	4,067	4,627	5,243	6,035	6,889	7,669
% Change Fees	15.00	9.50	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	675	755	846	948	976	1,005	1,036	1,067	1,099
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,519	2,643	2,775	2,919	3,074	2,255
Loan Funds	4,000	45,000	7,000	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,434	756	352	797	1,112	3,726	6,802	7,984	9,184
Section 64 Conts	1,340	291	69	188	321	261	847	1,609	2,435	3,331	4,299
Total Reserves	9,061	4,489	1,503	944	672	1,058	1,959	5,335	9,237	11,315	13,483

Points of note from this analysis are:

- a) Based on the assumptions applied, it is financially feasible and there are more than adequate reserves held during the next ten years.
- b) The annual charge increases to \$1,099 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting. The difference in the annual charge for a standard residential property under this model for 2011/12, as compared to the February Committee meeting is \$602 compared to \$633.
- c) A total of \$56 million in funding has been used to finance the capital expenditure program, with all these loans being used during the period 2010/11 to 2012/13.

One issue with this model is that loans are only used in the first few years, and all the remaining major capital works are funded from reserves and section 64 contributions. If loan funds are used for some of the later capital works the model can be revised again, with particular reference to future year's increase.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table 12 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 9.5% Increase and Increased Loans (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,918	14,170	15,625	16,246	16,952	17,695	18,484	19,181
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,129	13,366	13,658	13,785	13,910	14,027
Operating Result	2,710	3,144	75	305	1,354	2,496	2,880	3,294	3,910	4,575	5,154
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,545	2,699	2,879	3,033	3,195	2,386
Loan Funds	4,000	45,000	7,000	0	1,200	1,300	2,000	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,177	92	9	44	577	1,160	2,021	1,652	1,221
Section 64 Conts	1,340	291	69	4	14	86	661	1,412	2,226	2,250	2,268
Total Reserves	9,061	4,489	1,245	97	23	130	1,238	2,571	4,248	3,902	3,488

Key changes with this analysis are:

- Annual charge and consumption price increases of 9.5% applied for the five year period from 2011/12 to 2015/16
- The annual charge increases to \$1,009 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting and \$1,099 in option one.
- Based on the assumptions applied, it is still financially feasible, although the reserve balances are very low during the period 2013/14 to 2015/16.
- A total of \$60.5 million (\$4.5 million more than option one) in funding has been used to finance the capital expenditure program.

Based on these outcomes this is a viable financial option, subject to whether Council feels comfortable with the assumptions applied.

In reviewing the assumptions, the one that has the highest risk is the Rous Council contribution from 2012/13 onwards, as this is outside Ballina Council's control.

The next table provides a revised cash forecast with that contribution removed.

**Table 13 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Three - 9.5% Increase and no Rous Contribution (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,966	14,202	15,640	16,243	16,929	17,651	18,418	19,093
Operating Exps	7,695	7,964	11,842	12,693	12,895	13,205	13,441	13,730	13,855	13,977	14,091
Operating Result	2,710	3,144	75	273	1,308	2,435	2,802	3,199	3,796	4,442	5,002
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,323	2,431	2,571	2,726	2,909	3,065	3,230	2,424
Loan Funds	4,000	45,000	8,000	0	1,200	1,300	2,000	0	0	0	0

4.3 Sewer Charges - Pricing Options - 2011/12

Reserve Balances											
Sewer Reserves	7,721	4,198	1,977	632	267	51	260	494	1,814	1,138	378
Section 64 Conts	1,340	291	69	4	14	31	604	1,350	1,326	1,295	1,256
Total Reserves	9,061	4,489	2,045	637	281	83	864	1,844	3,140	2,434	1,634

The results from this model are very similar to option two, with the main difference being that additional loan funds of \$1m are required in 2012/13 to ensure the reserves remain in the black.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report different assumptions can result in substantially different outcomes and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for sewer will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling. The key drivers in the financial model are:

1. Sewer Annual Charge - Percentage increase per annum
2. Residential Connections - Growth per annum
3. Sewer Usage Charge - Percentage increase per annum
4. Operating Expenses - Percentage increase per annum
5. Section 64 contribution collection rate
6. Capital Expenditure
7. Rous Contribution

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years and provides a large buffer for Council
- b) Implement a 9.5% increase for 2011/12. Based on the modelling undertaken this is considered to be the minimum increase required based on the extensive capital works and loan borrowing program Council is about to commence.
- c) Implement an increase somewhere between 9.5% and 15%.

All these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative and has long term flow on effects.

The 9.5% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.5% and 15% benchmarks.

Also attached to this report are the three financial models considered in this report being 9.5%, 9.5% with increased loans and 9.5% with no contribution from Rous options. The attachments are included in that order.

Each attachment has ten pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between the options

Page three - Operating Revenues and Expenses - This is a summary of the sewer operating budget

Page four - Sewer Management - This is more detailed information on the sewer operating budget. The information from this page is then linked to the summary

Page five - Sewer Operations - Similar to page four it provides more detailed information on items that make up the water operating budget

Pages six to eight - Sewer Capital - Summary of major capital expenditure and funding

Pages nine and ten - Loan Repayments and Repayment Schedule - Provides details of loan repayments

The attachments are provided to assist in reviewing the information provided as part of this report.

It is also recommended that Council adjust the current operating and capital budgets for the sewer program. Each of the three attachments has the updated figures for 2010/11 and these changes then result in significant flow on benefits in future years.

This is one of the major reasons that the 9.5% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

Finally, the minimum loan commitment that is considered viable is \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13. It is recommended that Council now call tenders for these funds.

Council has already engaged a specialist company to source call tenders for these loans and to review the responses. The outcomes from that tender process will then be submitted to Council for further evaluation.

The tender report will also allow Council to consider points three and four of the original resolution (i.e. debt reduction strategy etc) as that report will canvass the range of loan options available.

RECOMMENDATIONS

1. Option A

That Council endorses a 15% price increase for sewer annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council, based on the information outlined in this report, endorses a 9.5% increase for sewer annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for sewer based on the latest figures included in the attachments to this report.
3. That Council approves the calling of expressions of interest / tenders for loan funds of \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13 to assist with the financing of the sewer capital works program.

Attachment(s)

1. Financial Plan - Option One - 9.5% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 9.5% increase in 2011/12 with increased loans (separate attachment)
3. Financial Plan - Option Three - 9.5% increase and no Rous Council contributions (separate attachment)

4.4 Fees and Charges - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	This report summarises the proposed 2011/12 fees and charges. The objective of the report is to obtain Council approval to exhibit the draft fees for public comment.

Background

A key element of Council's activities is the raising of fees and charges to pay for the provision of works and services. A listing of all fees and charges is prepared annually and advertised for public comment as part of the draft Operational Plan.

A copy of the draft fees and charges document is included as an attachment to this business paper.

Council must establish pricing categories with the charging structure set to meet the nature of the service.

Council's adopted categories are:

- Business/Commercial - Fee set in accordance with the market
- Full cost recovery - Fees set to recover the full cost of the service
- Partial cost pricing - Fees set at what Council considers is a reasonable cost for the user to bear. The balance of the necessary funds is then sourced from general revenue
- Rate of return - The price is established to make a contribution towards the cost of providing the infrastructure
- Fixed by legislation - Fees set by legislation

The attached document is divided into the major functional areas of Council being the General Managers, Civil Services, Strategic Services and Regulatory Services Groups.

Key Issues

- Variations in fees
- Opportunities to recover the cost of Council services
- Affordability
- Reasonableness

Information

The fees document is extensive therefore the information provided relates only to fees where increases are well beyond CPI or new fees are proposed.

Commercial use of Council footpaths

At the August 2010 Ordinary meeting Council adopted a new policy for the management of the Commercial Use of Footpaths (i.e. alfresco dining, footpath displays).

A primary objective of this policy was to simplify the approval process and to encourage the use of the footpaths, subject to strict operating conditions.

In summary the policy ensured that a development consent process was no longer needed to obtain approval and the application is now based on operators seeking a Council approval under the Roads Act. The former development consent process required a number of application fees, along with the possibility that section 94 car parking contributions may be levied.

In adopting the revised policy Council also endorsed a pricing approach based on the value of the land multiplied by the square metres being used. This superseded the previous approach, which was based on a per chair price.

The square metre method improves compliance, as the approved area is clearly identified by the use of footpath markers. It is then a matter for the operators to determine how many chairs and seats are placed in that area.

The recommended pricing for the square metre rates, as per the August 2010 report, has been included in the draft fees and charges. The price was determined using an independent valuer providing a figure that aligned with a reasonable return on the land value. The actual fee proposed is 50% of the valuer's recommendation. Those prices are as follows

<u>Ballina:</u>	
Area A River St - Martin St to Cherry St	28.13/m ²
Area B River St - Cherry St to Moon St	43.13/m ²
Area C River St - Moon St to Grant St	24.38/m ²
Area D River St - Grant St to Kerr St	21.88/m ²
Area E Tamar St - Martin St to Cherry St	20.63/m ²
Area F Tamar St - Cherry St to Moon St	21.88/m ²
Area G Tamar St - Moon St to Grant St	19.38/m ²
Area H Tamar St - Grant St to Kerr St	16.88/m ²
Area I Cherry St - River St to Tamar St	28.13/m ²
Area J Moon St - Fawcett St to River St	30.63/m ²
Area K Moon St - River St to Tamar St	28.13/m ²
<u>Lennox Head:</u>	
North Precinct - 65-98 Byron St	55.63/m ²
South Precinct - 51-64 Byron St	38.13/m ²
<u>Alstonville:</u>	13.13/m ²
<u>All Other Areas</u>	Based on % of land value

4.4 Fees and Charges - 2011/12

The 2010/11 pricing is \$60 per chair.

Council's property staff have been having on-going discussions with existing operators regarding the new pricing structure and approval process and the feedback appears to be that operators accept that the approvals are more streamlined and the pricing is fair.

The only objections that have come to date are from some Lennox Head representatives who are of the opinion that all pricing should be the same.

Council has never enforced the commercial use of footpath licensing conditions in Lennox Head therefore any existing operators will now be required to obtain approval, comply with the conditions and pay the appropriate fees.

The lack of compliance in Lennox Head has effectively been a de facto policy of Council as under the previous development consent regime it was virtually impossible to obtain a planning approval, due to the narrow width of the footpath in many areas of Lennox Head.

The new policy has allowed operators to overcome many of those former planning constraints.

Refer to page 7 of the attachment for the fees and charges.

Airport fees and charges

Landing charges for airport based businesses are proposed to have a new scale.

Charge	2010/11	2011/12
Aircraft under 1,000kg	2,143	735/1000kg
Aircraft 1,000 to 2000kg	3,215	735/1000kg
Aircraft 2,000 to 5,000kg	8,255	735/1000kg
Aircraft greater than 5,000kg	12,200	735/1000kg

The 2010/11 charges allowed owners to have up to three planes. Hence owners with one plane paid the same fee as those with three planes. The new structure rationalises the approach.

Refer to page 8 of the attachment for further information.

Airport based private aircraft

New fee for aircraft parked in lease area which varies from \$40 per month to \$350 per annum

Fee to replace existing landing fee for airport based aircraft. This is a common practice in airports that is preferable to both parties over the current practice of charging per landing.

Refer to page 8 of the attachment.

Airport car parking

Fee for under 1 hour is unchanged, 1 to 2 hours increased from \$2 to \$4, day parking increased from \$6 to \$8 and overnight from \$12 to \$14.

New fees for long term parking ranging from \$14 per night to \$42 for three nights

Parking fees adjusted to meet the market. Also price changed to time of purchase.

Refer to page 8 of the attachment.

Trade waste usage charges

Increases to charges in excess of CPI

Fees increased to be closer to NSW Office of Water recommended levels. The Office of Water issues the best practice guidelines for the State which councils are encouraged to adopt. Ballina Council's charges have been well below recommended levels for some time and this was done to allow the program to be introduced and accepted.

The proposed fees are still only at the 2007/08 recommended level as it is considered that the best practice fees are overly onerous.

Refer to pages 10-11 of the attachment.

Construction and demolition waste

Construction and Demolition waste \$196/tonne to \$220/tonne.

Council considered charges for the Landfill centre at the February Finance Committee meeting and it was resolved, with certain exceptions, to increase most gate fees by 3%.

However, Construction and Demolition waste is trucked to Queensland for disposal. Queensland has introduced a new levy of \$35 per tonne for all buried waste which Council must pay. Hence it is proposed to pass some of this increase on to the public.

Refer to page 13 of the attachment.

Council has also recently resolved to review the structure of certain waste fees to encourage recycling. A more detailed report on that issue will be submitted to the April Finance Committee meeting by the Civil Services Group.

Road naming fee

New fee of \$300

Fee introduced to meet cost of advertising in local paper and government gazette.

Refer to page 15 of the attachment.

Bus shelter advertising

Increase to fees

- Bus shelters 6 months	\$620 to \$750
- bus shelters 12 months	\$1,240 to \$1,500
- J poles 6 months	\$260 to \$350
- J poles 12 months	\$520 to \$630

Fees increased to more correctly reflect market value. These fees only relate to those structures that are not included in the current advertising and maintenance contract.

Refer to page 16 of the attachment.

Ferry fees

Fees Increased by 4.7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 17 of the attachment.

Cemetery fees

Fees have been simplified and some new fees added. New fees such as 'present at time of placement of ashes' and 'transfer of right of burial' are as presented in the draft cemetery policy, which will be considered at the March Council meeting. Also a new section has been added to the fees and charges document that reflects existing practice in respect to War Grave Plaques.

Refer to page 19 of the attachment.

Building certificate - copy

New fee of \$10

New fee provided for by legislation. However the amount of the fee is up to Council.

Refer to page 23 of the attachment.

Amended construction certificate

New fee of \$50 for minor amendments and \$150 for more significant section 96 amendments.

Council has provided this service at no cost to the applicant. It can be a time consuming and complicated process and the fee reflects the cost of the work.

Refer to page 24 of the attachment.

Non complying development - dwelling

Fee increased from \$1,390 to \$1,450

Increase in costs reflects true cost of providing the service. Council must also be conscious of the fact that this is a competitive field and we must not subsidise the process.

Refer to page 24 of the attachment.

NSW Government SEPP charges

Fees increased by varying percentages up to 15%

Fee increases are to bring these charges into line with other council fees such as the development application fee. There is also a new regulation in respect to these approvals which has included some new fees such as bed and breakfast and demolition application/inspection fees.

Refer to page 25 and 26 of the attachment.

Rural fire service

New fee for depot assessment \$300

This is a new fee due to amended legislation that requires council staff or private certifiers to complete the assessment.

Refer to page 27 of the attachment.

Swimming pool compliance

Fees increased from \$50 to \$70 for compliance certificate and fencing exemption

Fee prescribed by new legislation.

Refer to page 27 of the attachment.

Septic tank (OSSM)

Fees increased by 7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 29 of the attachment.

Food inspections / water carters

Fees increased by varying amounts from Nil to 20%

At this same meeting last year Council considered a report that advised that we had accepted responsibility to undertake, in lieu of the NSW Food Authority, its food surveillance role and to report on performance annually. Part of this agreement includes increasing the frequency of inspections to twice per year.

Council is currently performing one inspection and a strategy was put in place to increase Ballina's fees over several years that would generate sufficient return to enable the biannual inspection.

Refer to page 31 of the attachment.

Market inspections

Fees increased by 11%

Fee increase more accurately reflects cost to provide the service.

Refer to page 31 of the attachment.

Public pool water quality test

New fee of \$70 for 1- 2 pools or spas and \$115 for greater than 3

This service has been provided in the past at no charge. The fee reflects part of the cost of performing the service. It is proposed to graduate this fee up over the next few years.

Refer to page 31 of the attachment.

Micro-chipping of animals

New fee of \$40

Council rangers are to be trained to microchip animals as it is now required that impounded animals be micro chipped and registered prior to being returned to the owner. The new fee is to meet Council's costs for performing this service.

Refer to page 30 of the attachment.

Planning proposals

Revised fees to reflect new process to manage planning proposals;

Commencement fee \$2,500

Minor amendment \$2,500

Major amendment \$5,000

DCP amendment \$1,500

Fees charged at cost for studies and processing.

4.4 Fees and Charges - 2011/12

Council previously charged a fee of \$1,400 as an initial fee to cover the cost of processing rezoning fees and amendments to the development control plan. The new LEP means that terminology and processes have changed and accordingly a new fee structure is proposed.

Refer to page 39 of the attachment.

Lennox Head Community Centre

New fees for operation of the centre

Council considered these fees as part of the February Finance committee. The fees are currently on exhibition.

Refer to page 40 of the attachment.

Flat Rock Tent Park

Council's property section has also asked Council to consider amending the existing refund procedures for the tent park. The proposed procedures are as follows:

Refund

Refunds of deposits and fees paid are available from Flat Rock Tent Park under certain circumstances:

Peak Period Bookings

Where at least 28 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within 12 months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 28 days written notice has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

If site is rebooked then Options A and B are applicable.

If site is not rebooked, no refund is applicable.

Off Peak and Shoulder Period Bookings

Where at least 7 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within twelve months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 7 days written notice of cancellation has been given, a cancellation fee of the first nights accommodation will apply. Other amounts deposited above the first nights accommodation will be refunded either via cash, cheque or credit card upon a written application by the guest.

4.4 Fees and Charges - 2011/12

NOTIFICATION FOR BOOKINGS CANCELLED WITHIN 24 HOURS OF BEING DUE TO ARRIVE WILL FORFEIT FULL DEPOSIT

General

- *Should people vacate a site early due to weather conditions no refund is to be given.*
- *Tariffs and deposits are not refundable if your stay is cut short.*
- *Booked sites will only be held for 24 hours from booked time of arrival, unless otherwise arranged.*

Severe Weather

In the event of severe weather, if deemed so by Council, no refunds apply. Guests may apply, in writing, for the following option depending on which circumstances applies:

- *Full Cancellation Prior to Arrival - a full credit will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*
- *Remaining stay cancellation - a credit of the remaining amount of the guest's nights left on the reservation will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*

The proposed changes are marked in red.

The major difference with this is to better manage late cancellations due to unforeseen circumstances as the contractors are having difficulties managing credits and cancellations at the last moment.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. Council needs to be satisfied that the proposed fees and charges also meet the requirements, as per the established pricing categories.

Consultation

This report has been prepared following consultation with staff across Council's entire operations. Once approved the draft document will be exhibited for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or amend the proposed 2011/12 fees and charges.

RECOMMENDATIONS

1. That Council approves the draft schedule of fees and charges for inclusion in the draft 2011/12 Operational Plan, as attached to this report, including any adjustments resulting from this meeting.
2. That Council approves the amended Refund Procedures for the Flat Rock Tent Park, as outlined within this report.

Attachment(s)

1. Draft Fees and Charges – 2011/12 (separate attachment)

4.5 General Fund - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To obtain Council approval to advertise the draft operating budget for public comment.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's recurrent programs (eg parks, roads, planning etc) with any surplus on operations then financing Council's capital works program and loan debt.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 operating budget. The complete draft budget is included as a separate attachment to this business paper.

Key Issues

- Allocation of resources and services provided

Information

The Council structure provides for four groups (Strategic, Regulatory, Civil and General Manager) within which 30 main programs are delivered. The budget is structured around these programs. In preparing the draft budget the main assumptions applied have been:

- Rate pegging increase – 6.1%
- Financial Assistance Grant (FAG) increase – 2.5%
- Interest rate for investments – 5.8% and a declining portfolio
- Interest rate for loans – 8%
- CPI – 3%
- Salary movements – 2.15%

Whilst the budget assumes a CPI increase of 3%, in many instances expenditure budgets have been increased by an amount less than 3%. This is because our internal labour oncost rates have fallen by 1% due to reduced superannuation costs. The reduced superannuation is based on advice from the Local Government Superannuation Board confirming that Council's contribution for members in the defined benefits scheme will be reduced in 2011/12. Even though there is a reduction, this figure is still extremely high and well above historical trends.

4.5 General Fund - Operating Budget - 2011/12

The operating result is a primary financial benchmark for any entity. It determines whether you have, or have not, had a surplus of operating income over expense and if a cash operating deficit is recorded on a regular basis the entity is not sustainable in the long term.

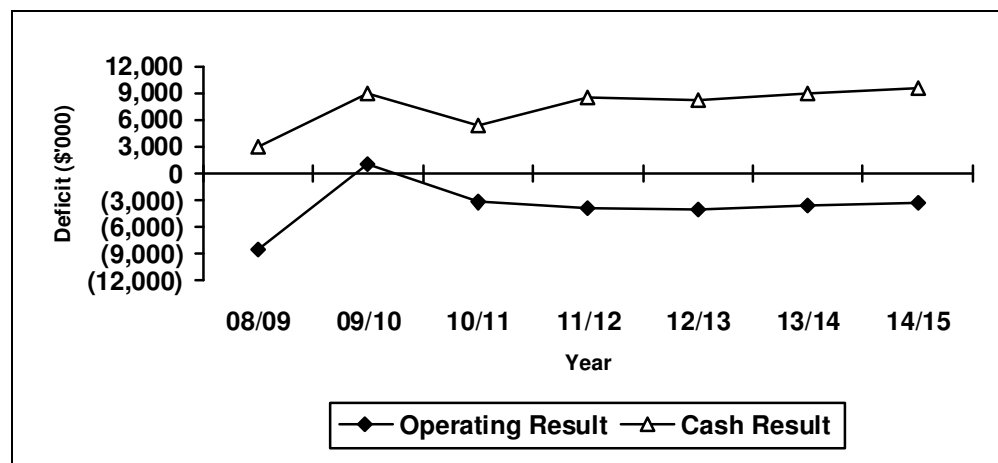
Council's General Fund aims to generate a significant cash surplus annually that enables an adequate level of capital investment (both new and replacement) to take place. Given that the General Fund is restricted by rate pegging it is a difficult task to achieve a surplus that enables all capital works desired by the community. Therefore Council must establish priorities between maintaining existing assets / services and providing new or extended services when formulating the budget.

The operating result must also include depreciation, which accounts for the fall in the service potential of an asset during the financial year. In an ideal world Council would be making sufficient surpluses to fund depreciation and then some, to pay for new assets and services.

The following chart summarises the net General Fund operating results (inclusive and exclusive of depreciation) for the period from 2008/09 to 2014/15. The first two years reflect actual results whilst the rest are forecast. The chart indicates that there was a strong improvement from 2008/09 to 2009/10 and this is partly to do with 'accounting' adjustments between the years relating to the value of investments. Nevertheless the 2009/10 result does reflect a much improved outcome in comparison to the previous year and to some extent reflects policies put in place under Council's "get well" strategy. This strategy included a number of increases to the ordinary rate that is in excess of the rate pegging maximum.

Looking forward the forecast is for operating losses inclusive of depreciation. The extent of the loss is significantly influenced by an increase of some \$3.7 million in depreciation between 2010/11 and 2011/12. This is due to the revaluation of stormwater and roads infrastructure. Exclusive of depreciation the forecast is for a gradual increase in the surplus with approximately \$8.5 to \$9 million being available in discretionary funds to replace existing assets and provide new works or services.

Table One - General Fund Operating Results – 2008/09 to 2014/15



Council has held strong cash reserves for a number of years which are now in the process of being converted into assets. This is a concern in the sense that we need to generate an even bigger surplus to fund maintenance and operation of these new assets. A prime example is the new Lennox Head Community Centre that is forecast to run at a deficit of approximately \$165,000, without providing for future refurbishment.

The reduction to cash on hand also inhibits our ability to cope with an unforeseen negative event.

General Fund – Summary

The draft General Fund budget is showing a working capital deficit of approximately \$198,000. This has, as usual, proven to be a very difficult budget to try and bring close to a break even point.

Contributing issues include:

- new assets to operate and maintain such as the Lennox Head Community Centre
- Regulatory Services legal expenses have been increased by \$75,000 to \$275,000 which is higher than would normally be the case at the start of the year. This figure may well prove too low, which means, as in recent years, the property reserves will be needed to balance the budget
- Additional staff expense with respect to the new ranger position which was funded for six months in the 2010/11 budget and now must be funded in full for 2011/12 onwards.
- Increased lease costs with respect to computers and other technology such as photocopiers estimated at \$60,000 extra.

On a positive note the superannuation expense in relation to the defined benefits scheme has fallen by approximately \$200,000 in comparison to last year.

Expenditure budgets of interest include:

- Salary/wage expenses are forecast to increase with an award based increment of 2.15%. The award increase has been adjusted such that it now applies from 1 July as opposed to 1 November. The total 52 week General Fund wages expense, exclusive of overtime, allowances and contract staff is estimated to be in the order of \$13.5 million.
- Workers compensation insurance is estimated to be \$620,000. This estimate is actually \$20,000 less than the current year however it is a substantial increase from recent years of \$393,000 in 2008/09 and \$436,000 in 2009/10.
- Public liability insurance is estimated to be \$530,000

4.5 General Fund - Operating Budget - 2011/12

- Superannuation expense is forecast to be approximately \$1.95 million. This includes expense for the current scheme of \$1,072,000 and the defined benefits scheme of \$878,000. The contribution rate in respect of the defined benefits scheme is still greater than the original scheme rates however it is substantially less than last year.
- The cash budget for employee leave entitlements has been set at \$1.8 million. This relates to long service leave, annual leave and sick leave. In addition there is a transfer to reserve of \$50,000 to provide for the accrued leave liability; i.e. leave accrued but not taken.

As at the start of this financial year the leave liability stood at \$7.3 million with a cash reserve to meet this debt of \$1.95 million. This means that, at that time, the liability was 27% funded, which is considered satisfactory.

Council also has in the order of 49 staff members who are at, or over, the retirement age. This means that over the next few years the reserve will be called on to pay out a significant amount of leave accrued.

Based on calculations on the growth in the leave liability the transfer to reserve should be more like \$150,000 rather than \$50,000. Given the working funds position this is not possible however it is a situation that must be closely watched and where possible Council should look to place cash into the reserve.

- Internal overheads distributed to various sections of the budget amount to \$3.9 million. This process distributes costs for insurances, leave entitlements and administration to various sections of the budget so that their expenses more accurately reflect true costs
- Total loan repayments are forecast to be \$3.5 million which is an increase of some \$500,000 on the 2010/11 financial year. Additional loans relate to the airport and the Wollongbar Link Road. These should be funded by airport reserves and Section 94 contributions.

Income budgets of interest include:

- Income from the investment portfolio that is applied to general revenue is estimated to return \$750,000. This assumes that the reserve balance will fall and the interest rate will remain reasonably steady. General Fund reserves are being applied to major projects such as the town centre upgrades, coastguard tower, surf club, Skennars Head sports fields, Wollongbar sports fields and coastal cycleway.
- The Financial Assistance Grant is estimated to provide 2.5% more than the current year, with total income estimated at \$3.4 million. This grant is not predictable, as at times the grant amount has actually reduced from one year to another. However an optimistic outlook has been taken.
- Income from rates, based on a 6.1% increase, is estimated at \$15.4 million. The 'additional income' beyond a cost of living increase is included in the budget as is the offsetting expenditure, which is as follows:

4.5 General Fund - Operating Budget - 2011/12

Description	Amount
Roads New works	300,000
Roads Reconstruction	50,000
Buildings and Facilities	65,000

This allocation is consistent with Council's Ministerial approval for the 6.1% increase.

The Roads New Works monies will be used to finance Section 94 related works.

The Roads Reconstruction monies form part of Council's total capital reconstruction works, whereas the buildings and facilities monies now provides a recurrent budget of \$200,000 that can be used on community buildings and facilities.

For further information on these items refer to the next report in this agenda, which details the recurrent capital works programs for 2011/12.

- Private works income is forecast to be \$825,000 with expense of \$750,000. This assumes an approximate 10% surplus. This budget is difficult to predict and varies considerably from year to year
- Tuckombil quarry royalties are estimated to return, net of expenses, \$268,000 with a dividend to the General Fund of \$100,000
- Rental returns from commercial properties are estimated at \$2.3 million with the property portfolio providing a dividend to Council of \$300,000

In summary this has been a typically difficult General Fund budget to try and achieve even a reasonably small deficit. Therefore it is imperative that caution is shown prior to approving new expenses that do not have their own funding source.

Alternatively, if new items are added existing works will need to be deleted.

General Fund - Cash Result

The 2011/12 budget, as presented, assumes that Council wishes to provide the same mix of services and programs as per the current year.

Based on these assumptions the cash result, on a working fund basis (i.e. working capital basis - net unrestricted cash), for 2011/12, as compared to the original estimated 2010/11 result, is as per table two.

The information is shown on a program by program basis as this highlights the cost (occasionally there is a program that generates a surplus) of these programs to the community.

Please note that the 2010/11 column shows the budget as at the commencement of the financial year, not as at the latest quarterly review (i.e. December).

This is considered to be a fairer comparison as it allows Council to assess the cash movements from the start of one financial year to another.

Table Two - Net Working Capital Result by Program

Description	2010/11 Budget Surplus / (Deficit)	2011/12 Budget Surplus / (Deficit)	Variation Improve / (Worsen)	Variation %
Strategic and Community Services Group				
Strategic Planning	(877)	(937)	(60)	7
Community Services	(351)	(624)	(273)	78
Sub Total	(1,228)	(1,561)	(333)	27
Regulatory Services Group				
Development Services	(856)	(1,089)	(233)	27
Building Services	58	77	19	33
Environmental Health	(479)	(489)	(10)	2
Administration & Public Order	(863)	(943)	(80)	9
Sub Total	(2,140)	(2,444)	(304)	14
Civil Services Group				
Engineering Management	(2,470)	(2,482)	(12)	0
Stormwater/Environmental	(674)	(686)	(12)	2
Roads and Bridges	(4,663)	(4,907)	(244)	5
Ancillary Transport	(1,711)	(1,466)	245	14
RTA	0	0	0	0
Open Spaces and Reserves	(3,165)	(3,015)	150	5
Fleet Management	0	0	0	0
Rural Fire Service	(192)	(187)	5	3
Quarries and Sandpit	100	100	0	0
Swimming Pools	(402)	(393)	9	2
Landfill & Resource Recovery	0	0	0	0
Waste - Domestic	0	0	0	0
Water Services	0	0	0	0
Sewer Supplies	0	0	0	0
Sub total	(13,177)	(13,036)	141	1
General Manager's Group				
Governance	(904)	(968)	(64)	7
Administrative Services	(853)	(879)	(26)	3
Financial Services	20,881	22,317	1,436	7
Library Services	(1,141)	(1,177)	(36)	3
Information Services	(1,191)	(1,317)	(126)	11
Human Resources and Risk	(522)	(770)	(248)	48
Communication and Tourism	(535)	(663)	(128)	24
Property Management	406	300	(106)	26
Caravan Parks	236	0	(236)	100
Airport	0	0	0	0
Sub Total	16,377	16,843	466	3
Total	(168)	(198)	(30)	18

It is important to note that the self funded programs are shown as a nil cost, as income and expenses are matched against reserve movements.

Brief comments on the programs are as follows.

Strategic and Community Services Group

Strategic Services

The Strategic Services budget represents a continuation of existing services with staff levels and recurrent expense forecast to be similar to 2010/11. The budget makes provision for a continuation of funding to complete the LEP revision, additional planning studies and heritage programs.

The increased deficit, above CPI, from 2010/11 to 2011/12 relates to the transfer of funding for economic development programs from the Commercial Services Unit, as per a report to Council during 2010/11.

Community Services

The Community Services program incorporates the Wardell Community Space, Ballina Community Services Centre, Lennox Head Community Centre (LHCC), Alstonville Leisure and Entertainment Centre (ALEC), Richmond Room, the Community Gallery and other community services.

Similar to Strategic Services this program shows a far higher deficit as items such as ALEC, LHCC and the Richmond Room were not part of this budget at the start of 2010/11. With the employment of a dedicated centre manager for the Ballina Community Services and Wardell Community Centres all of these properties are now located in the one program.

Regulatory Services Group

Development Services

Income is forecast to fall by \$65,000 in comparison to last year which is on the back of poor returns this financial year. Legal costs have been increased by \$75,000, again due to experiences in recent years.

Building Services

No significant changes forecast. A small incline in income has been anticipated which would continue trends over recent years. Most areas of building services are subject to competition with private certifiers and it is important that fees are not artificially low through subsidisation. Hence a pro active approach has been taken to fees which have again been increased to meet the market.

Environmental Health

The budget proposes a continuation of services such as the on site sewerage management program, water testing and inspection of commercial premises. There are only incremental changes in comparison to the previous year.

Administration and Public Order

Income is forecast to be quite similar to the current year. Expenses have risen due to increased staff costs with the inclusion of one full time ranger, as compared to only six months being provided during 2010/11.

Civil Services Group

Asset Management

This section of the budget includes Civil Services internal staff. The budget movement is slightly distorted as one staff member has been transferred from Civil to Human resources to better co-ordinate risk management tasks

Roads and Bridges

The comparison shown in table two highlights growth in the net cost of services provided. This is primarily due to the additional resources being applied to this area funded by the special rate variation.

Ancillary Transport

The net decrease to cost in this area is due to the fact that at the start of the 2010/11 year loan repayments relating to previous upgrades of the Ballina town centre were shown as an expense in ancillary services. However the transfer from reserve (income relevant to the repayments) was shown in property services. Hence the original 2010/11 budget showed a distorted position in that income was in one area and expense in another. This situation has been corrected and therefore the 2011/12 position 'appears' to be better in comparison.

Open Spaces and Reserves

Despite the reduction to forecast expense shown in table two all services will remain similar to the current year. Reduced costs are attributable to a relocation of income paid by the crown in respect to crown parks of \$205,000. This income was previously located in property services however given the disposal of the crown parks the expenditure to which the income relates now resides in open spaces.

Rural Fire Service (RFS)

It is estimated that the 2011/12 expense will be less than 2010/11, as the current year includes Council's share of a new fire station. However the 2011/12 year is still elevated in comparison to earlier years in that the RFS is proposing to purchase a new fire truck in 2011/12.

Quarries and Sandpits

The budget proposes a dividend from this business to assist the bottom line of the budget of \$100,000. Whilst it is still forecast that there will be a net transfer to reserve it is a considerable sum to take as a dividend. The budget also proposes capital expense of \$50,000 to pay for a post closure options report. This report will provide a better idea of funds required for post closure remediation.

Swimming Pools

Pools are forecast to run at a net cost of \$392,000. This represents a forecast reduction in comparison to 2010/11, which is due to additional expense being applied in 2010/11 to repair tiles and fencing.

General Manager's Group

Governance and Corporate Management

The majority of the increase to forecast expense relates to an increase in the donations budget. This is for general donations as well as the scholarship funding. There have also been increments to salaries, councillor's expenses and subscriptions.

Council has resolved to include \$100,000 in the miscellaneous donations budget for 2011/12 and in response to this the total donations budget is as follows, as compared to the original 2010/11 budget,

Description	2010/11	2011/12
Rates and Charges	19,000	20,000
SCU Scholarship	0	15,000
Donations - General	52,000	65,000
Public Halls and Buildings	33,000	35,000
Donations - Planning Fees	2,000	2,000
Total	106,000	137,000

The Public Halls and Buildings and Donations - General figures total \$100,000. If Council wishes to achieve a figure of \$100,000 for Donations - General, the overall deficit will need to be increased or expenses reduced elsewhere.

Financial Services

Income from ordinary rates is forecast to be approximately \$15.4 million which is an increase of approximately \$900,000 in comparison to last year. The 6.1% rate increase accounts for the majority of this movement. There are also forecast increases to the Financial Assistance Grant and internal overheads.

Information Services

As mentioned previously hardware lease costs have risen significantly and an additional \$60,000 has been added to this area. There have also been incremental adjustments to all expenses. Many of these costs have been re-distributed across the organisation to self funded areas such as water, sewer and waste, however the credit from that redistribution is included in the governance and corporate management program.

Human Resources and Risk Management

This section of the budget includes overhead expenses such as insurances; superannuation and employee leave entitlements together with the on cost credit that is generated from charging out this expense to other areas of the budget.

Estimating the interaction of these transactions is not an exact science and the outcomes are influenced by various factors such as leave taken, engagement of casual staff, use of contractors etc. The 2011/12 budget forecasts substantial increases in relation to workers compensation insurance with more modest increases forecast for staff leaves and training /recruitment costs.

Salaries for this section have also increased due to the relocation of a staff member from Civil to this area.

Corporate Communications and Tourism

This section of the budget has acquired the Community Event budget, along with an additional two days for the grants officer position. This change was reported to Council during 2010/11 when Council resolved to reallocate part of the former economic development budget to the Strategic and Community Services Group, for economic development related research, and the balance was transferred to this program to allow a current three day per week position, to be expanded to full time. The extra days are allocated to grant related activities (i.e. seeking funding, completing applications etc).

Property Management

This section of the budget includes an array of commercial and community properties. The net outcome is that a contribution is made to support General Fund activities with the 2011/12 figure less than the 2010/11. As mentioned previously there have been a number of movements from this area of the budget to Strategic services including the Richmond Room, ALEC and economic development.

These adjustments have contributed to make comparisons from one year to another difficult. There have been no staff increases or additional resources added to this area.

During 2010/11 this program has also allocated approximately \$280,000 from reserves to assist with financing over-expenditures in Council's legal budget.

Property Management continually contributes a dividend to General Fund and in 2011/12 it is proposed to be \$300,000. This has traditionally been the case over many years with the Wigmore Arcade surplus being applied to general revenues as opposed to going in to a reserve.

The current position of property reserves is such that future incomes are committed to financing debt raised to construct community infrastructure. It may become difficult for this dividend to continue into the future.

Camping Ground (Flat Rock Tent Park)

The deficit movement of \$236,000 shown in table two relates to the fact that income received from the crown has been relocated to Open Spaces.

The tent park is forecast to make a cash loss of \$6,000. Add to this proposed capital expense of \$10,000 and the forecast is for a negative cash result of \$16,000.

4.5 General Fund - Operating Budget - 2011/12

The reserve is currently negative \$19,000 so the forecast to 30 June 2012 is negative \$35,000.

This is not a sustainable position and the enterprise needs to be looked at closely in terms of future strategies.

Airport

Forecast income has been increased substantially (by \$1 million to \$4 million) in anticipation of new tariffs for major commercial airlines. Based on this income the budget includes capital works of some \$1.1 million that will almost consume the forecast surplus.

At the start of this financial year the airport reserve was a negative \$444,000 due to successive years where we have spent more than we have received. The 2011/12 budget is premised on very optimistic income figures and it will be important to hold off on proposed capital works until such time as the income forecast becomes a reality.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included are as follows.

Description	Recurrent Budget
Ballina Pool Maintenance – inadequate vote	20,000
Boat Ramps – contract cleaning	17,000
Depot Building Maintenance – inadequate vote	34,000
Depot Yard Maintenance – inadequate vote	14,000
Environmental Health - Special projects	5,000
Environmental Health Officer - Increased Hours	16,000
Open Spaces - Team Leader	102,000
Plumbing Inspector - Additional	60,000
Regular cleaning of Ballina and Alstonville CBD pavers	38,000
RSL Boardwalk – handover to Council and annual maintenance	3,000
Rural road resealing program - improvements	100,000
Senior Planner Job Share - Additional Day	16,000
Street Tree Planting Program	10,000
Street Tree Planting as per adopted policy	3,000

From a Councillor viewpoint the one item that has been consistently raised with Council staff is the need to increase the number of street trees being planted. If this is a priority of Council then the recommendation from this report should include a direction to staff to find funding to allocate monies to that program. A sample recommendation could be:

That the General Manager review the draft Council budget to identify savings of approximately \$10,000 to \$15,000 with this funding to be allocated to an on-going street tree planting program.

Late items for consideration

TRIM Electronic Document Management System (EDMS)

The following information has been provided by Council's Information Services section.

It is proposed that the TRIM software product will replace the EDMS currently in use by Council since 2000 (i.e. Dataworks). This is the next stage in the implementation of an enterprise-class information system that commenced in 2009 with the installation of the Civica Authority product. This stage sees the implementation of the Authority Customer Service Requests module, and, in order to derive the greatest ongoing benefit from this implementation, replacing the currently installed Dataworks product with TRIM is required.

This implementation will result in significantly improved integration over and above what can be achieved by retaining the Dataworks product, increased productivity by way of improved document management, and better customer service.

Implementations of this nature are typically made with a view to a minimum ten-year life. With this in mind, the annual costs associated with TRIM are significantly less than those associated with Dataworks, and will realise a net saving to Council over the life of the product. Total cost of the project is \$320,000. This includes software licenses, implementation costs, and the appointment of a project manager for a fixed-term to oversee the implementation.

A budget of \$137,000 is already in place in the 2010/11 financial year for the management of the Authority Name and Address Register (NAR) and the implementation of the TRIM document management system (see Quarterly Review report – February 2011 meeting). Of this, \$37,000 will be required for the NAR project, leaving \$100,000 already allocated to the upgrade of the current document management system and the introduction of customer service requests.

If Council were to approve the implementation of TRIM the balance of the project cost, \$220,000, will be spent in the 2011/12 financial year. TRIM, along with Authority, is a product that will be used organisationally, and therefore the Water, Sewer and Waste funds must contribute to the cost. The allocation of costs to these funds is as follows:

*General - 29% - \$63,000
Water - 24% - \$53,000
Sewer - 21% - \$47,000
Waste - 26% - \$57,000*

The General Fund contribution will comprise \$15,000 gained from savings made by not renewing the annual Dataworks licence, \$20,000 will be funded from the IT/Legal / Audit reserve and \$28,000 from either IT capital and operational expenditure or from savings generated in the ALEC operations this year (i.e. \$28,000 saving in matting and floor resurfacing).

If TRIM is not implemented, it will still be necessary to upgrade Dataworks to achieve a rudimentary level of integration with Authority. This cost will be in the order of \$125,000 for 2011/2012, with a corresponding increase in annual costs after that of approximately \$10,000 over and above current recurrent costs for the product.

Further, the level of product integration will not provide the functionality required to achieve the best available productivity gains and maximise customer service improvements. Further, it is likely that Council may still be faced with a TRIM implementation down the track as more Civica customers move towards implementing this product.

In summary the TRIM product is considered critical to the on-going efficiency and responsiveness of the organisation and can be funded without impacting on the General Fund recurrent budget.

Occupational Health and Safety (OH&S) Resources

The following information has been provided by Council's Human Resources section.

Council has recently been recruiting for a replacement OH&S officer following the resignation of an incumbent staff member. Following the recruitment process two very strong candidates have been identified for the position. The skills / experience of these candidates are as follows:

Candidate One

Candidate one has over 20 years experience in safety in Local Government context and is currently an OHS Coordinator for a large Council. This candidate has excellent skills and experience in OHS policy and program development, site safety management plans, OHS incident / accident investigation, injury management and prevention and provision of general OHS specialist technical advice and support.

Candidate Two

Candidate two has strong OHS background and is a qualified external auditor and WorkCover Accredited Trainer. This candidate also has excellence skills and experience in developing and reviewing OHS management systems, auditing and delivery of training. Currently this candidate develops contractor safety management systems for contractors in the south coast of NSW and delivers a range of WorkCover accredited plant assessment and OHS general induction and consultation training.

The interview panel identified that candidate one would be very suitable to the current OHS Officer position however has identified that candidate two can not only support and complement the skills of candidate one but provides an excellent opportunity for Council to enhance the OHS skills and competency of our employees.

Candidate two has the skills and expertise to not only deliver a range of OHS specialist services currently engaged through external auditing and training organisations but also provides a range of other essential OHS training that needs to be provided to our employees on an ongoing basis to meet WorkCover and legislative requirements (eg competency assessments).

From a review of the costs paid to external workcover accredited and other OHS trainers over the past 12 months, Council has paid \$102,000, the majority of which could have been undertaken in house should Council have had the skills and qualifications of candidate two.

Furthermore the engagement of external trainers provides less flexibility in how training is delivered and the engagement of candidate two will provide the additional benefit of having an in house trainer who can tailor training specific to Council needs and deliver training at short notice and during wet weather and other down time periods therefore increasing efficiency in such delivery. Council's insurer provides Council with approximately \$30,000 to \$40,000 each year to utilise on OHS project improvements. Currently these funds pay for external providers to implement such projects. The employment of both candidates will enable these projects to be undertaken in house.

WorkCover has identified that Council needs to undertake competency assessments of all employees and to ensure that Council is adequately auditing our systems. This expectation cannot be performed by one OHS Officer. The changes in national OHS laws will also require a large amount of resources to review our existing OHS programs and to assist our employees, volunteers and contractors in understanding their OHS requirements.

Therefore, the interview panel have recommended the appointment of both individuals to the role of OHS Officer with the funding of the second position from the existing training and development and OHS project funding therefore having no financial impact to Council.

The opportunity exists with respect to OH&S to employ a dedicated trainer, the cost of which will be totally offset by current payments being made to external trainers.

Street Lighting

The following information has been provided by the Civil Services Group.

Ballina Council in partnership with other councils in the region has negotiated with Country Energy (now Essential Energy) to establish a new street lighting maintenance agreement.

The emphasis of the negotiations was for Country Energy to upgrade the Council street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards.

The outcome of the negotiations was a series of offers made by Essential Energy to the various councils to enter into a new Streetlighting Use Of System (SLUOS) agreement.

The offer presented to Ballina Council will in affect reduce Council's annual SLUOS charge by \$41,543 per annum and under the new lighting model there is an estimated total yearly savings of \$187,000.

It is necessary however for Council to make a capital contribution at the commencement of the project and this is estimated to be \$162,000.

These funds are required to compensate Essential Energy for the unrecovered capital on the existing network.

The payback period for this is less than 12 months and on that basis it is recommended that Council approve the funding with the monies sourced from one of Council's property reserves.

Water and Sewer Operating Budgets

Reports on the current state of the Water and Sewer budgets form separate reports to this meeting.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. The programs included in this report look to meet the mandatory and essential functions of Council as well as applying resources to discretionary activities.

Consultation

The operating budget has received input from every manager. Council's draft Operational Plan will be advertised for a minimum period of 28 days for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or change the proposed budget/s.

The draft budget reflects the difficulties in providing a wide range of services to the community, with limited resources and it is recommended that Council approve the exhibition of the draft operating budget as presented.

RECOMMENDATIONS

1. That Council endorses the draft operating budget, as attached, for inclusion in the draft 2010/11 Operational Plan, including any adjustments resulting from this meeting.
2. That Council approves the inclusion of the TRIM document Management System in the draft operating budget, as per the information outlined in this report.
3. That Council approves the employment of an additional Workcover Accredited Occupational Health and Safety Trainer, with the cost of this position to be totally offset by savings in monies currently paid to external trainers.
4. That Council approves funding of approximately \$162,000, sourced from Council's property reserves, to upgrade Council's street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards. The savings from this changeover are to be immediately reimbursed to the property reserves and this is expected to occur in less than one year.

Attachment(s)

1. Draft Budget – 2011/12 to 2014/15 (separate attachment)

4.6 **Capital Works - Recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the draft capital recurrent capital works program for 2011/12 onwards.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's day to day programs (i.e. open spaces, roads, planning etc) with the cash surplus on operations then assisting in financing Council's capital works program.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 capital works program and onwards, with the focus primarily on works that are recurrent or self funded.

Key Issues

- Funding available
- Priorities

Information

Capital works for Council projects are typically funded from one or more of the following sources:

- General revenue - represents any surplus revenue after day to day activities are funded
- Loans (the loan repayments must then be funded)
- Developer contributions (Section 94 for General Fund and Section 64 for Water and Sewer)
- Grants
- Reserves
- Asset Sales

The format of the Council budget, as included in Part C of the separate budget document, provides a forward works program for the next four years; i.e. 2011/12 to 2014/15.

Details of how the projects are funded are also included on the right hand side page of the document.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The capital works included in the Council budget can be categorised into three broad groups.

1. General Fund Revenue - Recurrent works

The typical Council budget includes revenue funding for major recurrent programs such as urban and rural roads, footpaths / shared paths, open space, sporting grounds and stormwater / drainage works.

On-going general revenue is needed for these items as they represent a major component of Council's infrastructure base. The funding of the replacement and renewal of this infrastructure can, at times, be under funded, as the liability is often in the millions of dollars.

The recent development of Council's Asset Management Plans has helped to quantify this information and a large part of Council's strategy to increase its rate base requires that the additional funds are allocated to the replacement and maintenance of existing infrastructure.

2. Self-funded Programs

Programs such as water, sewer, airport, waste, fleet and plant should generate adequate revenues from their own operations to fund their own capital works programs.

3. Non-recurrent projects

There are numerous capital projects, that may not be recurrent in nature, but are considered desirable by the community and to finance these projects a funding source(s) must be identified.

This third category is dealt with by the following report in this agenda.

The next section of this report deals with the remaining two categories of capital works in detail; general revenue funded recurrent works and self funded programs.

1. General Fund Revenue - Recurrent Works

A review of Part C of the draft budget highlights that the following capital works are sourced, either in full, or in part, from General Fund revenue (i.e. refer to column titled General Revenue in the Funding Sources of the capital works pages).

Table One - General Revenue Funded Programs

Description	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900
Community Infrastructure	200,000	206,000	212,000	218,600
Stormwater / Drainage	398,500	411,800	424,100	436,900
Urban and Rural Roads	3,371,000	20,294,000	3,726,000	3,810,000
Footpaths / Shared Paths	794,000	1,035,000	641,500	625,800
Street Lighting	41,000	42,000	44,000	45,000
Parks and Reserves	161,000	166,000	172,000	177,000
Sporting Fields	141,000	145,200	149,600	154,100
Total	5,137,500	22,331,900	5,402,100	5,501,300

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The current priorities for the expenditure of these funds for the next four years are as follows.

Information Services – Manager – Stewart Littleford

Item	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900

Provision for on-going replacement of miscellaneous computer equipment.

Property Manager – Paul Tsikleas

The funding allocated for this program is as follows:

Community Infrastructure	200,000	206,000	212,200	218,600
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When Council adopted the 2010/11 budget the works planned were as follows for **2010/11 to 2013/14**

Item	2010/11	2011/12	2012/13	2013/14
Building Lifecycle Contracts	60,000	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	42,000	0	0	0
Pat Morton Lookout - Toilet	0	115,000	85,000	0
Alstonville Pool - Improvements	0	0	36,000	127,200
Alstonville Pool - Plant Room	10,000	0	0	0
Ballina Pool - Fence Repairs	10,000	0	0	0
Ballina Pool - Pool Tiles	10,000	0	0	0
Total Expenditure	132,000	200,000	206,000	212,200

During 2010/11 Council reallocated \$25,000 of the funding for the building lifecycle contracts to allow the purchase of seats for the Richmond Room and to assist with the solar panel projects at facilities such as the Ballina Community Services Centre, Ballina library, Waste Centre, ALEC and 71 Tamar Street.

Also in respect to the 2010/11 budget Council has funding allocated of \$140,000 to construct stairs for Pat Morton Lookout. This is funded through Federal Government grants and Council revenue through the Open Spaces section. In order to complete the Pat Morton steps in 2010/11 an additional \$80,000 in funding is now needed. Alternatively the stairs will only be constructed two thirds of the way to the top.

In order to allow that project to be completed this year it is recommended that the \$42,000 for the Players Theatre - Re-roof and the remaining \$35,000 from the lifecycle contracts, be reallocated to this project. This would then leave a \$3,000 shortfall which can be funded from the Open Spaces budget.

The current status of the Players Theatre re-roof project is that closer analysis has identified that there are other structural issues with the building and the total cost of the project is now closer to \$80,000.

It has also been suggested that the Players Theatre should be making a contribution to this project.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

On that basis it is recommended that the priorities for the community infrastructure funding for the next few years should be as follows:

<i>Item</i>	2011/12	2012/13	2013/14	2014/15
Building Lifecycle Contracts	0	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	40,000	0	0	0
Pat Morton Lookout - Toilet	160,000	0	0	0
Alstonville Pool - Improvements	0	50,000	52,000	54,000
Ballina Pool - Improvements	0	50,000	52,000	54,000
Other Community Infrastructure	0	21,000	23,200	25,600
Total Expenditure	200,000	206,000	212,200	218,600

For 2011/12 the major change is providing sufficient funding to allow the Pat Morton Lookout toilets to be completed and also providing a 50 / 50 contribution to the Players Theatre re-roof. The assumption being that the Players Theatre will only proceed based on matching fund from the tenants.

The Pat Morton estimate is based on an allowance of \$55,000 for the building, \$12,000 for lighting and \$93,000 for connection to sewer, water and electricity. A composting toilet was considered however the professional advice from the RTA and National Parks, who use composting toilets extensively, is that the frequency of use for Pat Morton is not conducive to composting.

Discussions were also held with a manufacturer of composting toilets and their verbal advice also confirmed that based on use levels composting was not appropriate.

In respect to figures for 2012/13 onwards, the allocations are nominal only and the expenditure on swimming pools will be dependent on the infrastructure plan for the swimming pools that is subject to a further report to Council.

This has been requested by resolution and that report, from the Civil Services Group, is scheduled for the April Finance Committee meeting.

Stormwater - Manager - Paul Busmanis

<i>Item</i>	2011/12	2012/13	2013/14	2014/15
Stormwater	398,500	411,800	424,100	436,900
Urban Lane Improvements	23,500	24,400	74,100	25,900
Coogee St Pump Station	150,000			
Tweed St / Tamar Street	100,000			
Rous Mill Road	50,000			
Gibbon Street		137,000		
Canal Road		100,000		
Williams Reserve		50,000	50,000	
Foster Street			150,000	
Moon Street			150,000	
Grant Street				151,000
West Ballina				260,000
Floodgate Investigation	25,000			
Stormwater Asset Data	50,000	100,400		

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Roads and Bridges - Manager - Paul Busmanis

Item	2011/12	2012/13	2013/14	2014/15
Fawcett Lane			60,000	
Wilson Street			100,000	
Grant Street	250,000			
River Street		100,000		
Henry Philp Avenue				105,000
Fenwick Drive	190,000			
Canal Road		80,000	290,000	
Cherry Street			290,000	
Norton Street				90,000
Moon Street				80,000
Heavy Patching	345,000	276,000	284,000	293,000
Boatharbour Road	83,000			
Chickiba Drive		200,000		
Banksia Lane				90,000
Byron Street	225,000			
The Serpentine			100,000	
Crane Street				170,000
Brunswick Street		60,000		
Burnet Street			152,000	
Fox Street		284,000		
Grant Street		140,000	106,000	
Cedar Street			100,000	
Fernleigh Road			100,000	60,000
Nashua Road			85,000	
Rifle Range Rd (seg 220 & 223)	137,000			
The Coast Road, Lennox Head	563,000			
Marom Creek Road				107,000
Midgen Flat Road	250,000	250,000		
Bagotville Road			200,000	330,000
Pimlico Road	150,000	150,000		
Teven Road				200,000
Uralba Road	150,000	150,000		
Tuckombil Road		151,300	218,200	
Maguires Creek Bridge				622,000
River Street Roundabouts - Section 94	1,028,000			
Hutley Drive - Section 94		13,970,000		
Cumbalum Interchange - Section 94		2,883,000		
McLeary Culvert		1,600,000		
Links Avenue Intersection - Section 94			1,031,000	
Tamar / Cherry Street Roundabout - Section 94			610,000	
Skennars Hd / Coast Roads Roundabout - Section 94				1,663,000
Street Lighting	41,000	42,000	44,000	45,000
Kalinga St West Ballina	41,000			
Sunnybank Dve West Ballina		4,000		
Riverside Dve West Ballina		15,000		
Melaleuca Pl East Ballina		7,000		
Casey Pl West Ballina		7,000		
Carrington Street		4,000		
Main Street		5,000		
Bruxner Highway, Wollongbar			10,000	
Pearces Creek Road			34,000	
Unallocated				45,000

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Ancillary Transport Services and Town Beautification - Manager – Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Footpaths and Shared Paths	794,000	1,034,400	641,500	625,800
Moon St - Bangalow Rd to Fox Street	20,000			
Headlands Drive - opposite school	10,000			
Skennars Head Rd - adjacent to Leisure Park	10,000			
Rifle Range Rd/Simpson Avenue	60,000			
Hill St Easton Park complete Hill St to Refuge	4,000			
The Avenue	10,000			
Beachfront Pd - west side	30,000			
Wardell Rd - Robertson St to Newbon St	10,000	5,000		
Wardell Rd - opposite Plaza		10,000		
Bruxner Highway - Sneaths Road to Rifle Range Road		60,000		
Byron St - service station to Coast Road		75,000		
Links Av - at Chickiba Drive		10,000		
Green St - highway to Robertson Street		20,000		
Fawcett Lane		5,000		
Grant St - connect existing Fox Street		19,400	100,000	
Fox St - connect Cherry St to Kerr Street			30,000	
Simpson Av - Smith Lane to shops			16,500	55,000
Owen St - King Smith Dv to Bentinck St and North Ck				100,000
Commercial Rd - Bugden Lane to South Street				15,000
The Avenue				15,800
North Ck Rd/Skennars Hd Rd - Tara Downs to Henderson Dr		450,000	400,000	
Skennars Hd Rd - Henderson Dr to Headlands Dr		90,000	95,000	
Headlands Dr - Skennars Hd Rd to Sharpes Bch (800m exist)				440,000
Coast Rd - Nth Angels Beach to Sharpes Beach	640,000			
Angels Beach - overpass to North Angels Beach		40,000		
Angels Beach - Angels Beach south to overpass		250,000		

Open Spaces - Manager - Jillian Pratten

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Playgrounds	141,000	145,200	149,600	154,100
Chickiba Sports Fields Play Equipment	81,000			
Commemoration Park Shade Structure	20,000			
Kellie Ann Cr Play Equipment	20,000			
Campbell Park Softfall	20,000			
Tanamera Drive Park, Alstonville		80,000		
Victor Place, Lennox Head		65,200		
McDougal Reserve, East Ballina			60,000	
Jan Moon Park East Ballina			60,000	
Softfall upgrades Meagan Cres Park, Lilly Pilly Place			29,600	
Unallocated				154,100
Sporting Fields	141,000	145,200	149,600	154,100
Kingsford Smith Lighting Upgrade	80,000			
Skennars Head Lights	61,000			
Unallocated		145,200	149,600	154,100

All of the works listed reflect either adopted programs or engineering assessments of priorities.

2. Self Funded Programs

Self funded programs should aim to generate sufficient revenues to finance their own capital works. The major works included in the draft budget are as follows, with all of these works funded from the reserves created within those programs.

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
<i>Camping Ground</i>				
Flat Rock - Minor works	10,000	10,000	10,000	10,300
Provision for minor works				
<i>Ballina Airport</i>				
Various improvements	1,135,000	0	400,000	0
Improvement works as per Council's Airport Business Plan.				
<i>Fleet and Plant</i>	<i>907,000</i>	<i>894,000</i>	<i>1,155,000</i>	<i>963,000</i>
Council has an adopted fleet and plant replacement program.				
<i>Domestic Waste</i>				
Waste - Domestic	0	300,000	309,000	318,000
This is a provision for the annual replacement of collection vehicles. The program may vary dependent upon the final waste strategy adopted by Council.				
<i>Landfill and Resource Management</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>
Nominal allocation				

Outstanding resolutions

Council has specifically resolved to receive reports on improvements to the Smith Drive area of Ballina along with the town entrances to Ballina.

The Civil Services Group will provide those reports to the Finance Committee meeting scheduled for 7 April 2011.

If changes are required to the draft budget, recommendations for those changes will be included in those reports.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included, are as follows.

Some of these could be assessed as non-capital however as a general rule they are one off expenditures

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Description	Estimated Budget
Abandoned Vehicle Compound	15,000
Animal Shelter	400,000
Ballina Floodplan Risk Management Plan - Actions	40,000
Ballina Yacht Club – car and trailer parking	17,000
Bus stops - upgrade to be compliant as per 'Disability Standards for Accessible Public Transport 2002'	10,000 pa for three years
Coastline Management Plan – Actions	50,000
Crane Street - tree planting project - Stage Two	60,000
Depot Facilities - improvements and expansion	300,000 pa for five years
Emigrant Creek Boat Ramp - Stage Two	116,000
Ferry Cabin – Air conditioning unit	10,000
Ferry Ramp Refurbishment	50,000
Gateway Signage Project	100,000
Lake Ainsworth Management Plan - Matching funds in the event of a successful grant application for the new road	350,000
Lake Compressor - Replacement	10,000
Newrybar Toilet – Construction of a new toilet and upgrade septic	55,000
On-Site Sewer Management	120,000
Pine and Hills Streets - Replace, replant and maintain vegetation	30,000
Richmond River Estuary Management Actions	Unspecified
Shaws Bay Management Plan - Matching funds in the event of a successful grant application to prevent movement of sand at Shaws Bay	85,000
Stormwater Management – North Lakes Estate	5,000 pa for three years
Surveyor's total station - replacement	15,000 pa for three years

If Councillors wish to pursue these or any other projects, they will need to be identified as part of the recommendations for this report and information will then be provided on those matters to the April Finance Committee meeting.

Water and Sewer Capital works

The Water and Sewer capital works are based on individual business plans and for further details refer to the two separate reports in this agenda that relate to water and sewer pricing models.

Legal / Resource / Financial Implications

Recurrent capital works represent a major component of Council's budget.

Consultation

Once approved the draft works program will be exhibited for public comment.

Options

The options are to approve or amend the proposed works program. The recommendation that follows is to approve the program, for exhibition purposes, as the recurrent works listed relate to many on-going programs that are based on engineering and other technical assessments.

RECOMMENDATIONS

That Council approves the draft Capital Works - Forward Plans, as outlined in this report, for inclusion in the draft 2011/12 Operational Plan, including any adjustments resulting from this meeting:

Attachments

Nil - Refer to separate budget document

4.7 **Capital Works - Non-recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting - 2011/11
CSP Linkage	Resilient and adaptable communities
Delivery Program	Financial Management
Objective	To review Council's priorities for the future planning of major non-recurrent capital projects.

Background

During the past 12 to 18 months Council has considered a number of reports in respect to how the funding from Council's main property reserves is being allocated for major projects.

Essentially the property reserves are the number one source of funding for projects that are non-recurrent. These are projects that do not occur every year, as do road works, footpaths drainage, parks etc and typically they are of a size and scale that external funding is needed to ensure the projects are delivered.

The last report on the property reserves was presented to the September 2010 Ordinary meeting, where Council resolved to hold a workshop on the reserves. That workshop was held in November 2010 and a number of funding options for projects was considered.

This report now revisits that information and reviews our non-recurrent capital works priorities for the next few years.

Key Issues

- Project priorities
- Availability of funding
- Funding sources
- Risk
- Maintenance costs

Information

The major projects that have been identified as part of Council's current forward financial planning and their current status are as per the next table.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Table One - Major Project Overview

Project Title	Estimate (\$)	Status
Ballina Library Expansion	\$100,000 +	Deferred due to uncertainty over Richmond Room
Coastal Shared Path / Walk	\$3m - \$4m	Construction underway for Fishery Creek Bridge to Kerr Street. Approvals being sought for preferred route from Flat Rock to Pat Morton. Lennox Head to Pat Morton under construction. Lennox Head town centre, design options being considered
Coastguard Tower	\$1.7 million	Concept designs being prepared
Cumalum Link Road	\$5 million	Project budget has increased from \$4m. Discussions on-going with developers to determine whether they wish to finance the shortfall
Hockey - All weather field	\$1.1 million	Due for completion May 2011
Hutley Drive	\$14 million	Largely funded from Section 94 contributions. Project not due to commence until Section 94 contributions available
Lake Ainsworth Caravan Park Road	\$800,000	Project possibly now lies with Department of Lands due to resignation of Council as Reserve Trust Manager
Lennox Hd Community Centre	\$9.9 million	Due for completion April 2011
Main St Upgrade - Alstonville	\$2.7 million	Fully funded and due for completion during 2011
Main St Upgrade - Ballina	\$5m - \$8m	Designs available - works dependent on cash flow
Main St - Ballina - Cap Cook Pk	\$60,000	Funding for concept designs allocated in 2011/12
Main St Upgrade - Lennox Head	Unknown	No costing available
Main St Upgrade - Wardell	\$1.5 million	Fully funded and due for completion during 2011
Reg Entertainment / Sports Ctre	\$450,000	Funding allocated for design and approvals only
Roundabout - Tamar / Cherry	\$1.1million	Dependent on Section 94 funding
Sports fields - Skennars Hd	Unknown	Land purchased - no funding for improvements
Sports fields - Wollongbar	\$3 million	Land under contract
Surf Club - Ballina	\$5.8 million	Development consent obtained. Revised design being prepared
Surf Club - Lennox Head	Unknown	\$40,000 allocated for initial concept designs
Teven Bridges		Project expected to be completed by April 2011
Wollongbar - Link Road	\$3.2 million	Fully funded and due for completion by June 2011

The next table provides a summary of the funding allocated for these projects in the 2010/11 budget, along with the monies expended to 28 February 2011.

Table Two - Status of 2010/11 Budget Allocations

Project	Budget 2010/11	Expended
Coastal Shared Path / Walk	1,163,000	260,000
Cumalum Link Road	4,257,000	161,000
Hockey - All weather field	750,000	552,000
Hutley Drive	119,000	61,000
Lennox Hd Community Centre	6,087,000	4,378,000
Main St Upgrade - Alstonville	2,471,000	1,151,200
Main St Upgrade - Ballina	4,000,000	0
Main St Upgrade - Wardell	1,055,400	274,000
Reg Entertainment / Sports Ctre	450,000	4,800
Sports fields - Skennars Hd	1,271,000	1,271,000
Sports fields - Wollongbar	1,666,000	211,000
Surf Club - Ballina	1,600,000	23,000
Surf Club - Lennox Head	40,000	5,000
Teven Bridges	3,855,300	2,186,000
Wollongbar - Link Road	3,065,500	307,000

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

It is important to acknowledge that the 2010/11 budget figure will often only represent part of the expenditure for a project. Typically the types of projects listed as non-recurrent are reasonably complex and will often be spread over more than one financial year.

The next section of this report deals with how Council's property reserves can be used to allow these major projects to progress.

Property Reserve Movements

This section deals with the three property reserves held by Council. The first reserve under consideration is the Community Infrastructure Reserve.

Table Three - Community Infrastructure Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	6,751,600	5,904,100	2,879,900	291,300	83,900	521,600
Add: Revenues						
Interest Accrued	333,000	178,000	72,000	7,300	2,100	13,000
Rental - 89 Tamar Street (100%)	648,400	658,000	675,500	695,600	716,300	737,700
Rental - ARC (50%)	0	128,000	157,000	161,700	166,600	171,600
Rental - Fawcett Café (100%)	75,000	79,000	83,500	86,000	88,600	91,300
Loan Income - 89 Tamar Street	0	0	1,500,000	0	0	0
Loan Income - ARC	0	0	0	0	0	0
Loan Income - Fawcett Park Café	0	0	500,000	0	0	0
Internal Loan - Commercial Opps	0	0	2,500,000	0	0	0
Sales - Harvey Norman Dividend	0	2,158,000	0	0	0	0
Sales - Southern Cross	0	730,000	580,000	580,000	0	0
Sales - Adjoining BP (50%)	0	0	0	582,400	0	0
Sales - Balance ARC Site (50%)	0	0	0	1,081,500	0	0
Insurance Claim - L.H.C.C.	0	0	0	800,000	0	0
Rate Cont to Roundabout (30%)	0	0	308,000	0	0	0
Sec 94 Road - Roundabouts (70%)	0	0	0	1,344,000	0	0
Sec 94 Recouped - Comm Fac	0	940,000	325,000	334,800	344,800	355,100
Sub Total	1,056,400	4,871,000	6,701,000	5,673,300	1,318,400	1,368,700
Less: Expenditure						
Loans Repaid (existing) - 89 Tamar	429,700	429,700	429,700	429,700	429,700	429,700
Loan Repaid (new) - 89 Tamar	0	0	0	224,000	224,000	224,000
Loan Repaid (new) - ARC	0	0	0	152,000	152,000	152,000
Loan Repaid (new) - Fawcett Pk	0	0	0	75,000	75,000	75,000
Loan Repaid- Commercial Opps	0	0	0	2,500,000	0	0
Legals	22,500	0	0	0	0	0
Capital - Lennox Hd Comm Cent	0	5,446,000	0	0	0	0
Capital - Tintenbar Hall	25,000	0	0	0	0	0
Capital - Coastal Shared Path	0	200,000	83,500	236,900	0	0
Capital - Coastal Walk	0	0	216,400	563,100	0	0
Capital - Coastguard Tower	26,700	0	0	1,700,000	0	0
Capital - Hockey	400,000	0	0	0	0	0
Capital - Main Street - Alstonville	0	1,300,000	0	0	0	0
Capital - Main Street - Ballina	0	0	5,300,000	0	0	0
Capital - Main St - Cap Cook Pk	0	0	60,000	0	0	0
Capital - Main Street - Wardell	1,000,000	0	0	0	0	0
Capital - Regional Sports Centre	0	450,000	0	0	0	0
Capital - Surf Club - Ballina	0	0	3,200,000	0	0	0
Capital - Surf Club - Lennox	0	30,000	0	0	0	0
Capital - Ballina Library Expand	0	0	0	0	0	0
Capital - Other Projects	0	39,500	0	0	0	0
Sub Total	1,903,900	7,895,200	9,289,600	5,880,700	880,700	880,700
Closing Balance	5,904,100	2,879,900	291,300	83,900	521,600	1,009,600

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Key points in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are considered conservative and achievable. Any riskier income items have been pushed out to future years
- b) Loan income has had to be used in 2011/12 to finance the capital expenditure. This loan income is funded through rental property income. For example the current net rental for the Fawcett Park Café is \$83,500 per annum. Based on a 10 year term, at an interest rate of 8%, Council can borrow \$500,000 against that revenue and result in there being no impact on Council's recurrent funding sources such as rates.

Even though loan funds have been included, they will be considered only as a last resort option, and will only be used if alternative funding sources do not eventuate. No projects funded by loans would proceed without a report to Council approving commencement.

- c) Funding for the coastal shared path and coastal walk are included. When Council adopted the preferred route for these two items in September 2010 a recommended funding program was also endorsed. That funding was as per the following table.

Table Four - Coastal Shared Path/Coastal Walk Funding - 2010 to 2014/15

Item	2010/11	2011/12	2012/13	2013/14	2014/15
Coastal Shared Path					
Council Recurrent Budget	165,000	236,400	178,100	247,500	220,000
Community Infrastructure Res	0	83,600	236,900	0	0
Council Footpath Reserves (c/f)	250,000	0	0	0	0
Council Reserves (Park Lane)	130,000	0	0	0	0
DOP Grants Approved	250,000	0	0	0	0
DOP Grant Applications	0	320,000	415,000	247,500	220,000
Totals	795,000	640,000	830,000	495,000	440,000
Coastal Walk					
Council Recurrent Budget	91,000	0	27,900	0	0
Community Infrastructure Res	200,000	216,400	563,100	0	0
Council Reserves (SIC)	100,000	74,600	100,000	0	0
Regional Local Com Infra Prog	309,000	309,000	309,000	250,000	250,000
Totals	700,000	600,000	1,000,000	250,000	250,000

This recommended funding from the Community Infrastructure reserve has been included in Table Three.

- d) Council's Civil Services Group has advised that they are in a position to finalise the majority of the Ballina Main Street Upgrade for an estimate of \$5.3 million. The one attachment to this report provides a map indicating the estimated cost for each of the major segments of this work and Council's Group Manager - Civil Services will be able to provide an overview of this work at the meeting.
- e) The Ballina Surf Club has been pushed back to be fully funded during 2011/12. With the existing design currently being reviewed construction on this project will not commence this financial year.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- f) It is necessary to take out an internal loan from the Commercial Opportunities reserve during 2011/12 to allow this work to proceed, with that loan being paid back in 2012/13 from other land sales.

In summary it is feasible to carry out the works listed in this cash flow, however to do that loan funding is needed. Importantly this table has not recognised any grant funding. For example, the Federal Government has recently released guidelines for the Regional Development Australia Fund. It is anticipated that projects such as the Ballina Main Street upgrade would be eligible under this program and if significant grant funding can be obtained the need for loans will be significantly reduced.

The second reserve under consideration is the Commercial Opportunities Reserve.

Table Five - Commercial Opportunities Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	11,355,600	10,584,200	8,399,400	2,146,900	683,900	3,283,900
Add: Revenues						
Interest Accrued	502,000	400,000	640,000	54,000	17,000	82,000
Sales - Balance Skennars Head	0	0	0	400,000	0	0
Sale - Russellton Tennis Courts	0	0	0	0	2,000,000	0
Sales - WUEA	0	0	0	0	2,000,000	2,000,000
Sales - Lennox Head	0	0	0	0	2,000,000	2,000,000
Internal Loans Repaid - Comm Inf	0	0	0	2,500,000	0	0
Internal Loans Repaid - Airport	0	268,900	24,500	0	0	0
Internal Loans Repaid - Plant	33,800	33,800	33,500	33,500	33,500	0
Internal Loans Repaid - Flat Rock	0	49,500	49,500	49,500	49,500	49,500
Sub Total	535,800	752,200	747,500	3,037,000	6,100,000	4,131,500
Less: Expenditure						
Purchase - North Ballina Property	403,000	0	0	0	0	0
Dividends - General Fund (Other)	159,200	0	0	0	0	0
Loan Funding - Flat Rock	92,000	0	0	0	0	0
Sports Fields - Wollongbar	0	1,666,000	500,000	1,000,000	0	0
Sports Fields - Skennars Head	145,000	1,271,000	0	0	0	0
Land Purchase - Lennox Head	0	0	4,000,000	0	0	0
Internal Loan - Airport	254,000	0	0	0	0	0
Internal Loan - Community Infrs	254,000	0	2,500,000	0	0	0
Development - WUEA	0	0	0	2,000,000	2,000,000	1,000,000
Development - Lennox Head	0	0	0	1,500,000	1,500,000	1,500,000
Sub Total	1,307,200	2,937,000	7,000,000	4,500,000	3,500,000	2,500,000
Closing Balance	10,584,200	8,399,400	2,146,900	683,900	3,283,900	4,915,400

Key items in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are conservative and achievable. As per Table Three, any riskier income items have been pushed out to future years.
- b) Funding is provided to complete the Wollongbar Sports field purchase and development. Income is then recouped, in part, from the sale of the Russellton Tennis Courts land.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- c) Major property development works are pushed out to 2012/13 which will allow planning for the Wollongbar Urban Expansion Area to proceed, along with confirming whether or not Council will be purchasing land at Lennox Head.
- d) If Council is able to proceed quicker with land development activities, any income generated from those activities will then be able to be applied to other community infrastructure, as required. This is typically carried out on a 50% split between the community infrastructure and commercial opportunities reserve.

In summary there is minimal movement in the reserve for 2011/12, with the major focus on the Wollongbar Sporting Fields.

The final reserve under consideration is the Land Development Reserve.

Table Six - Industrial Land Development Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	2,255,500	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300
Add: Revenues						
Interest Accrued	0	0	0	2,000	65,000	95,000
Rental - Norfolk Homes	98,000	101,000	133,000	137,000	141,200	145,500
Rental Income - ARC (50%)		128,000	155,500	161,700	166,600	171,600
Internal Loans Repaid - Waste	335,900	288,400	288,400	0	0	0
Sale - Harvey Norman	0	3,842,000	0	0	0	0
Sales - Southern Cross	0	0	2,000,000	1,500,000	1,500,000	0
Sales - Russellton	0	0	0	0	0	0
Sales - Land Adjoin BP (50%)	0	0	0	582,400	0	0
Sales - Bal ARC Site (50%)	0	0	0	1,081,500	0	0
Sub Total	433,900	4,359,400	2,576,900	3,464,600	1,878,800	418,100
Less: Expenditure						
WUEA - Operating Expenses	0	10,000	10,000	10,800	11,100	11,400
Southern Cross - Op Exps	14,000	31,500	32,600	33,900	34,900	35,900
Overheads - Southern Cross	137,000	128,000	150,400	136,900	141,000	145,200
Russellton - Operating Exps	18,000	7,500	7,800	8,100	8,300	8,500
Overheads - Russellton	61,000	60,000	105,700	62,000	63,900	65,800
Property Investigations	15,000	26,000	0	0	0	0
General Fund - Dividends	90,900	273,100	250,000	161,400	402,000	409,400
Sthn Cross - Cessna Drive	640,000	560,000	0	0	0	0
Sthn Cross - ARC	1,611,000	770,000	0	0	0	0
Sthn Cross - Harvey Norman	1,642,000	2,200,000	0	0	0	0
Sthn Cross - Residue (APN)	284,000	100,000	0	0	0	0
Russellton - Capital	0	0	200,000	300,000	0	0
Legals	110,000	0	0	0	0	0
Sub Total	4,622,900	4,166,100	756,500	713,100	661,200	676,200
Closing Balance	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300	3,791,200

Key items in this table are:

- a) This reserve has been under financial pressure in recent times due to a significant amount of work being undertaken at the Southern Cross Industrial Estate. The majority of that work is now complete and the focus for the next 12 months will be on the sale of land.

- b) Funding is set aside in 2011/12 to advance the next release at the Russellton Estate. With the Alstonville By-pass opening shortly, it is anticipated that demand for this land will increase significantly.

In summary the three tables provide an overview of how revenues and expenses may transpire over the next few years, however as these forecasts are difficult to predict there will be regular updates to Council on the reserve movements.

Legal / Resource / Financial Implications

This report provides the financial outcomes from a range of possible funding scenarios.

Consultation

The endorsed program will be exhibited as part of Council's 2011/12 budget.

Options

The financial information outlined in tables three, five and six provide funding options for the major projects Council wishes to see completed within the next two to three years.

All major projects are funded excluding the Lennox Head Surf Club, Lennox Main Street Development and Skennars Head sporting field expansion. These three projects are all considered to still be a number of years away and additional funding from increased land sales, or external grants, will be needed to allow these projects to eventuate.

The options available for this report revolve around deferring projects and reallocating funding. The purpose of this report is to generate debate that allows a range options to be considered. Further analysis can be conducted, if required, and reported back to the April Finance Committee meeting.

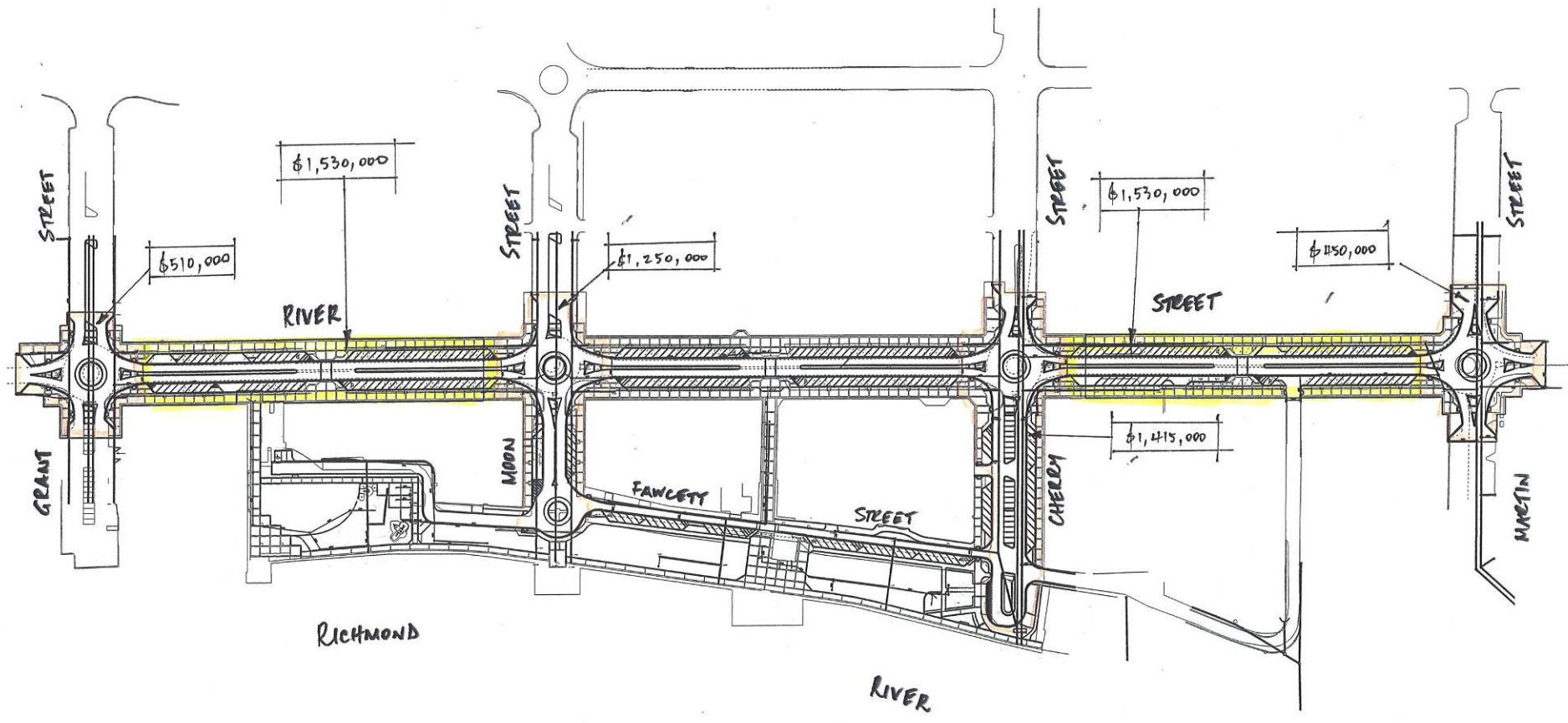
In summary the financial information provided in tables three, five and six is considered achievable and on that basis it is recommended that the tables be included in Council's 2011/12 budget for community consultation. It is also recommended that the 2010/11 budgets be amended to reflect the latest available information as outlined in those tables.

RECOMMENDATIONS

1. That Council approves the inclusion of the forward financial plans for Council's property reserves, as per Tables Three, Five and Six of this report, in the Draft 2011/12 Operational Plan.
2. That Council approves amendments to the 2010/11 budget to reflect the latest financial information as per Tables Three, Five and Six of this report.

Attachment(s)

1. Concept Plan and Preliminary Estimates - Ballina Main Street Upgrade





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 March 2011 commencing at 4.00 pm**

Business

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

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

Paul Hickey
General Manager

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

- 1. Apologies**

An apology has been received from Cr Brown.

- 2. Declarations of Interest**

- 3. Deputations**

4. Committee Reports

4.1 Newlog - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	The objective of the report is to inform Council of the operations of Newlog.

Background

The North East Weight of Loads Group (Newlog) is a joint venture between Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley, Tenterfield and Tweed councils.

Ballina Shire Council provides the administrative services for the joint venture and the report that follows provides an overview of the Newlog operations.

Key Issues

- Budget

Information

Newlog activities are funded by contributions from the constituent councils – 36%, Roads and Traffic Authority – 33% and fines and other Income – 31%.

Total annual operating expenses are approximately \$480,000. Cash reserves of \$280,000 are held to cover equipment change-overs, staff leave liabilities and possible shortfalls in fines and other income.

Newlog own and operate two vehicles with mobile weighing scales and have four full time employees. Ballina Shire Council is responsible for all management services including building space, computers, human resources, finance and supervision.

Ballina Shire Council's contribution to Newlog for 2011/12 is budgeted at \$22,000.

Council also charges Newlog a fee for management services and this is budgeted at \$89,000 for 2011/12.

4.1 Newlog - Operating Budget - 2011/12

Newlog - Operating Result

The draft Newlog budget for 2011/12 (copy attached) is showing an operating loss of \$149,500 (after deducting the non-cash expenses of depreciation and loss on sale of plant). This cash loss is then financed by member contributions of \$175,500. The surplus contributions are transferred to reserves and used to fund vehicle and other plant replacements.

The next table provides a summary of actual results for 2009/10, estimated results for 2010/11 and the budget for 2011/12.

Newlog Budget Summary

Description	2009/10 (Actual)	2010/11 (Estimate)	2011/12 (Estimate)
Operating Movements			
Operating Revenue	313,900	305,500	319,000
Operating Expenses	(480,700)	(469,700)	(496,500)
Operating Result – Surplus/(Deficit)	(166,800)	(164,200)	(177,500)
Add Back Depreciation & Loss on Sale	37,900	16,000	28,000
Cash Result – Surplus/(Deficit)	(128,900)	(148,200)	(149,500)
Capital Movements			
Member Contributions	165,800	170,200	175,500
Capital Purchases	(31,100)	0	(55,000)
Net Reserve Transfer – From/(To)	(5,800)	(22,000)	29,000

Legal / Resource / Financial Implications

Council is committed to Newlog and the provision of both a contribution in cash and the provision of management services at cost.

Consultation

The operating budget is circulated to the RTA and constituent councils for comment and approval.

Options

The Newlog budget must be approved by all constituent councils and often this is carried out at an officer level.

The purpose of this report has to provide Council with an overview of the Newlog operations and the recommendation is to note the contents of the report and approve the budget. This budget does not form part of Council's overall budget and is treated as a separate entity.

RECOMMENDATIONS

That Council notes the contents of the report and endorses the North East Weight of Loads draft operating budget, as attached.

Attachment(s)

1. Newlog Draft Budget – 2011/12 to 2013/14

4.1 Newlog - Operating Budget - 2011/12

Newlog Budget Estimates							
ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED				
			2011/12	%	2012/13	2013/14	2014/15
		OPERATING REVENUES					
		Fees and Charges					
8,600	10500.8901.0228	Legal Costs Recovered	9,000	5	9,300	9,600	9,900
127,400	10500.8902.0222	Fines	131,000	3	135,000	139,100	143,300
		Contributions					
159,200	10500.8900.0165	RTA Contribution	164,000	3	169,000	174,100	179,400
0	10500.0190.0800	Profit on Sale Assets	0	0	0	0	0
		Other Revenues					
0	10500.8901.0236	Profit on Sale of Assets	0	0	0	0	0
10,300	10500.0120.0190	Interest on Investments	15,000	46	15,500	16,000	16,500
0		State Conference	0	0	0	0	0
305,500		Total Operating Revenues	319,000	4	328,800	338,800	349,100
		OPERATING EXPENSES					
		Administration					
228,200	54000.0300.0300	Salaries	235,000	3	242,100	249,400	256,900
13,900	54000.8922.0322	Annual Leave	14,500	4	15,000	15,500	16,000
6,400	54000.8922.0326	Other Leave	6,500	2	6,700	7,000	7,300
5,400	54000.8922.0323	Sick Leave	5,500	2	5,700	5,900	6,100
6,200	54000.8922.0324	Long Service Leave	6,500	5	6,700	7,000	7,300
2,700	54000.0300.0343	State Conference Costs	2,500	(7)	2,600	2,700	2,800
8,900	54000.0300.0345	Workers Compensation	9,500	7	9,800	10,100	10,500
19,500	54000.0300.0334	Superannuation	20,000	3	20,600	21,300	22,000
1,200	54000.0300.0340	Uniforms	1,000	(17)	1,100	1,200	1,300
38,300	54000.8923.0401	Vehicle Running Costs	39,500	3	40,700	42,000	43,300
85,000	54000.8924.0980	Overheads to Newlog	89,000	5	91,700	94,500	97,300
		Operation Costs					
13,400	54002.0365.0422	Legal Costs	14,000	4	14,500	15,000	15,500
4,200	54002.8944.0422	IPB Processing Fees	4,500	7	4,700	4,900	5,100
2,000	54002.0350.0401	Admin Costs	2,000	0	2,100	2,200	2,300
0	54002.0350.0612	Bad & Doubtful Debts	0	0	0	0	0
1,900	54002.0350.0419	Audit Costs	2,000	5	2,100	2,200	2,300
5,400	54002.8945.0635	Insurance	5,500	2	5,700	5,900	6,100
1,700	54002.0450.0401	Sundry Expenses	1,500	(12)	1,600	1,700	1,800
1,100	54002.0350.0640	Telephone	1,000	(9)	1,100	1,200	1,300
8,300	54002.8946.0401	Maintenance of Scales	8,500	2	8,800	9,100	9,400
		Non-cash Expenses					
0	54002.0350.0690	Loss on Sale of Plant	12,000	100	12,000	12,000	12,500
16,000	54002.0350.0740	Depreciation	16,000	0	16,000	16,000	16,500
469,700		Total Operating Expenses	496,500	3	511,300	526,800	543,600
(164,200)		Operating Result - Surplus / (Deficit)	(177,500)	6	(182,500)	(188,000)	(194,500)
16,000		Add Back Depreciation & Loss on Sale	28,000		28,000	28,000	29,000
(148,200)		Cash Result - Surplus / (Deficit)	(149,500)	16	(154,500)	(160,000)	(165,500)
		Capital Movements					
170,200	10505.8966.0169	Add Capital Income (Members Contribut	175,500	3	180,800	186,300	191,900
22,000	4650.8997.0961	Less Transfer to Reserves	26,000	18	26,300	26,300	26,400
0	4150.8987.0960	Add Transfer from Reserves	55,000		0	56,000	0
0		Less Capital Purchases:					
0	3900.8976.0401	Replacement Scales	55,000		0	56,000	0
0		Replacement Vehicle					
0		Cash Result after Capital Movements	0	0	0	0	0
22,000		Net Change to Cash Reserves	(29,000)		26,300	(29,700)	26,400
283,710		Plus Opening Cash Reserve (incl ELE R	305,710		276,710	303,010	273,310
305,710		Closing Cash Reserve (Incl ELE)	276,710		303,010	273,310	299,710

4.2 Water Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution from the February 2011 Ordinary meeting asking for further examination of pricing options for Council's main water charges for 2011/12 onwards.

Background

Council considered a report on a possible water charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with an 8% increase likely in 2012/13 and then 5% increases for the three year period 2013/14 to 2015/16.

This recommendation was endorsed at the Finance Committee meeting, however in adopting the Finance Committee minutes, the Council also resolved as follows in respect to water charges.

That Council receive a report on the options and assumptions available to achieve increases of less than 10% in the water charging structure in the draft 2011/12 Delivery Plan.

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

Typically, as a public authority, Council's financial modelling is based on conservative assumptions, as:

- we are dealing with public monies
- councils are normally risk adverse
- the downside of incorrect financial modelling can be significant as we are dealing with critical infrastructure and services (i.e. roads, water, sewer etc).

4.2 Water Charges - Pricing Options - 2011/12

It is important to be conservative to ensure reliable outcomes however it is also important to ensure that the charges being levied are reasonable and affordable. This is particularly true for services such as water, sewer and waste where customers have no other service providers available.

In order to prepare any financial model, for our water operations, the major components of our water budget need to be analysed. Those components are operating revenues, operating expenses, capital income and capital expenditure. Each of these items is now reviewed in the next section of this report.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	1,585,188	1,806,150	2,138,400	2,461,000	2,672,900	2,812,800	2,959,900
User Charges	3,678,619	4,614,753	4,501,400	4,705,500	5,080,700	5,334,300	5,600,600
Operating Grants	147,353	145,677	197,000	167,000	172,100	177,300	182,700
Fees & Fines	88,818	212,063	256,600	217,000	223,600	230,400	237,400
Other Revenues	214,686	93,446	136,000	142,500	147,200	152,000	156,900
Interest	669,972	531,616	493,400	514,000	545,000	250,700	218,200
Total	6,384,636	7,403,705	7,722,800	8,207,000	8,841,500	8,957,500	9,355,700

What these figures highlight is that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components for modelling purposes.

Annual Access Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

The next table provides an analysis of annual charge income, from residential properties, for the period 2005/06 to 2010/11.

The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

4.2 Water Charges - Pricing Options - 2011/12

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	95.00	95.00	100.00	110.00	123.00	142.00
Actual Income Collected	1,244,316	1,254,705	1,335,499	1,480,219	1,670,087	1,940,400
Number of Residential Services	13,098	13,207	13,355	13,457	13,578	13,665
Annual % Growth in Services	N/A	0.83%	1.12%	0.76%	0.90%	0.99%

The average growth in residential services for this period is 0.92%. For the purposes of providing a forward financial model it is reasonable to assume that residential services will grow at approximately 0.90%.

In respect to non-residential properties the annual charge is based on the main size with the **2009/10** connection numbers as follows:

Table Three - Non-residential Connections Summary - 2009/10

Main Size	Connections	Charge (\$)
20mm	1,010	123
25mm	294	193
32mm	157	315
40mm	79	493
50mm	65	770
65mm	1	1,300
80mm	16	1,970
100mm	19	3,080
150mm	2	6,930

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the increase in annual charges on an annual basis.

This information is outlined in the following table.

**Table Four - Annual Charge Summary - Non-residential
2005/06 to 2010/11**

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	301,697	309,602	321,086	354,476	397,946	455,800
% Change in Income		2.6%	3.7%	10.4%	12.3%	14.5%
% Change in Annual Charges		0.0%	5.3%	10.0%	11.8%	15.4%
Number of non-res services (1)	1,468	1,548	1,339	1,577	1,493	1,643
Annual % Growth in Services (1)	5.46%	-13.49%	17.75%	-5.32%	10.04%	5.46%

(1) These figures are estimates only as the information is not readily available from Council's financial system.

What this table highlights is that there is a strong correlation between the change in total income collected and the increase in the annual charge each year. However there are large variations in the number of connections.

Applying this information, for modelling purposes, the preferred option for annual charge non-residential income is to increase total income by the percentage increase in the annual charge, as this appears to be a more reliable source than relying on the number of connections.

4.2 Water Charges - Pricing Options - 2011/12

Consumption Charges

Income collected from consumption charges is an area where there could potentially be significant variations due to seasonal conditions (i.e. wet weather, droughts etc).

The next table outlines the consumption charge income collected since 2005/06.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential - Consumption \$	2,051,896	2,198,776	2,463,406	2,682,685	3,320,690	3,290,000
Annual % Change - Residential		7.2%	12.0%	8.9%	23.8%	-0.9%
Non-residential - Consumption \$	658,961	756,098	894,500	975,353	1,279,166	1,186,000
Annual % Change - Non-resid		14.7%	18.3%	9.0%	31.1%	-7.3%
Total Consumption \$	2,710,857	2,954,874	3,357,906	3,658,038	4,599,856	4,476,000
Annual % Change - Total		9.0%	13.6%	8.9%	25.7%	-2.7%
Price - Cents per KL - First 350	0.82	0.90	1.07	1.18	1.32	1.52
Price - Cents per KL- Above 350	1.05	1.20	1.60	1.77	1.98	2.28
Council Approved % Change (1)		10%	19%	10%	12%	15%

(1) Represents the percentage change for the first 350 kilolitre charge

This table highlights that the correlation between the Council approved increase in prices often varies significantly from the actual consumption income. This means for modelling purposes it is not simply a matter of multiplying the traditional income figures by the percentage increase, but rather a more detailed analysis is required of overall consumption trends.

The next table provides information on consumption figures for recent years.

Table Six - Kilolitres Billed Per Annum - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	2,475,000	2,413,000	2,264,000	2,236,000	2,474,000	2,112,000
Non-residential	786,000	819,000	808,000	799,000	937,000	743,000
Total	3,261,000	3,232,000	3,072,000	3,035,000	3,411,000	2,855,000

These figures highlight that despite the growth in connections across the shire there has been limited growth, if any, in total consumption. This is particularly so before 2009/10 which was the first increase in total consumption since prior to 2005/06.

The 2010/11 figures are estimates only and the income figure was reduced significantly at the December 2010 budget review, due to the very wet weather that occurred during the first six months of the financial year. This means this figure could substantially change by year end.

The average consumption figures for the six years in Table Six are 2.3 million kilolitres for residential and 820,000 for non-residential with an average total consumption of 3.12 million. If the 2010/11 estimated figures are removed (as they are only estimates) the revised averages are 2.35 million for residential and 840,000 for non-residential.

4.2 Water Charges - Pricing Options - 2011/12

The overall variability of these figures makes it difficult to determine what assumption should be applied for total growth in water consumption in the forward financial plan. Essentially there has been no total growth for a number of years and from a conservative perspective it may be appropriate to apply this assumption into the future.

As the number of residential properties is increasing, yet the total residential water consumption is remaining static, this highlights that the consumption figures per property must be decreasing, as per the next table.

Table Seven - Average Consumption Per Connection- 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	194	188	174	171	187	158

The average per connection consumption figure for the six years in this table is 179 kilolitres. If the 2010/11 estimated figure is removed (as it is only an estimate) the revised average is 183.

For the purposes of financial modelling it may be appropriate to have minimal, if any growth, in total residential water consumption, albeit there must be a point at some time where a minimum threshold is reached,

In summing up there are a number of assumptions that can be applied in financial modelling the future annual charge and consumption income.

The key assumptions are:

- Residential connections - Table two highlights that average growth in the number of residential connections has been 0.93% in recent years and it is recommended that a figure of 0.9% be applied to Council's financial model
- Annual charge income from non-residential connections - Table four demonstrates that there is a strong correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council.

There also appears to be no steady increase in the number of non-residential connections, therefore the recommended assumption is to increase total non-residential revenue by the annual increase in Council charges

- Total water consumed - Tables five to seven highlight that there has been little, if any, growth in total water consumed across the shire in recent years. On this basis, a conservative approach would be to apply a no total growth assumption to Council's financial model.
- Water consumed at higher threshold - The other factor not mentioned to date is the amount of water consumed at the higher price threshold. Council's current pricing is based on the first 350 kilolitres being at one price and any consumption above that pays a 50% premium per kilolitre.

This approach is consistent with State Government guidelines.

4.2 Water Charges - Pricing Options - 2011/12

Based on historical trends approximately 8% of residential consumption is at the higher threshold and almost 70% of non-residential consumption.

For the purposes of financial modelling it is recommended that the 8% be retained, whereas the 70% could be gradually reduced to 50% during the next ten years.

The reason for this is that it is considered that major water users will have more opportunity to invest in water reduction measures as prices increase.

Operating Expenses

The figures presented to the February Finance Committee are as follows.

Table Eight - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	168,090	200,702	220,700	227,500	234,600	242,000	249,500
Admin & Customer Ser	442,135	352,470	484,100	399,500	412,300	425,600	439,000
Engineering & Tech	92,091	72,201	224,600	72,500	74,700	77,100	79,500
Purchase of Water	3,285,100	3,679,947	4,260,500	4,899,500	5,046,600	5,198,100	5,354,100
Energy Costs	26,153	31,446	36,200	33,000	33,400	34,800	36,400
Groundwater Bores	95,548	67,514	81,300	85,000	87,800	90,700	93,700
Reservoirs	82,099	64,191	62,400	64,500	66,500	68,500	70,600
Treatment Plants	42,913	69,192	72,000	74,000	76,300	78,700	81,200
Water Supply Mains	597,708	312,671	362,300	366,000	377,100	388,500	400,200
Water Supply Ops	453,008	833,859	874,400	903,000	926,300	940,400	969,200
Telemetry Operations	8,647	18,574	25,800	26,500	27,300	28,200	29,100
Miscellaneous	8,605	7,330	8,800	9,000	9,300	9,600	9,900
Conservation	4,580	1,570	5,700	6,000	6,200	6,400	6,600
Overheads Distributed	815,004	900,000	1,007,000	1,037,000	1,068,200	1,100,200	1,133,200
Interest On Loans	820	767	600	500	200	0	0
Total	6,122,501	6,612,434	7,726,400	8,203,500	8,446,800	8,688,800	8,952,200

Purchase of water is clearly the major cost for operating expenses with this figure ranging from 54% to 60% of the total. Rous Water County Council has been increasing the charge to constituent councils by 15% for the last four and 2011/12 is expected to be the last increase of this magnitude.

Rous is currently advising that from 2012/13 onwards the increase in this charge should be more in line with CPI.

Even though Rous has been working on a 15% increase, the contribution made by each council can vary, dependent on the movement of that council's water consumption compared to the other constituent councils. Ballina Council has now received advice that our increase for 2011/12 is 18.24% as per the following two tables.

Table Nine - Rous Council 2009/10 Consumption for 2010/11 Charges

Council	Kilolitres	% Total Sales	Cost @ \$1.1287 Cents / KI
Lismore	3,714,530	34.50	4,192,600
Byron	2,553,812	23.72	2,882,500
Richmond Valley	724,812	6.73	818,100
Ballina	3,772,556	35.04	4,258,100
Totals	10,765,710	100	12,151,300

Table Ten - Rous Council 2010/11 Consumption for 2011/12 Charges

Council	Kilolitres 2010/11	Trend %	% Sales	Cost @ \$1.4278 cents / Kl	% Change
Lismore	3,205,487	-13.70	32.75	4,576,800	9.16
Byron	2,462,994	-3.56	25.17	3,516,700	22.00
Richmond Valley	592,468	-18.26	6.05	845,900	3.40
Ballina	3,526,075	-6.53	36.03	5,034,600	18.24
Totals	9,787,024	-9.09	100.00	13,974,000	15.00

The Rous calculation looks at the trend for 2010/11 consumption (as per second table) and then divides that to equal the total revenue required (i.e. \$13.974 million). Based on these figures the increase for Ballina is 18.24% compared to the previous year (\$5,034,600 compared to \$4,258,100).

This again places further pressure on our operating result and this trend may well continue as Ballina's percentage of total consumption grows due to our overall faster growth rate compared to the other constituent councils.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$6.419 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$640,000 per annum with the maximum figure being \$858,000 and the lowest \$485,000.

Council is currently reviewing its Section 64 water and sewer plans and it is highly likely that the current contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for water \$3,200 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average future section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$700,000 p.a. compared to the current average of \$640,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The final capital income item is loan funding. Loan funding is always an option and a decision on whether capital expenditure needs to be financed from loans depends on issues such as;

- Availability of reserves
- Life of asset
- Beneficiaries from asset
- Availability to finance the interest and principal repayments

4.2 Water Charges - Pricing Options - 2011/12

Typically loan funding is the last option once Council determines whether other options such as reserves are available to finance the expenditure. In respect to capital expenditure the next table provides the works presented to the February Finance Committee meeting for 2010/11 to 2014/15.

**Table 11 - Capital Expenditure - 2010/11 to 2014/15
(February Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		1,750,000			
Reservoirs - Pacific Pines		2,317,000			
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster	70,000				
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster	180,000				
Pumping Stns - Pacific Pines Booster	110,000				
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1					
Water Mains WD19 Angels Bch - Stage 2					80,000
Water Main WD01 Ballina Hts Trunk					140,000
Water Main WD02 Ballina Hts Distribution				220,000	
Water Mains WM01 Reservoir Supply				80,000	
Nth Ball Pressure Zone Distn Area 1		990,000			
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1				300,000	
WD07 Pac Pines - Stage 1				100,000	
WD06 Pac Pines - Res Supply				70,000	
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2				150,000	
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,100	54,700
Water Mains Renewal Program	375,000	200,000	206,000	212,200	218,600
Telemetry Installation	79,000				
Generator	15,000				
Total	1,254,000	5,307,000	1,627,500	1,425,300	553,300

4.2 Water Charges - Pricing Options - 2011/12

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table 12 - Capital Expenditure - 2010/11 to 2014/15
(March Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		3,500,000			
Reservoirs - Pacific Pines					
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster			70,000		
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster			180,000		
Pumping Stns - Pacific Pines Booster			110,000		
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1			80,000		
Water Mains WD19 Angels Bch - Stage 2				140,000	
Water Main WD01 Ballina Hts Trunk			220,000		
Water Main WD02 Ballina Hts Distribution			80,000		
Water Mains WM01 Reservoir Supply		990,000			
Nth Ball Pressure Zone Distn Area 1					
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1			300,000		
WD07 Pac Pines - Stage 1			100,000		
WD06 Pac Pines - Res Supply			70,000		
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2			150,000		
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,000	54,600
Water Mains Renewal Program	375,000	400,000	500,000	515,000	530,500
Telemetry Installation	79,000				
Generator	15,000				
Total	894,000	4,940,000	3,281,500	948,000	645,100

4.2 Water Charges - Pricing Options - 2011/12

The one major item not shown in this table is the provision of a new reservoir near Ross Lane, which is scheduled for 2017/18, at a cost in excess of \$4 million. This item has a significant impact on the forward financial plan due to the magnitude of the expenditure required for the project.

The current review of the Section 64 contribution plans for Water and Sewer also involves a major review of future capital works. Once these plans are completed Council will have a further improved long term financial plan for capital works.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model.

The outcomes from that modelling are then effectively the cash forecasts for water, for the next ten years.

The information submitted to the February Finance Committee resulted in the following cash forecasts.

**Table 13 - Water Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,722	8,207	8,841	8,957	9,355	9,696	9,929	10,243	10,564	10,898	11,243
Operating Exps	7,726	8,203	8,446	8,688	8,952	9,223	9,502	9,790	10,067	10,393	10,708
Operating Result	(3)	3	395	269	403	473	427	453	477	505	535
% Change Fees	15.00	15.00	8.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00
Charge (20mm)	142	163	176	185	194	204	210	217	223	230	237
Price Per KL < 350	1.52	1.75	1.89	1.98	2.08	2.19	2.25	2.32	2.39	2.46	2.53
Price Per KL > 350	2.28	2.62	2.83	2.97	3.12	3.28	3.38	3.48	3.58	3.69	3.80
Capital Expenditure	1,254	5,308	1,627	1,425	553	2,761	300	408	308	317	328
Reserve Balances											
Water Reserves	2,871	2,217	2,041	1,123	1,170	624	707	791	878	966	1,056
Section 64 Conts	6,459	2,172	1,489	1,640	1,844	525	995	1,393	1,927	2,492	3,089
Total Reserves	9,330	4,389	3,531	2,764	3,015	1,150	1,702	2,184	2,805	3,458	4,145

Key features of this cash forecast are:

a) Operating Result - The result remains relatively poor as on a cash basis (i.e. depreciation has not been included). Council is only just making a cash surplus with this surplus not increasing to any great extent over the next ten years

b) Reserve Balances - Overall the level of reserves held remain relatively high, albeit that they dip during the period 2015/16 and 2016/17.

4.2 Water Charges - Pricing Options - 2011/12

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on fee increases of less than 10% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.9% for 2011/12, 8% for 2012/13 and then three years at 5%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.9%.
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections
- d) Assuming there is no net growth in total consumption. This results in the consumption per residential connection decreasing over time
- e) Developer contribution collections increasing from the traditional average of \$640,000 to \$700,000 in 2012/13
- f) Revised operating expenses based on the latest review of the current year, along with the increased purchase cost for water from Rous County Council.
- g) Revised capital expenditure as per Table 12 of this report.

The outcomes from that financial model are shown in the following table.

**Table 14 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,145	8,506	8,778	9,222	9,716	10,016	10,365	10,522	10,888	11,266
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(352)	(249)	(243)	(73)	138	147	196	(37)	11	62
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	156	169	177	186	195	201	207	213	220	226
Price Per KL < 350	1.52	1.67	1.80	1.89	1.99	2.09	2.15	2.22	2.28	2.35	2.42
Price Per KL > 350	2.28	2.51	2.71	2.84	2.98	3.13	3.23	3.32	3.42	3.53	3.63
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,682	1,637	1,461	1,420	1,386	1,477	732	1,325	1,961	2,644
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,508	2,118	2,233	2,786	2,799	3,506	828	1,457	2,107	2,782
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

4.2 Water Charges - Pricing Options - 2011/12

Points of note from this analysis are:

- a) This proposal, based on the assumptions applied, is financially feasible. However the operating surplus remains poor and limits our ability to respond to major variations.
- b) The last two rows highlight that average consumption decreases from 158 to 146 kls per connection. If total consumption increased this would improve the financial result.
- c) In this proposal \$1million in loan funding has been used to assist in financing the Ross Lane Reservoir upgrade in 2017/18. Without loan funds the reserves will be overdrawn. The loan interest repayments then result in a small deterioration in the operating surplus in 2018/19 onwards.
- d) The difference in charges in 2011/12 for a property using 200 kilolitres per annum is \$490 compared to \$513 based on the 15% increase, whereas for 150 kilolitres the difference is \$407 to \$426.

The first attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 14.

In looking at further options the use of 9.9% as a percentage increase was considered slightly unusual, therefore further modelling was carried out on 9%. The results from this option are shown in the next table.

**Table 15 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One A - 9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,085	8,437	8,701	9,138	9,624	9,915	10,256	10,405	10,760	11,127
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(413)	(318)	(320)	(157)	46	46	87	(154)	(117)	(77)
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	155	167	176	184	194	199	205	211	218	224
Price Per KL < 350	1.52	1.66	1.79	1.88	1.97	2.07	2.13	2.20	2.26	2.33	2.40
Price Per KL > 350	2.28	2.49	2.68	2.82	2.96	3.11	3.20	3.30	3.40	3.50	3.60
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,621	1,508	1,255	1,130	1,003	994	139	615	1,124	1,668
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,447	1,989	2,027	2,496	2,417	3,022	236	748	1,270	1,806
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

The results from this model are very similar to option one (9.9%), albeit that the major concern remains that the operating surplus under this model effectively remains in deficit for almost every year.

Further variations from 9.1% to 9.2% to 9.3% upwards to 9.9% were applied to the model and the conclusion drawn was that 9.9% was the minimum increase that should be contemplated for 2011/12.

4.2 Water Charges - Pricing Options - 2011/12

It should also be noted that a number of assumptions such as capital expenditure, operating expenses and the Rous Council contribution have been varied for this report, as compared to the February Finance Committee report, due to updated information.

To ensure a fair comparison to the February report it is also interesting to look at the flow on effects of continuing to apply a 15% increase for 2011/12, as this will allow Council to reduce the size of increases needed in future years.

For example, the next table highlights that by increasing the charges by 15% in 2011/12 we are able to reduce the future year charges to three years at 5% then CPI. The original model presented to the February Finance Committee, as per Table 13, was based on 8% followed by another three years at 5%.

**Table 16 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 15% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,485	8,663	8,953	9,416	9,749	10,051	10,402	10,501	10,869	11,254
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,479	10,799	11,128
Operating Result	(4)	(13)	(92)	(68)	121	172	182	233	22	71	125
% Change Fees	15.00%	15.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	163	171	180	189	195	201	207	213	219	226
Price Per KL < 350	1.52	1.75	1.84	1.93	2.02	2.08	2.15	2.21	2.28	2.35	2.42
Price Per KL > 350	2.28	2.62	2.75	2.89	3.04	3.13	3.22	3.32	3.42	3.52	3.62
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	3,021	2,134	2,133	2,285	2,284	2,411	702	1,376	2,096	2,868
Section 64 Concs	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,847	2,615	2,905	3,651	3,698	4,440	799	1,509	2,242	3,007
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

Loan funds are not needed under this model for the Ross Lane works in 2017/18. This model essentially highlights the benefits of compounding as future increases are based on higher prices.

The second attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 16.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report, different assumptions can result in substantially different outcomes, and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for water will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling.

The key drivers in the financial model are:

1. Water Annual Charge - Percentage increase per annum
2. Water Consumption Charge - Percentage increase per annum
3. Total Consumption - Consumption per connection and growth
4. Operating Expenses - Percentage increase per annum
5. Water Purchases - Percentage increase per annum from Rous Council
6. Section 64 contribution collection rate
7. Capital Expenditure

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years
- b) Implement a 9.9% increase. This is considered to be the minimum increase required, particularly when the Rous Council charges are increasing by in excess of 18%
- c) Implement an increase somewhere between 9.9% and 15%.

It is considered that all these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative, can be justified by the Rous Council increases, and has long term flow on effects as future price increases, on a percentage basis, will be lower.

The 9.9% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.9% and 15% benchmarks.

Also attached to this report are the two financial models for the 9.9% and 15% options. The first attachment is for the 9.9% and the second for the 15%.

Each attachment has eight pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances.

4.2 Water Charges - Pricing Options - 2011/12

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between both options. The major change is the percentage increase in annual and consumption charges.

Page three - Operating Revenues and Expenses - This is a summary of the water operating budget.

Page four - Water Management - This is more detailed information on the water operating budget. The information from this page is then linked to the summary.

Page five - Water Operations - Similar to page four it provides more detailed information on items that make up the water operating budget.

Page six - Water Capital - Summary of major capital expenditure and funding.

Pages seven and eight - Loan Repayments - Provides details of loan repayments, if any are needed, and the loan repayment schedule.

The attachments are provided to assist in reviewing the information provided as part of this report.

Finally it is also recommended that Council adjust the current operating and capital budgets for the water program. The two attachments to this report have the updated figures for 2010/11 and these changes result in significant flow on benefits in future years. This is one of the major reasons that the 9.9% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

RECOMMENDATIONS

1. Option A

That Council, based on the information outlined in this report, endorses a 9.9% increase for water annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council endorses a 15% price increase for water annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for water based on the latest figures included in the two attachments to this report.

4.2 Water Charges - Pricing Options - 2011/12

Attachment(s)

1. Financial Plan - Option One - 9.9% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 15% increase in 2011/12 (separate attachment)

4.3 Sewer Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution arising from the February 2011 Finance Committee minutes asking for further examination of pricing options for Council's main sewer charges for 2011/12 onwards.

Background

Council considered a report on a possible sewer charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with 12% increases for the four year period 2012/13 to 2015/16. The actual resolution arising from that report, as adopted at the February Council meeting, was as follows:

- 1. That a dynamic model be developed and used to assess sewerage charges where 9.5% is set as the maximum increase per year and lower reserve balances are permitted.*
- 2. That the results of this model be presented at another workshop to assess the feasibility of the 9.5% lower reserve balances approach.*
- 3. A specific debt reduction and debt management strategy be developed to cover the entire life of the loans.*

Items to be covered include:-

- Getting best terms to begin with ie
 - Rate
 - Term
 - Ability to prepay in part or full
 - Tranche arrangements*
 - Managing reserve to prepay as much as possible, as early as possible*
 - Strong control of operating costs and cash flows.*
- 4. That a Debt Reduction & Debt Management Sub-Committee be formed to pursue all opportunities to achieve rapid paydown of sewerage debt. This sub-committee to be formed of 2 councillors, 3 staff and chaired by the General Manager.*

4.3 Sewer Charges - Pricing Options - 2011/12

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

This report follows a similar theme to the previous report on water charges in that we are dealing with financial models for our sewer operations and Council needs to determine the level of risk to be included in our pricing structures. In summary, lower prices mean there is an increased risk that we may not have sufficient funding for projects, whereas higher prices provide a greater buffer for variations.

As per the water financial model, for our sewer operations we need to review the major components of our sewer budget. Those components are operating revenues, operating expenses, capital income and capital expenditure and each of these items is now reviewed as follows.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	6,451,084	7,135,228	8,318,600	9,652,000	10,936,300	12,388,400	14,030,200
User Charges	691,616	808,758	770,900	870,500	963,000	1,066,300	1,181,600
Operating Grants	147,397	148,632	157,600	162,500	167,400	172,500	177,700
Fees & Fines	52,863	80,095	74,200	76,500	78,900	81,400	83,900
Other Revenues	217,987	285,384	268,600	276,500	284,900	293,600	302,500
Interest	1,019,492	4,168,858	814,200	591,000	438,100	214,100	103,200
Total	8,580,439	12,626,955	10,404,100	11,629,000	12,868,600	14,216,300	15,879,100

As per water, these figures highlight that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components.

Annual Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

4.3 Sewer Charges - Pricing Options - 2011/12

The next table provides an analysis of annual charge income from residential properties for the period 2005/06 to 2010/11. The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	360	360	400	440	480	550
Actual Income Collected	4,745,087	4,784,688	5,361,165	5,970,368	6,720,524	7,630,000
Number of Residential Services	13,181	13,291	13,403	13,569	14,001	13,873
Annual % Growth in Services	N/A	0.83%	0.84%	1.24%	3.18%	-0.92%

The average growth in residential services for this period is 1.04%. With the water financial model, it was assumed that residential services would grow at approximately 0.90% and this is considered to be a reasonable assumption to apply for sewer also.

In respect to non-residential properties the annual charge is based on the main size with the 2010/11 connection charges are as follows:

Table Three - Non-residential Connection Charges

Main Size	Charge (\$)
Not connected / minimum	415
20mm	415
25mm	645
32mm	1,060
40mm	1,655
50mm	2,585
65mm	4,370
80mm	6,620
100mm	10,340
150mm	23,265

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the annual Council increase in prices.

This information is outlined in the following table.

Table Four - Annual Charge Summary - Non-residential 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	547,886	578,812	676,990	748,680	685,544	975,000
% Change in Income		5.64%	16.96%	10.59%	-8.43%	42.22%
% Change in Annual Charges		0.00%	11.11%	10.00%	9.09%	14.58%

The average percentage change for income is 13.4% and 8.96% for changes in pricing. This table demonstrates that there is not a strong correlation between the change in total income collected and the increase in the annual charge each year, and there are also large variations in income.

4.3 Sewer Charges - Pricing Options - 2011/12

Based on this it can only be suggested that for modelling purposes that Council apply the percentage change in annual charges as the most reliable figure, without any growth factor included. This is the only recommended approach as there does not appear to be any other consistent information available for forecasting non-residential access charges over a longer period of time.

Consumption Charges

Non-residential properties also pay a sewer discharge fee based on their water consumption. The next table provides details on that income for year years.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Non-residential - Consumption \$	441,308	485,504	481,044	536,087	648,149	640,000
Annual % Change in Income		10.01%	-0.92%	11.44%	20.90%	-1.26%
Council Approved % Change		0.00%	11.11%	10.00%	9.09%	14.58%

Similar to the previous table there is very little correlation between the actual percentage change in income figures and the Council approved percentage change.

However it is interesting to note that the average percentage change in income received for the total period is 8.04% and the average change in prices for the total period is 8.96%.

Therefore it may well be reasonable to assume, for forward modelling purposes, that there is some correlation, in the longer term, between increases in prices and income.

In summing up the key assumptions that could be applied in financial modelling the future annual charge and consumption income for our sewer operations are:

- Residential connections - Table Two highlights that average growth in the number of residential connections has been 1.04% in recent years. This figure is close to the 0.90% applied to the water financial model and for consistency it is recommended that 0.90% be applied in both models for residential growth.
- Annual charge income from non-residential connections - Table Four demonstrates that there is little correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council. Despite there being little correlation this remains the recommended approach due to a lack of viable alternatives.
- Consumption for non-residential connections - Table Five highlights that there is some correlation between increases in income and increases in the consumption charge over time, and that basis it is recommended that a similar approach be applied to Council's financial model.

4.3 Sewer Charges - Pricing Options - 2011/12

Even though there is not a sound and tested method for forecasting non-residential income, both access charge and consumption, importantly the figures for residential access charge income are reasonably consistent. As residential income represents around 75% of the total income for sewer operations, it does mean we have a relatively high level of reliability in our forecasting income over time, as the non-residential income is a relatively small component of the total income budget.

Operating Expenses

The figures presented to the February Finance Committee were as follows.

Table Six - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	435,869	591,675	569,100	581,000	597,900	616,200	635,000
Admin & Customer Ser	471,681	431,517	460,300	475,000	490,000	505,200	521,100
Engineering & Tech	354,108	351,837	343,500	313,500	323,100	332,900	343,100
Energy Costs	550,864	643,313	718,500	679,500	693,400	707,700	729,300
Pumping Stations	1,283,047	1,916,270	1,778,000	1,776,000	1,811,800	1,848,400	1,904,300
Reuse Water Facilities	1,761,094	1,365,678	1,927,000	1,924,500	1,963,300	2,002,800	2,063,200
Mains Operations	808,466	821,505	640,000	857,000	874,200	891,700	918,500
Plans & Investigations	148,909	134,632	209,800	138,500	140,500	144,900	149,400
Donations and Legals	12,079	12,951	10,600	12,000	12,500	13,000	13,500
Conservation/Promotion	2,000	24,396	105,100	108,000	102,100	102,200	105,300
Telemetry Operations	10,537	32,551	51,000	62,000	63,300	64,600	66,600
Other Costs	138,185	189,538	204,200	198,000	202,300	206,400	212,500
Overheads	1,017,996	1,161,000	1,238,000	1,275,500	1,313,800	1,353,200	1,393,800
Interest on Loans	21,000	21,000	8,600	1,000,000	3,983,000	4,878,000	4,748,000
Total	7,015,835	7,697,863	8,263,700	9,400,500	12,571,200	13,667,200	13,803,600

There is no one major expenditure item that forms part of the overall operating expenses and the major change in recent times has been the increase in pumping station expenses and re-use facilities.

The level of expenditure across sewer operations has been reviewed in recent weeks and based on that review it is proposed to adjust the forward operating expenses as per the next table.

Table Seven - Revised Operating Expenses - 2011/12 to 2014/15

Description	February 2010/11	February 2011/12	Revised 2011/12	Revised 2012/13	Revised 2013/14	Revised 2014/15
Engineering Mgmt	569,100	581,000	581,000	598,000	615,000	632,000
Admin & Customer Ser	460,300	475,000	532,500	548,000	565,000	582,000
Engineering & Tech	343,500	313,500	300,000	310,000	320,000	330,000
Energy Costs	718,500	679,500	801,300	881,600	969,700	1,066,700
Pumping Stations	1,778,000	1,776,000	1,610,000	1,657,000	1,705,000	1,754,000
Reuse Water Facilities	1,927,000	1,924,500	1,977,000	2,037,000	2,098,000	2,160,000
Mains Operations	640,000	857,000	660,000	680,000	700,000	721,000
Plans & Investigations	209,800	138,500	65,000	67,000	69,000	71,000
Donations and Legals	10,600	12,000	12,000	12,000	12,000	12,000
Conservation/Promotion	105,100	108,000	100,000	103,000	106,000	109,000
Telemetry Operations	51,000	62,000	62,000	64,000	66,000	68,000
Other Costs	204,200	198,000	222,000	228,000	234,000	240,000
Overheads	1,238,000	1,275,500	1,302,000	1,341,000	1,381,000	1,422,000
Total	8,255,100	8,400,500	8,224,800	8,526,600	8,840,700	9,167,700

The revised figures show the adjusted budgets for 2011/12 onwards. In comparing the 2011/12 figures to the February report, there is a significant reduction in pumping station which results in the revised figures being actually less than the current 2010/11 budget.

Interest on loans has been left out as this is discussed in further detail later in this report.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$4.954 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$740,000 per annum with the maximum figure being \$1.1m and the lowest \$308,000.

As mentioned in the water report, Council is currently reviewing both its Section 64 plans for water and sewer and it is highly likely that the current sewer contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for sewer is \$8,000 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$800,000 p.a. compared to the current average of \$740,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The other major cash contribution that Council needs to consider is a contribution from Rous Council for the use of recycled water that displaces demands on the region's potable water supply. Rous has indicated their support for payments to Ballina Council for infrastructure we provide that contributes to the sources of water for the region.

The sewer program has an extensive recycling and re-use component (i.e. dual reticulation) and by providing this, at a significant cost to our community, Rous recognise that this is in fact saving the region the cost of new water infrastructure. Council's Civil Services Group has commenced discussions with Rous on this matter and it is considered that we will be in a position to collect funding from Rous in the not too distant future.

4.3 Sewer Charges - Pricing Options - 2011/12

There is some uncertainty over the level of funding we will be able to receive, however for the purposes of the sewer financial model it is recommended that we include \$200,000, commencing from the 2012/13 financial year. The \$200,000 is a relatively small contribution compared to the magnitude of expenditure being incurred by Council on this project and with the income being delayed until 2012/13 this provides over 12 months for Council to negotiate a suitable agreement with Rous.

The final capital income item is loan funding. As per the water report, loan funding is the final option once Council determines whether other financing options such as reserves and on-going operating surpluses are in a position to finance capital expenditure. It is fair to say that loan funds will be needed for sewer due to the scale of the capital expenditure program.

In respect to capital expenditure the next table provides the total value of works presented to the February Finance Committee meeting for 2010/11 to 2020/21.

**Table Eight - Capital Expenditure - 2010/11 to 2020/21
(February Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Funding Sources											
Section 64	4,950	588	968	434	0	1,091	0	0	0	0	0
Loans	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserves	2,894	4,132	2,398	275	273	1,082	290	298	317	317	326
Total	20,273	42,320	15,866	709	273	2,173	290	298	317	317	326

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table Nine - Capital Expenditure - 2010/11 to 2020/21
(March Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	14,847	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389

As the capital expenditure program includes numerous projects it has not been reproduced in this section of the report. However the attachments, which are the revised financial models, provide complete details of the expenditure program. The funding sources have also not been included as the type of funding allocated represents a major part of the financial modelling options.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model. The outcomes from that modelling are then effectively the cash forecasts for sewer, for the next ten years. The information submitted to the February Finance Committee resulted in the following cash forecasts.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table Ten - Sewer Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,629	12,869	14,216	15,879	17,887	18,572	19,388	20,272	21,215	22,221
Operating Exps	8,264	9,400	12,571	13,667	13,803	13,948	14,100	14,282	14,431	14,610	14,697
Operating Result	2,140	2,229	298	549	2,076	3,939	4,472	5,126	5,841	6,605	7,524
% Change Fees	15.00	15.00	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	633	708	793	889	995	1,025	1,056	1,088	1,120	1,154
Capital Expend	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Loan Principal	1,185	1,258	2,105	2,483	2,613	2,743	2,873	3,003	3,133	3,263	2,510
Loan Funds	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	10,219	6,990	2,709	435	(187)	(185)	1,021	2,703	4,910	7,691	12,080
Section 64 Conts	1,004	1,145	933	1,267	1,801	1,566	2,435	3,369	4,376	5,458	6,620
Total Reserves	11,223	8,135	3,642	1,702	1,614	1,381	3,456	6,072	9,286	13,149	18,700

Key features of this cash forecast are:

- a) Operating Result - The operating result is good, however it needs to be, to finance the capital expenditure and loan repayments.
- b) Reserve Balances - The level of reserves remain relatively sound, albeit that they dip during the period 2014/15 and 2015/16.

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on increases of 9.5% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.5% for 2011/12 and then four years at 12%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.5%
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections and consumption and multiplying the current income by the percentage increase in fees each year
- d) Developer contribution collections increasing from the traditional average of \$740,000 to \$800,000 in 2012/13
- e) Including a contribution from Rous Council of \$200,000 from 2012/13 onwards

4.3 Sewer Charges - Pricing Options - 2011/12

- f) Revised operating expenses based on the latest review of the current year and for 2011/12 as per Table Seven
- g) Revised capital expenditure as per Table Nine of this report
- h) Reducing existing reserves over more than one year to allow price increases to be implemented more gradually
- i) Using loan funds based on 20 year terms, at an interest rate of 8%. A longer loan term could be used, however from the analysis undertaken by staff, the difference between 20 and 25 years is minimal in respect to the annual cash flow, although the cumulative interest repayments are far higher.

The outcomes from this financial model are shown in the next table.

**Table 11 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.5% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	12,174	13,508	15,183	17,099	17,795	18,548	19,475	20,462	21,370
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,033	13,168	13,304	13,441	13,573	13,700
Operating Result	2,710	3,144	332	895	2,367	4,067	4,627	5,243	6,035	6,889	7,669
% Change Fees	15.00	9.50	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	675	755	846	948	976	1,005	1,036	1,067	1,099
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,519	2,643	2,775	2,919	3,074	2,255
Loan Funds	4,000	45,000	7,000	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,434	756	352	797	1,112	3,726	6,802	7,984	9,184
Section 64 Conts	1,340	291	69	188	321	261	847	1,609	2,435	3,331	4,299
Total Reserves	9,061	4,489	1,503	944	672	1,058	1,959	5,335	9,237	11,315	13,483

Points of note from this analysis are:

- a) Based on the assumptions applied, it is financially feasible and there are more than adequate reserves held during the next ten years.
- b) The annual charge increases to \$1,099 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting. The difference in the annual charge for a standard residential property under this model for 2011/12, as compared to the February Committee meeting is \$602 compared to \$633.
- c) A total of \$56 million in funding has been used to finance the capital expenditure program, with all these loans being used during the period 2010/11 to 2012/13.

One issue with this model is that loans are only used in the first few years, and all the remaining major capital works are funded from reserves and section 64 contributions. If loan funds are used for some of the later capital works the model can be revised again, with particular reference to future year's increase.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table 12 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 9.5% Increase and Increased Loans (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,918	14,170	15,625	16,246	16,952	17,695	18,484	19,181
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,129	13,366	13,658	13,785	13,910	14,027
Operating Result	2,710	3,144	75	305	1,354	2,496	2,880	3,294	3,910	4,575	5,154
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,545	2,699	2,879	3,033	3,195	2,386
Loan Funds	4,000	45,000	7,000	0	1,200	1,300	2,000	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,177	92	9	44	577	1,160	2,021	1,652	1,221
Section 64 Conts	1,340	291	69	4	14	86	661	1,412	2,226	2,250	2,268
Total Reserves	9,061	4,489	1,245	97	23	130	1,238	2,571	4,248	3,902	3,488

Key changes with this analysis are:

- Annual charge and consumption price increases of 9.5% applied for the five year period from 2011/12 to 2015/16
- The annual charge increases to \$1,009 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting and \$1,099 in option one.
- Based on the assumptions applied, it is still financially feasible, although the reserve balances are very low during the period 2013/14 to 2015/16.
- A total of \$60.5 million (\$4.5 million more than option one) in funding has been used to finance the capital expenditure program.

Based on these outcomes this is a viable financial option, subject to whether Council feels comfortable with the assumptions applied.

In reviewing the assumptions, the one that has the highest risk is the Rous Council contribution from 2012/13 onwards, as this is outside Ballina Council's control.

The next table provides a revised cash forecast with that contribution removed.

**Table 13 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Three - 9.5% Increase and no Rous Contribution (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,966	14,202	15,640	16,243	16,929	17,651	18,418	19,093
Operating Exps	7,695	7,964	11,842	12,693	12,895	13,205	13,441	13,730	13,855	13,977	14,091
Operating Result	2,710	3,144	75	273	1,308	2,435	2,802	3,199	3,796	4,442	5,002
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,323	2,431	2,571	2,726	2,909	3,065	3,230	2,424
Loan Funds	4,000	45,000	8,000	0	1,200	1,300	2,000	0	0	0	0

4.3 Sewer Charges - Pricing Options - 2011/12

Reserve Balances											
Sewer Reserves	7,721	4,198	1,977	632	267	51	260	494	1,814	1,138	378
Section 64 Conts	1,340	291	69	4	14	31	604	1,350	1,326	1,295	1,256
Total Reserves	9,061	4,489	2,045	637	281	83	864	1,844	3,140	2,434	1,634

The results from this model are very similar to option two, with the main difference being that additional loan funds of \$1m are required in 2012/13 to ensure the reserves remain in the black.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report different assumptions can result in substantially different outcomes and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for sewer will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling. The key drivers in the financial model are:

1. Sewer Annual Charge - Percentage increase per annum
2. Residential Connections - Growth per annum
3. Sewer Usage Charge - Percentage increase per annum
4. Operating Expenses - Percentage increase per annum
5. Section 64 contribution collection rate
6. Capital Expenditure
7. Rous Contribution

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years and provides a large buffer for Council
- b) Implement a 9.5% increase for 2011/12. Based on the modelling undertaken this is considered to be the minimum increase required based on the extensive capital works and loan borrowing program Council is about to commence.
- c) Implement an increase somewhere between 9.5% and 15%.

All these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative and has long term flow on effects.

The 9.5% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.5% and 15% benchmarks.

Also attached to this report are the three financial models considered in this report being 9.5%, 9.5% with increased loans and 9.5% with no contribution from Rous options. The attachments are included in that order.

Each attachment has ten pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between the options

Page three - Operating Revenues and Expenses - This is a summary of the sewer operating budget

Page four - Sewer Management - This is more detailed information on the sewer operating budget. The information from this page is then linked to the summary

Page five - Sewer Operations - Similar to page four it provides more detailed information on items that make up the water operating budget

Pages six to eight - Sewer Capital - Summary of major capital expenditure and funding

Pages nine and ten - Loan Repayments and Repayment Schedule - Provides details of loan repayments

The attachments are provided to assist in reviewing the information provided as part of this report.

It is also recommended that Council adjust the current operating and capital budgets for the sewer program. Each of the three attachments has the updated figures for 2010/11 and these changes then result in significant flow on benefits in future years.

This is one of the major reasons that the 9.5% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

Finally, the minimum loan commitment that is considered viable is \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13. It is recommended that Council now call tenders for these funds.

Council has already engaged a specialist company to source call tenders for these loans and to review the responses. The outcomes from that tender process will then be submitted to Council for further evaluation.

The tender report will also allow Council to consider points three and four of the original resolution (i.e. debt reduction strategy etc) as that report will canvass the range of loan options available.

RECOMMENDATIONS

1. Option A

That Council endorses a 15% price increase for sewer annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council, based on the information outlined in this report, endorses a 9.5% increase for sewer annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for sewer based on the latest figures included in the attachments to this report.
3. That Council approves the calling of expressions of interest / tenders for loan funds of \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13 to assist with the financing of the sewer capital works program.

Attachment(s)

1. Financial Plan - Option One - 9.5% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 9.5% increase in 2011/12 with increased loans (separate attachment)
3. Financial Plan - Option Three - 9.5% increase and no Rous Council contributions (separate attachment)

4.4 Fees and Charges - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	This report summarises the proposed 2011/12 fees and charges. The objective of the report is to obtain Council approval to exhibit the draft fees for public comment.

Background

A key element of Council's activities is the raising of fees and charges to pay for the provision of works and services. A listing of all fees and charges is prepared annually and advertised for public comment as part of the draft Operational Plan.

A copy of the draft fees and charges document is included as an attachment to this business paper.

Council must establish pricing categories with the charging structure set to meet the nature of the service.

Council's adopted categories are:

- Business/Commercial - Fee set in accordance with the market
- Full cost recovery - Fees set to recover the full cost of the service
- Partial cost pricing - Fees set at what Council considers is a reasonable cost for the user to bear. The balance of the necessary funds is then sourced from general revenue
- Rate of return - The price is established to make a contribution towards the cost of providing the infrastructure
- Fixed by legislation - Fees set by legislation

The attached document is divided into the major functional areas of Council being the General Managers, Civil Services, Strategic Services and Regulatory Services Groups.

Key Issues

- Variations in fees
- Opportunities to recover the cost of Council services
- Affordability
- Reasonableness

Information

The fees document is extensive therefore the information provided relates only to fees where increases are well beyond CPI or new fees are proposed.

Commercial use of Council footpaths

At the August 2010 Ordinary meeting Council adopted a new policy for the management of the Commercial Use of Footpaths (i.e. alfresco dining, footpath displays).

A primary objective of this policy was to simplify the approval process and to encourage the use of the footpaths, subject to strict operating conditions.

In summary the policy ensured that a development consent process was no longer needed to obtain approval and the application is now based on operators seeking a Council approval under the Roads Act. The former development consent process required a number of application fees, along with the possibility that section 94 car parking contributions may be levied.

In adopting the revised policy Council also endorsed a pricing approach based on the value of the land multiplied by the square metres being used. This superseded the previous approach, which was based on a per chair price.

The square metre method improves compliance, as the approved area is clearly identified by the use of footpath markers. It is then a matter for the operators to determine how many chairs and seats are placed in that area.

The recommended pricing for the square metre rates, as per the August 2010 report, has been included in the draft fees and charges. The price was determined using an independent valuer providing a figure that aligned with a reasonable return on the land value. The actual fee proposed is 50% of the valuer's recommendation. Those prices are as follows

<u>Ballina:</u>	
Area A River St - Martin St to Cherry St	28.13/m ²
Area B River St - Cherry St to Moon St	43.13/m ²
Area C River St - Moon St to Grant St	24.38/m ²
Area D River St - Grant St to Kerr St	21.88/m ²
Area E Tamar St - Martin St to Cherry St	20.63/m ²
Area F Tamar St - Cherry St to Moon St	21.88/m ²
Area G Tamar St - Moon St to Grant St	19.38/m ²
Area H Tamar St - Grant St to Kerr St	16.88/m ²
Area I Cherry St - River St to Tamar St	28.13/m ²
Area J Moon St - Fawcett St to River St	30.63/m ²
Area K Moon St - River St to Tamar St	28.13/m ²
<u>Lennox Head:</u>	
North Precinct - 65-98 Byron St	55.63/m ²
South Precinct - 51-64 Byron St	38.13/m ²
<u>Alstonville:</u>	13.13/m ²
<u>All Other Areas</u>	Based on % of land value

4.4 Fees and Charges - 2011/12

The 2010/11 pricing is \$60 per chair.

Council's property staff have been having on-going discussions with existing operators regarding the new pricing structure and approval process and the feedback appears to be that operators accept that the approvals are more streamlined and the pricing is fair.

The only objections that have come to date are from some Lennox Head representatives who are of the opinion that all pricing should be the same.

Council has never enforced the commercial use of footpath licensing conditions in Lennox Head therefore any existing operators will now be required to obtain approval, comply with the conditions and pay the appropriate fees.

The lack of compliance in Lennox Head has effectively been a de facto policy of Council as under the previous development consent regime it was virtually impossible to obtain a planning approval, due to the narrow width of the footpath in many areas of Lennox Head.

The new policy has allowed operators to overcome many of those former planning constraints.

Refer to page 7 of the attachment for the fees and charges.

Airport fees and charges

Landing charges for airport based businesses are proposed to have a new scale.

Charge	2010/11	2011/12
Aircraft under 1,000kg	2,143	735/1000kg
Aircraft 1,000 to 2000kg	3,215	735/1000kg
Aircraft 2,000 to 5,000kg	8,255	735/1000kg
Aircraft greater than 5,000kg	12,200	735/1000kg

The 2010/11 charges allowed owners to have up to three planes. Hence owners with one plane paid the same fee as those with three planes. The new structure rationalises the approach.

Refer to page 8 of the attachment for further information.

Airport based private aircraft

New fee for aircraft parked in lease area which varies from \$40 per month to \$350 per annum

Fee to replace existing landing fee for airport based aircraft. This is a common practice in airports that is preferable to both parties over the current practice of charging per landing.

Refer to page 8 of the attachment.

Airport car parking

Fee for under 1 hour is unchanged, 1 to 2 hours increased from \$2 to \$4, day parking increased from \$6 to \$8 and overnight from \$12 to \$14.

New fees for long term parking ranging from \$14 per night to \$42 for three nights

Parking fees adjusted to meet the market. Also price changed to time of purchase.

Refer to page 8 of the attachment.

Trade waste usage charges

Increases to charges in excess of CPI

Fees increased to be closer to NSW Office of Water recommended levels. The Office of Water issues the best practice guidelines for the State which councils are encouraged to adopt. Ballina Council's charges have been well below recommended levels for some time and this was done to allow the program to be introduced and accepted.

The proposed fees are still only at the 2007/08 recommended level as it is considered that the best practice fees are overly onerous.

Refer to pages 10-11 of the attachment.

Construction and demolition waste

Construction and Demolition waste \$196/tonne to \$220/tonne.

Council considered charges for the Landfill centre at the February Finance Committee meeting and it was resolved, with certain exceptions, to increase most gate fees by 3%.

However, Construction and Demolition waste is trucked to Queensland for disposal. Queensland has introduced a new levy of \$35 per tonne for all buried waste which Council must pay. Hence it is proposed to pass some of this increase on to the public.

Refer to page 13 of the attachment.

Council has also recently resolved to review the structure of certain waste fees to encourage recycling. A more detailed report on that issue will be submitted to the April Finance Committee meeting by the Civil Services Group.

Road naming fee

New fee of \$300

Fee introduced to meet cost of advertising in local paper and government gazette.

Refer to page 15 of the attachment.

Bus shelter advertising

Increase to fees

- <i>Bus shelters 6 months</i>	<i>\$620 to \$750</i>
- <i>bus shelters 12 months</i>	<i>\$1,240 to \$1,500</i>
- <i>J poles 6 months</i>	<i>\$260 to \$350</i>
- <i>J poles 12 months</i>	<i>\$520 to \$630</i>

Fees increased to more correctly reflect market value. These fees only relate to those structures that are not included in the current advertising and maintenance contract.

Refer to page 16 of the attachment.

Ferry fees

Fees Increased by 4.7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 17 of the attachment.

Cemetery fees

Fees have been simplified and some new fees added. New fees such as 'present at time of placement of ashes' and 'transfer of right of burial' are as presented in the draft cemetery policy, which will be considered at the March Council meeting. Also a new section has been added to the fees and charges document that reflects existing practice in respect to War Grave Plaques.

Refer to page 19 of the attachment.

Building certificate - copy

New fee of \$10

New fee provided for by legislation. However the amount of the fee is up to Council.

Refer to page 23 of the attachment.

Amended construction certificate

New fee of \$50 for minor amendments and \$150 for more significant section 96 amendments.

Council has provided this service at no cost to the applicant. It can be a time consuming and complicated process and the fee reflects the cost of the work.

Refer to page 24 of the attachment.

Non complying development - dwelling

Fee increased from \$1,390 to \$1,450

Increase in costs reflects true cost of providing the service. Council must also be conscious of the fact that this is a competitive field and we must not subsidise the process.

Refer to page 24 of the attachment.

NSW Government SEPP charges

Fees increased by varying percentages up to 15%

Fee increases are to bring these charges into line with other council fees such as the development application fee. There is also a new regulation in respect to these approvals which has included some new fees such as bed and breakfast and demolition application/inspection fees.

Refer to page 25 and 26 of the attachment.

Rural fire service

New fee for depot assessment \$300

This is a new fee due to amended legislation that requires council staff or private certifiers to complete the assessment.

Refer to page 27 of the attachment.

Swimming pool compliance

Fees increased from \$50 to \$70 for compliance certificate and fencing exemption

Fee prescribed by new legislation.

Refer to page 27 of the attachment.

Septic tank (OSSM)

Fees increased by 7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 29 of the attachment.

Food inspections / water carters

Fees increased by varying amounts from Nil to 20%

At this same meeting last year Council considered a report that advised that we had accepted responsibility to undertake, in lieu of the NSW Food Authority, its food surveillance role and to report on performance annually. Part of this agreement includes increasing the frequency of inspections to twice per year.

Council is currently performing one inspection and a strategy was put in place to increase Ballina's fees over several years that would generate sufficient return to enable the biannual inspection.

Refer to page 31 of the attachment.

Market inspections

Fees increased by 11%

Fee increase more accurately reflects cost to provide the service.

Refer to page 31 of the attachment.

Public pool water quality test

New fee of \$70 for 1- 2 pools or spas and \$115 for greater than 3

This service has been provided in the past at no charge. The fee reflects part of the cost of performing the service. It is proposed to graduate this fee up over the next few years.

Refer to page 31 of the attachment.

Micro-chipping of animals

New fee of \$40

Council rangers are to be trained to microchip animals as it is now required that impounded animals be micro chipped and registered prior to being returned to the owner. The new fee is to meet Council's costs for performing this service.

Refer to page 30 of the attachment.

Planning proposals

Revised fees to reflect new process to manage planning proposals;

Commencement fee \$2,500

Minor amendment \$2,500

Major amendment \$5,000

DCP amendment \$1,500

Fees charged at cost for studies and processing.

4.4 Fees and Charges - 2011/12

Council previously charged a fee of \$1,400 as an initial fee to cover the cost of processing rezoning fees and amendments to the development control plan. The new LEP means that terminology and processes have changed and accordingly a new fee structure is proposed.

Refer to page 39 of the attachment.

Lennox Head Community Centre

New fees for operation of the centre

Council considered these fees as part of the February Finance committee. The fees are currently on exhibition.

Refer to page 40 of the attachment.

Flat Rock Tent Park

Council's property section has also asked Council to consider amending the existing refund procedures for the tent park. The proposed procedures are as follows:

Refund

Refunds of deposits and fees paid are available from Flat Rock Tent Park under certain circumstances:

Peak Period Bookings

Where at least 28 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within 12 months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 28 days written notice has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

If site is rebooked then Options A and B are applicable.

If site is not rebooked, no refund is applicable.

Off Peak and Shoulder Period Bookings

Where at least 7 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within twelve months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 7 days written notice of cancellation has been given, a cancellation fee of the first nights accommodation will apply. Other amounts deposited above the first nights accommodation will be refunded either via cash, cheque or credit card upon a written application by the guest.

4.4 Fees and Charges - 2011/12

NOTIFICATION FOR BOOKINGS CANCELLED WITHIN 24 HOURS OF BEING DUE TO ARRIVE WILL FORFEIT FULL DEPOSIT

General

- *Should people vacate a site early due to weather conditions no refund is to be given.*
- *Tariffs and deposits are not refundable if your stay is cut short.*
- *Booked sites will only be held for 24 hours from booked time of arrival, unless otherwise arranged.*

Severe Weather

In the event of severe weather, if deemed so by Council, no refunds apply. Guests may apply, in writing, for the following option depending on which circumstances applies:

- *Full Cancellation Prior to Arrival - a full credit will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*
- *Remaining stay cancellation - a credit of the remaining amount of the guest's nights left on the reservation will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*

The proposed changes are marked in red.

The major difference with this is to better manage late cancellations due to unforeseen circumstances as the contractors are having difficulties managing credits and cancellations at the last moment.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. Council needs to be satisfied that the proposed fees and charges also meet the requirements, as per the established pricing categories.

Consultation

This report has been prepared following consultation with staff across Council's entire operations. Once approved the draft document will be exhibited for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or amend the proposed 2011/12 fees and charges.

RECOMMENDATIONS

1. That Council approves the draft schedule of fees and charges for inclusion in the draft 2011/12 Operational Plan, as attached to this report, including any adjustments resulting from this meeting.
2. That Council approves the amended Refund Procedures for the Flat Rock Tent Park, as outlined within this report.

Attachment(s)

1. Draft Fees and Charges – 2011/12 (separate attachment)

4.5 General Fund - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To obtain Council approval to advertise the draft operating budget for public comment.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's recurrent programs (eg parks, roads, planning etc) with any surplus on operations then financing Council's capital works program and loan debt.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 operating budget. The complete draft budget is included as a separate attachment to this business paper.

Key Issues

- Allocation of resources and services provided

Information

The Council structure provides for four groups (Strategic, Regulatory, Civil and General Manager) within which 30 main programs are delivered. The budget is structured around these programs. In preparing the draft budget the main assumptions applied have been:

- Rate pegging increase – 6.1%
- Financial Assistance Grant (FAG) increase – 2.5%
- Interest rate for investments – 5.8% and a declining portfolio
- Interest rate for loans – 8%
- CPI – 3%
- Salary movements – 2.15%

Whilst the budget assumes a CPI increase of 3%, in many instances expenditure budgets have been increased by an amount less than 3%. This is because our internal labour oncost rates have fallen by 1% due to reduced superannuation costs. The reduced superannuation is based on advice from the Local Government Superannuation Board confirming that Council's contribution for members in the defined benefits scheme will be reduced in 2011/12. Even though there is a reduction, this figure is still extremely high and well above historical trends.

4.5 General Fund - Operating Budget - 2011/12

The operating result is a primary financial benchmark for any entity. It determines whether you have, or have not, had a surplus of operating income over expense and if a cash operating deficit is recorded on a regular basis the entity is not sustainable in the long term.

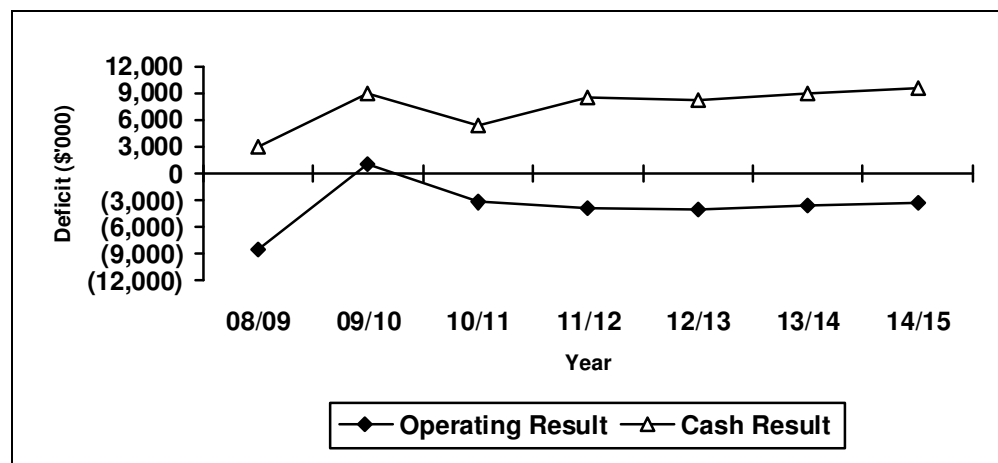
Council's General Fund aims to generate a significant cash surplus annually that enables an adequate level of capital investment (both new and replacement) to take place. Given that the General Fund is restricted by rate pegging it is a difficult task to achieve a surplus that enables all capital works desired by the community. Therefore Council must establish priorities between maintaining existing assets / services and providing new or extended services when formulating the budget.

The operating result must also include depreciation, which accounts for the fall in the service potential of an asset during the financial year. In an ideal world Council would be making sufficient surpluses to fund depreciation and then some, to pay for new assets and services.

The following chart summarises the net General Fund operating results (inclusive and exclusive of depreciation) for the period from 2008/09 to 2014/15. The first two years reflect actual results whilst the rest are forecast. The chart indicates that there was a strong improvement from 2008/09 to 2009/10 and this is partly to do with 'accounting' adjustments between the years relating to the value of investments. Nevertheless the 2009/10 result does reflect a much improved outcome in comparison to the previous year and to some extent reflects policies put in place under Council's "get well" strategy. This strategy included a number of increases to the ordinary rate that is in excess of the rate pegging maximum.

Looking forward the forecast is for operating losses inclusive of depreciation. The extent of the loss is significantly influenced by an increase of some \$3.7 million in depreciation between 2010/11 and 2011/12. This is due to the revaluation of stormwater and roads infrastructure. Exclusive of depreciation the forecast is for a gradual increase in the surplus with approximately \$8.5 to \$9 million being available in discretionary funds to replace existing assets and provide new works or services.

Table One - General Fund Operating Results – 2008/09 to 2014/15



Council has held strong cash reserves for a number of years which are now in the process of being converted into assets. This is a concern in the sense that we need to generate an even bigger surplus to fund maintenance and operation of these new assets. A prime example is the new Lennox Head Community Centre that is forecast to run at a deficit of approximately \$165,000, without providing for future refurbishment.

The reduction to cash on hand also inhibits our ability to cope with an unforeseen negative event.

General Fund – Summary

The draft General Fund budget is showing a working capital deficit of approximately \$198,000. This has, as usual, proven to be a very difficult budget to try and bring close to a break even point.

Contributing issues include:

- new assets to operate and maintain such as the Lennox Head Community Centre
- Regulatory Services legal expenses have been increased by \$75,000 to \$275,000 which is higher than would normally be the case at the start of the year. This figure may well prove too low, which means, as in recent years, the property reserves will be needed to balance the budget
- Additional staff expense with respect to the new ranger position which was funded for six months in the 2010/11 budget and now must be funded in full for 2011/12 onwards.
- Increased lease costs with respect to computers and other technology such as photocopiers estimated at \$60,000 extra.

On a positive note the superannuation expense in relation to the defined benefits scheme has fallen by approximately \$200,000 in comparison to last year.

Expenditure budgets of interest include:

- Salary/wage expenses are forecast to increase with an award based increment of 2.15%. The award increase has been adjusted such that it now applies from 1 July as opposed to 1 November. The total 52 week General Fund wages expense, exclusive of overtime, allowances and contract staff is estimated to be in the order of \$13.5 million.
- Workers compensation insurance is estimated to be \$620,000. This estimate is actually \$20,000 less than the current year however it is a substantial increase from recent years of \$393,000 in 2008/09 and \$436,000 in 2009/10.
- Public liability insurance is estimated to be \$530,000

4.5 General Fund - Operating Budget - 2011/12

- Superannuation expense is forecast to be approximately \$1.95 million. This includes expense for the current scheme of \$1,072,000 and the defined benefits scheme of \$878,000. The contribution rate in respect of the defined benefits scheme is still greater than the original scheme rates however it is substantially less than last year.
- The cash budget for employee leave entitlements has been set at \$1.8 million. This relates to long service leave, annual leave and sick leave. In addition there is a transfer to reserve of \$50,000 to provide for the accrued leave liability; i.e. leave accrued but not taken.

As at the start of this financial year the leave liability stood at \$7.3 million with a cash reserve to meet this debt of \$1.95 million. This means that, at that time, the liability was 27% funded, which is considered satisfactory.

Council also has in the order of 49 staff members who are at, or over, the retirement age. This means that over the next few years the reserve will be called on to pay out a significant amount of leave accrued.

Based on calculations on the growth in the leave liability the transfer to reserve should be more like \$150,000 rather than \$50,000. Given the working funds position this is not possible however it is a situation that must be closely watched and where possible Council should look to place cash into the reserve.

- Internal overheads distributed to various sections of the budget amount to \$3.9 million. This process distributes costs for insurances, leave entitlements and administration to various sections of the budget so that their expenses more accurately reflect true costs
- Total loan repayments are forecast to be \$3.5 million which is an increase of some \$500,000 on the 2010/11 financial year. Additional loans relate to the airport and the Wollongbar Link Road. These should be funded by airport reserves and Section 94 contributions.

Income budgets of interest include:

- Income from the investment portfolio that is applied to general revenue is estimated to return \$750,000. This assumes that the reserve balance will fall and the interest rate will remain reasonably steady. General Fund reserves are being applied to major projects such as the town centre upgrades, coastguard tower, surf club, Skennars Head sports fields, Wollongbar sports fields and coastal cycleway.
- The Financial Assistance Grant is estimated to provide 2.5% more than the current year, with total income estimated at \$3.4 million. This grant is not predictable, as at times the grant amount has actually reduced from one year to another. However an optimistic outlook has been taken.
- Income from rates, based on a 6.1% increase, is estimated at \$15.4 million. The 'additional income' beyond a cost of living increase is included in the budget as is the offsetting expenditure, which is as follows:

4.5 General Fund - Operating Budget - 2011/12

Description	Amount
Roads New works	300,000
Roads Reconstruction	50,000
Buildings and Facilities	65,000

This allocation is consistent with Council's Ministerial approval for the 6.1% increase.

The Roads New Works monies will be used to finance Section 94 related works.

The Roads Reconstruction monies form part of Council's total capital reconstruction works, whereas the buildings and facilities monies now provides a recurrent budget of \$200,000 that can be used on community buildings and facilities.

For further information on these items refer to the next report in this agenda, which details the recurrent capital works programs for 2011/12.

- Private works income is forecast to be \$825,000 with expense of \$750,000. This assumes an approximate 10% surplus. This budget is difficult to predict and varies considerably from year to year
- Tuckombil quarry royalties are estimated to return, net of expenses, \$268,000 with a dividend to the General Fund of \$100,000
- Rental returns from commercial properties are estimated at \$2.3 million with the property portfolio providing a dividend to Council of \$300,000

In summary this has been a typically difficult General Fund budget to try and achieve even a reasonably small deficit. Therefore it is imperative that caution is shown prior to approving new expenses that do not have their own funding source.

Alternatively, if new items are added existing works will need to be deleted.

General Fund - Cash Result

The 2011/12 budget, as presented, assumes that Council wishes to provide the same mix of services and programs as per the current year.

Based on these assumptions the cash result, on a working fund basis (i.e. working capital basis - net unrestricted cash), for 2011/12, as compared to the original estimated 2010/11 result, is as per table two.

The information is shown on a program by program basis as this highlights the cost (occasionally there is a program that generates a surplus) of these programs to the community.

Please note that the 2010/11 column shows the budget as at the commencement of the financial year, not as at the latest quarterly review (i.e. December).

This is considered to be a fairer comparison as it allows Council to assess the cash movements from the start of one financial year to another.

Table Two - Net Working Capital Result by Program

Description	2010/11 Budget Surplus / (Deficit)	2011/12 Budget Surplus / (Deficit)	Variation Improve / (Worsen)	Variation %
Strategic and Community Services Group				
Strategic Planning	(877)	(937)	(60)	7
Community Services	(351)	(624)	(273)	78
Sub Total	(1,228)	(1,561)	(333)	27
Regulatory Services Group				
Development Services	(856)	(1,089)	(233)	27
Building Services	58	77	19	33
Environmental Health	(479)	(489)	(10)	2
Administration & Public Order	(863)	(943)	(80)	9
Sub Total	(2,140)	(2,444)	(304)	14
Civil Services Group				
Engineering Management	(2,470)	(2,482)	(12)	0
Stormwater/Environmental	(674)	(686)	(12)	2
Roads and Bridges	(4,663)	(4,907)	(244)	5
Ancillary Transport	(1,711)	(1,466)	245	14
RTA	0	0	0	0
Open Spaces and Reserves	(3,165)	(3,015)	150	5
Fleet Management	0	0	0	0
Rural Fire Service	(192)	(187)	5	3
Quarries and Sandpit	100	100	0	0
Swimming Pools	(402)	(393)	9	2
Landfill & Resource Recovery	0	0	0	0
Waste - Domestic	0	0	0	0
Water Services	0	0	0	0
Sewer Supplies	0	0	0	0
Sub total	(13,177)	(13,036)	141	1
General Manager's Group				
Governance	(904)	(968)	(64)	7
Administrative Services	(853)	(879)	(26)	3
Financial Services	20,881	22,317	1,436	7
Library Services	(1,141)	(1,177)	(36)	3
Information Services	(1,191)	(1,317)	(126)	11
Human Resources and Risk	(522)	(770)	(248)	48
Communication and Tourism	(535)	(663)	(128)	24
Property Management	406	300	(106)	26
Caravan Parks	236	0	(236)	100
Airport	0	0	0	0
Sub Total	16,377	16,843	466	3
Total	(168)	(198)	(30)	18

It is important to note that the self funded programs are shown as a nil cost, as income and expenses are matched against reserve movements.

Brief comments on the programs are as follows.

Strategic and Community Services Group

Strategic Services

The Strategic Services budget represents a continuation of existing services with staff levels and recurrent expense forecast to be similar to 2010/11. The budget makes provision for a continuation of funding to complete the LEP revision, additional planning studies and heritage programs.

The increased deficit, above CPI, from 2010/11 to 2011/12 relates to the transfer of funding for economic development programs from the Commercial Services Unit, as per a report to Council during 2010/11.

Community Services

The Community Services program incorporates the Wardell Community Space, Ballina Community Services Centre, Lennox Head Community Centre (LHCC), Alstonville Leisure and Entertainment Centre (ALEC), Richmond Room, the Community Gallery and other community services.

Similar to Strategic Services this program shows a far higher deficit as items such as ALEC, LHCC and the Richmond Room were not part of this budget at the start of 2010/11. With the employment of a dedicated centre manager for the Ballina Community Services and Wardell Community Centres all of these properties are now located in the one program.

Regulatory Services Group

Development Services

Income is forecast to fall by \$65,000 in comparison to last year which is on the back of poor returns this financial year. Legal costs have been increased by \$75,000, again due to experiences in recent years.

Building Services

No significant changes forecast. A small incline in income has been anticipated which would continue trends over recent years. Most areas of building services are subject to competition with private certifiers and it is important that fees are not artificially low through subsidisation. Hence a pro active approach has been taken to fees which have again been increased to meet the market.

Environmental Health

The budget proposes a continuation of services such as the on site sewerage management program, water testing and inspection of commercial premises. There are only incremental changes in comparison to the previous year.

Administration and Public Order

Income is forecast to be quite similar to the current year. Expenses have risen due to increased staff costs with the inclusion of one full time ranger, as compared to only six months being provided during 2010/11.

Civil Services Group

Asset Management

This section of the budget includes Civil Services internal staff. The budget movement is slightly distorted as one staff member has been transferred from Civil to Human resources to better co-ordinate risk management tasks

Roads and Bridges

The comparison shown in table two highlights growth in the net cost of services provided. This is primarily due to the additional resources being applied to this area funded by the special rate variation.

Ancillary Transport

The net decrease to cost in this area is due to the fact that at the start of the 2010/11 year loan repayments relating to previous upgrades of the Ballina town centre were shown as an expense in ancillary services. However the transfer from reserve (income relevant to the repayments) was shown in property services. Hence the original 2010/11 budget showed a distorted position in that income was in one area and expense in another. This situation has been corrected and therefore the 2011/12 position 'appears' to be better in comparison.

Open Spaces and Reserves

Despite the reduction to forecast expense shown in table two all services will remain similar to the current year. Reduced costs are attributable to a relocation of income paid by the crown in respect to crown parks of \$205,000. This income was previously located in property services however given the disposal of the crown parks the expenditure to which the income relates now resides in open spaces.

Rural Fire Service (RFS)

It is estimated that the 2011/12 expense will be less than 2010/11, as the current year includes Council's share of a new fire station. However the 2011/12 year is still elevated in comparison to earlier years in that the RFS is proposing to purchase a new fire truck in 2011/12.

Quarries and Sandpits

The budget proposes a dividend from this business to assist the bottom line of the budget of \$100,000. Whilst it is still forecast that there will be a net transfer to reserve it is a considerable sum to take as a dividend. The budget also proposes capital expense of \$50,000 to pay for a post closure options report. This report will provide a better idea of funds required for post closure remediation.

Swimming Pools

Pools are forecast to run at a net cost of \$392,000. This represents a forecast reduction in comparison to 2010/11, which is due to additional expense being applied in 2010/11 to repair tiles and fencing.

General Manager's Group

Governance and Corporate Management

The majority of the increase to forecast expense relates to an increase in the donations budget. This is for general donations as well as the scholarship funding. There have also been increments to salaries, councillor's expenses and subscriptions.

Council has resolved to include \$100,000 in the miscellaneous donations budget for 2011/12 and in response to this the total donations budget is as follows, as compared to the original 2010/11 budget,

Description	2010/11	2011/12
Rates and Charges	19,000	20,000
SCU Scholarship	0	15,000
Donations - General	52,000	65,000
Public Halls and Buildings	33,000	35,000
Donations - Planning Fees	2,000	2,000
Total	106,000	137,000

The Public Halls and Buildings and Donations - General figures total \$100,000. If Council wishes to achieve a figure of \$100,000 for Donations - General, the overall deficit will need to be increased or expenses reduced elsewhere.

Financial Services

Income from ordinary rates is forecast to be approximately \$15.4 million which is an increase of approximately \$900,000 in comparison to last year. The 6.1% rate increase accounts for the majority of this movement. There are also forecast increases to the Financial Assistance Grant and internal overheads.

Information Services

As mentioned previously hardware lease costs have risen significantly and an additional \$60,000 has been added to this area. There have also been incremental adjustments to all expenses. Many of these costs have been re-distributed across the organisation to self funded areas such as water, sewer and waste, however the credit from that redistribution is included in the governance and corporate management program.

Human Resources and Risk Management

This section of the budget includes overhead expenses such as insurances; superannuation and employee leave entitlements together with the on cost credit that is generated from charging out this expense to other areas of the budget.

Estimating the interaction of these transactions is not an exact science and the outcomes are influenced by various factors such as leave taken, engagement of casual staff, use of contractors etc. The 2011/12 budget forecasts substantial increases in relation to workers compensation insurance with more modest increases forecast for staff leaves and training /recruitment costs.

Salaries for this section have also increased due to the relocation of a staff member from Civil to this area.

Corporate Communications and Tourism

This section of the budget has acquired the Community Event budget, along with an additional two days for the grants officer position. This change was reported to Council during 2010/11 when Council resolved to reallocate part of the former economic development budget to the Strategic and Community Services Group, for economic development related research, and the balance was transferred to this program to allow a current three day per week position, to be expanded to full time. The extra days are allocated to grant related activities (i.e. seeking funding, completing applications etc).

Property Management

This section of the budget includes an array of commercial and community properties. The net outcome is that a contribution is made to support General Fund activities with the 2011/12 figure less than the 2010/11. As mentioned previously there have been a number of movements from this area of the budget to Strategic services including the Richmond Room, ALEC and economic development.

These adjustments have contributed to make comparisons from one year to another difficult. There have been no staff increases or additional resources added to this area.

During 2010/11 this program has also allocated approximately \$280,000 from reserves to assist with financing over-expenditures in Council's legal budget.

Property Management continually contributes a dividend to General Fund and in 2011/12 it is proposed to be \$300,000. This has traditionally been the case over many years with the Wigmore Arcade surplus being applied to general revenues as opposed to going in to a reserve.

The current position of property reserves is such that future incomes are committed to financing debt raised to construct community infrastructure. It may become difficult for this dividend to continue into the future.

Camping Ground (Flat Rock Tent Park)

The deficit movement of \$236,000 shown in table two relates to the fact that income received from the crown has been relocated to Open Spaces.

The tent park is forecast to make a cash loss of \$6,000. Add to this proposed capital expense of \$10,000 and the forecast is for a negative cash result of \$16,000.

4.5 General Fund - Operating Budget - 2011/12

The reserve is currently negative \$19,000 so the forecast to 30 June 2012 is negative \$35,000.

This is not a sustainable position and the enterprise needs to be looked at closely in terms of future strategies.

Airport

Forecast income has been increased substantially (by \$1 million to \$4 million) in anticipation of new tariffs for major commercial airlines. Based on this income the budget includes capital works of some \$1.1 million that will almost consume the forecast surplus.

At the start of this financial year the airport reserve was a negative \$444,000 due to successive years where we have spent more than we have received. The 2011/12 budget is premised on very optimistic income figures and it will be important to hold off on proposed capital works until such time as the income forecast becomes a reality.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included are as follows.

Description	Recurrent Budget
Ballina Pool Maintenance – inadequate vote	20,000
Boat Ramps – contract cleaning	17,000
Depot Building Maintenance – inadequate vote	34,000
Depot Yard Maintenance – inadequate vote	14,000
Environmental Health - Special projects	5,000
Environmental Health Officer - Increased Hours	16,000
Open Spaces - Team Leader	102,000
Plumbing Inspector - Additional	60,000
Regular cleaning of Ballina and Alstonville CBD pavers	38,000
RSL Boardwalk – handover to Council and annual maintenance	3,000
Rural road resealing program - improvements	100,000
Senior Planner Job Share - Additional Day	16,000
Street Tree Planting Program	10,000
Street Tree Planting as per adopted policy	3,000

From a Councillor viewpoint the one item that has been consistently raised with Council staff is the need to increase the number of street trees being planted. If this is a priority of Council then the recommendation from this report should include a direction to staff to find funding to allocate monies to that program. A sample recommendation could be:

That the General Manager review the draft Council budget to identify savings of approximately \$10,000 to \$15,000 with this funding to be allocated to an on-going street tree planting program.

Late items for consideration

TRIM Electronic Document Management System (EDMS)

The following information has been provided by Council's Information Services section.

It is proposed that the TRIM software product will replace the EDMS currently in use by Council since 2000 (i.e. Dataworks). This is the next stage in the implementation of an enterprise-class information system that commenced in 2009 with the installation of the Civica Authority product. This stage sees the implementation of the Authority Customer Service Requests module, and, in order to derive the greatest ongoing benefit from this implementation, replacing the currently installed Dataworks product with TRIM is required.

This implementation will result in significantly improved integration over and above what can be achieved by retaining the Dataworks product, increased productivity by way of improved document management, and better customer service.

Implementations of this nature are typically made with a view to a minimum ten-year life. With this in mind, the annual costs associated with TRIM are significantly less than those associated with Dataworks, and will realise a net saving to Council over the life of the product. Total cost of the project is \$320,000. This includes software licenses, implementation costs, and the appointment of a project manager for a fixed-term to oversee the implementation.

A budget of \$137,000 is already in place in the 2010/11 financial year for the management of the Authority Name and Address Register (NAR) and the implementation of the TRIM document management system (see Quarterly Review report – February 2011 meeting). Of this, \$37,000 will be required for the NAR project, leaving \$100,000 already allocated to the upgrade of the current document management system and the introduction of customer service requests.

If Council were to approve the implementation of TRIM the balance of the project cost, \$220,000, will be spent in the 2011/12 financial year. TRIM, along with Authority, is a product that will be used organisationally, and therefore the Water, Sewer and Waste funds must contribute to the cost. The allocation of costs to these funds is as follows:

*General - 29% - \$63,000
Water - 24% - \$53,000
Sewer - 21% - \$47,000
Waste - 26% - \$57,000*

The General Fund contribution will comprise \$15,000 gained from savings made by not renewing the annual Dataworks licence, \$20,000 will be funded from the IT/Legal / Audit reserve and \$28,000 from either IT capital and operational expenditure or from savings generated in the ALEC operations this year (i.e. \$28,000 saving in matting and floor resurfacing).

If TRIM is not implemented, it will still be necessary to upgrade Dataworks to achieve a rudimentary level of integration with Authority. This cost will be in the order of \$125,000 for 2011/2012, with a corresponding increase in annual costs after that of approximately \$10,000 over and above current recurrent costs for the product.

Further, the level of product integration will not provide the functionality required to achieve the best available productivity gains and maximise customer service improvements. Further, it is likely that Council may still be faced with a TRIM implementation down the track as more Civica customers move towards implementing this product.

In summary the TRIM product is considered critical to the on-going efficiency and responsiveness of the organisation and can be funded without impacting on the General Fund recurrent budget.

Occupational Health and Safety (OH&S) Resources

The following information has been provided by Council's Human Resources section.

Council has recently been recruiting for a replacement OH&S officer following the resignation of an incumbent staff member. Following the recruitment process two very strong candidates have been identified for the position. The skills / experience of these candidates are as follows:

Candidate One

Candidate one has over 20 years experience in safety in Local Government context and is currently an OHS Coordinator for a large Council. This candidate has excellent skills and experience in OHS policy and program development, site safety management plans, OHS incident / accident investigation, injury management and prevention and provision of general OHS specialist technical advice and support.

Candidate Two

Candidate two has strong OHS background and is a qualified external auditor and WorkCover Accredited Trainer. This candidate also has excellence skills and experience in developing and reviewing OHS management systems, auditing and delivery of training. Currently this candidate develops contractor safety management systems for contractors in the south coast of NSW and delivers a range of WorkCover accredited plant assessment and OHS general induction and consultation training.

The interview panel identified that candidate one would be very suitable to the current OHS Officer position however has identified that candidate two can not only support and complement the skills of candidate one but provides an excellent opportunity for Council to enhance the OHS skills and competency of our employees.

Candidate two has the skills and expertise to not only deliver a range of OHS specialist services currently engaged through external auditing and training organisations but also provides a range of other essential OHS training that needs to be provided to our employees on an ongoing basis to meet WorkCover and legislative requirements (eg competency assessments).

From a review of the costs paid to external workcover accredited and other OHS trainers over the past 12 months, Council has paid \$102,000, the majority of which could have been undertaken in house should Council have had the skills and qualifications of candidate two.

Furthermore the engagement of external trainers provides less flexibility in how training is delivered and the engagement of candidate two will provide the additional benefit of having an in house trainer who can tailor training specific to Council needs and deliver training at short notice and during wet weather and other down time periods therefore increasing efficiency in such delivery. Council's insurer provides Council with approximately \$30,000 to \$40,000 each year to utilise on OHS project improvements. Currently these funds pay for external providers to implement such projects. The employment of both candidates will enable these projects to be undertaken in house.

WorkCover has identified that Council needs to undertake competency assessments of all employees and to ensure that Council is adequately auditing our systems. This expectation cannot be performed by one OHS Officer. The changes in national OHS laws will also require a large amount of resources to review our existing OHS programs and to assist our employees, volunteers and contractors in understanding their OHS requirements.

Therefore, the interview panel have recommended the appointment of both individuals to the role of OHS Officer with the funding of the second position from the existing training and development and OHS project funding therefore having no financial impact to Council.

The opportunity exists with respect to OH&S to employ a dedicated trainer, the cost of which will be totally offset by current payments being made to external trainers.

Street Lighting

The following information has been provided by the Civil Services Group.

Ballina Council in partnership with other councils in the region has negotiated with Country Energy (now Essential Energy) to establish a new street lighting maintenance agreement.

The emphasis of the negotiations was for Country Energy to upgrade the Council street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards.

The outcome of the negotiations was a series of offers made by Essential Energy to the various councils to enter into a new Streetlighting Use Of System (SLUOS) agreement.

The offer presented to Ballina Council will in affect reduce Council's annual SLUOS charge by \$41,543 per annum and under the new lighting model there is an estimated total yearly savings of \$187,000.

It is necessary however for Council to make a capital contribution at the commencement of the project and this is estimated to be \$162,000.

These funds are required to compensate Essential Energy for the unrecovered capital on the existing network.

The payback period for this is less than 12 months and on that basis it is recommended that Council approve the funding with the monies sourced from one of Council's property reserves.

Water and Sewer Operating Budgets

Reports on the current state of the Water and Sewer budgets form separate reports to this meeting.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. The programs included in this report look to meet the mandatory and essential functions of Council as well as applying resources to discretionary activities.

Consultation

The operating budget has received input from every manager. Council's draft Operational Plan will be advertised for a minimum period of 28 days for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or change the proposed budget/s.

The draft budget reflects the difficulties in providing a wide range of services to the community, with limited resources and it is recommended that Council approve the exhibition of the draft operating budget as presented.

RECOMMENDATIONS

1. That Council endorses the draft operating budget, as attached, for inclusion in the draft 2010/11 Operational Plan, including any adjustments resulting from this meeting.
2. That Council approves the inclusion of the TRIM document Management System in the draft operating budget, as per the information outlined in this report.
3. That Council approves the employment of an additional Workcover Accredited Occupational Health and Safety Trainer, with the cost of this position to be totally offset by savings in monies currently paid to external trainers.
4. That Council approves funding of approximately \$162,000, sourced from Council's property reserves, to upgrade Council's street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards. The savings from this changeover are to be immediately reimbursed to the property reserves and this is expected to occur in less than one year.

Attachment(s)

1. Draft Budget – 2011/12 to 2014/15 (separate attachment)

4.6 **Capital Works - Recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the draft capital recurrent capital works program for 2011/12 onwards.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's day to day programs (i.e. open spaces, roads, planning etc) with the cash surplus on operations then assisting in financing Council's capital works program.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 capital works program and onwards, with the focus primarily on works that are recurrent or self funded.

Key Issues

- Funding available
- Priorities

Information

Capital works for Council projects are typically funded from one or more of the following sources:

- General revenue - represents any surplus revenue after day to day activities are funded
- Loans (the loan repayments must then be funded)
- Developer contributions (Section 94 for General Fund and Section 64 for Water and Sewer)
- Grants
- Reserves
- Asset Sales

The format of the Council budget, as included in Part C of the separate budget document, provides a forward works program for the next four years; i.e. 2011/12 to 2014/15.

Details of how the projects are funded are also included on the right hand side page of the document.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The capital works included in the Council budget can be categorised into three broad groups.

1. General Fund Revenue - Recurrent works

The typical Council budget includes revenue funding for major recurrent programs such as urban and rural roads, footpaths / shared paths, open space, sporting grounds and stormwater / drainage works.

On-going general revenue is needed for these items as they represent a major component of Council's infrastructure base. The funding of the replacement and renewal of this infrastructure can, at times, be under funded, as the liability is often in the millions of dollars.

The recent development of Council's Asset Management Plans has helped to quantify this information and a large part of Council's strategy to increase its rate base requires that the additional funds are allocated to the replacement and maintenance of existing infrastructure.

2. Self-funded Programs

Programs such as water, sewer, airport, waste, fleet and plant should generate adequate revenues from their own operations to fund their own capital works programs.

3. Non-recurrent projects

There are numerous capital projects, that may not be recurrent in nature, but are considered desirable by the community and to finance these projects a funding source(s) must be identified.

This third category is dealt with by the following report in this agenda.

The next section of this report deals with the remaining two categories of capital works in detail; general revenue funded recurrent works and self funded programs.

1. General Fund Revenue - Recurrent Works

A review of Part C of the draft budget highlights that the following capital works are sourced, either in full, or in part, from General Fund revenue (i.e. refer to column titled General Revenue in the Funding Sources of the capital works pages).

Table One - General Revenue Funded Programs

Description	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900
Community Infrastructure	200,000	206,000	212,000	218,600
Stormwater / Drainage	398,500	411,800	424,100	436,900
Urban and Rural Roads	3,371,000	20,294,000	3,726,000	3,810,000
Footpaths / Shared Paths	794,000	1,035,000	641,500	625,800
Street Lighting	41,000	42,000	44,000	45,000
Parks and Reserves	161,000	166,000	172,000	177,000
Sporting Fields	141,000	145,200	149,600	154,100
Total	5,137,500	22,331,900	5,402,100	5,501,300

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The current priorities for the expenditure of these funds for the next four years are as follows.

Information Services – Manager – Stewart Littleford

Item	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900

Provision for on-going replacement of miscellaneous computer equipment.

Property Manager – Paul Tsikleas

The funding allocated for this program is as follows:

Community Infrastructure	200,000	206,000	212,200	218,600
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When Council adopted the 2010/11 budget the works planned were as follows for **2010/11 to 2013/14**

Item	2010/11	2011/12	2012/13	2013/14
Building Lifecycle Contracts	60,000	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	42,000	0	0	0
Pat Morton Lookout - Toilet	0	115,000	85,000	0
Alstonville Pool - Improvements	0	0	36,000	127,200
Alstonville Pool - Plant Room	10,000	0	0	0
Ballina Pool - Fence Repairs	10,000	0	0	0
Ballina Pool - Pool Tiles	10,000	0	0	0
Total Expenditure	132,000	200,000	206,000	212,200

During 2010/11 Council reallocated \$25,000 of the funding for the building lifecycle contracts to allow the purchase of seats for the Richmond Room and to assist with the solar panel projects at facilities such as the Ballina Community Services Centre, Ballina library, Waste Centre, ALEC and 71 Tamar Street.

Also in respect to the 2010/11 budget Council has funding allocated of \$140,000 to construct stairs for Pat Morton Lookout. This is funded through Federal Government grants and Council revenue through the Open Spaces section. In order to complete the Pat Morton steps in 2010/11 an additional \$80,000 in funding is now needed. Alternatively the stairs will only be constructed two thirds of the way to the top.

In order to allow that project to be completed this year it is recommended that the \$42,000 for the Players Theatre - Re-roof and the remaining \$35,000 from the lifecycle contracts, be reallocated to this project. This would then leave a \$3,000 shortfall which can be funded from the Open Spaces budget.

The current status of the Players Theatre re-roof project is that closer analysis has identified that there are other structural issues with the building and the total cost of the project is now closer to \$80,000.

It has also been suggested that the Players Theatre should be making a contribution to this project.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

On that basis it is recommended that the priorities for the community infrastructure funding for the next few years should be as follows:

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Building Lifecycle Contracts	0	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	40,000	0	0	0
Pat Morton Lookout - Toilet	160,000	0	0	0
Alstonville Pool - Improvements	0	50,000	52,000	54,000
Ballina Pool - Improvements	0	50,000	52,000	54,000
Other Community Infrastructure	0	21,000	23,200	25,600
Total Expenditure	200,000	206,000	212,200	218,600

For 2011/12 the major change is providing sufficient funding to allow the Pat Morton Lookout toilets to be completed and also providing a 50 / 50 contribution to the Players Theatre re-roof. The assumption being that the Players Theatre will only proceed based on matching fund from the tenants.

The Pat Morton estimate is based on an allowance of \$55,000 for the building, \$12,000 for lighting and \$93,000 for connection to sewer, water and electricity. A composting toilet was considered however the professional advice from the RTA and National Parks, who use composting toilets extensively, is that the frequency of use for Pat Morton is not conducive to composting.

Discussions were also held with a manufacturer of composting toilets and their verbal advice also confirmed that based on use levels composting was not appropriate.

In respect to figures for 2012/13 onwards, the allocations are nominal only and the expenditure on swimming pools will be dependent on the infrastructure plan for the swimming pools that is subject to a further report to Council.

This has been requested by resolution and that report, from the Civil Services Group, is scheduled for the April Finance Committee meeting.

Stormwater - Manager - Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Stormwater	398,500	411,800	424,100	436,900
Urban Lane Improvements	23,500	24,400	74,100	25,900
Coogee St Pump Station	150,000			
Tweed St / Tamar Street	100,000			
Rous Mill Road	50,000			
Gibbon Street		137,000		
Canal Road		100,000		
Williams Reserve		50,000	50,000	
Foster Street			150,000	
Moon Street			150,000	
Grant Street				151,000
West Ballina				260,000
Floodgate Investigation	25,000			
Stormwater Asset Data	50,000	100,400		

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Roads and Bridges - Manager - Paul Busmanis

Item	2011/12	2012/13	2013/14	2014/15
Fawcett Lane			60,000	
Wilson Street			100,000	
Grant Street	250,000			
River Street		100,000		
Henry Philp Avenue				105,000
Fenwick Drive	190,000			
Canal Road		80,000	290,000	
Cherry Street			290,000	
Norton Street				90,000
Moon Street				80,000
Heavy Patching	345,000	276,000	284,000	293,000
Boatharbour Road	83,000			
Chickiba Drive		200,000		
Banksia Lane				90,000
Byron Street	225,000			
The Serpentine			100,000	
Crane Street				170,000
Brunswick Street		60,000		
Burnet Street			152,000	
Fox Street		284,000		
Grant Street		140,000	106,000	
Cedar Street			100,000	
Fernleigh Road			100,000	60,000
Nashua Road			85,000	
Rifle Range Rd (seg 220 & 223)	137,000			
The Coast Road, Lennox Head	563,000			
Marom Creek Road				107,000
Midgen Flat Road	250,000	250,000		
Bagotville Road			200,000	330,000
Pimlico Road	150,000	150,000		
Teven Road				200,000
Uralba Road	150,000	150,000		
Tuckombil Road		151,300	218,200	
Maguires Creek Bridge				622,000
River Street Roundabouts - Section 94	1,028,000			
Hutley Drive - Section 94		13,970,000		
Cumbalum Interchange - Section 94		2,883,000		
McLeary Culvert		1,600,000		
Links Avenue Intersection - Section 94			1,031,000	
Tamar / Cherry Street Roundabout - Section 94			610,000	
Skennars Hd / Coast Roads Roundabout - Section 94				1,663,000
Street Lighting	41,000	42,000	44,000	45,000
Kalinga St West Ballina	41,000			
Sunnybank Dve West Ballina		4,000		
Riverside Dve West Ballina		15,000		
Melaleuca Pl East Ballina		7,000		
Casey Pl West Ballina		7,000		
Carrington Street		4,000		
Main Street		5,000		
Bruxner Highway, Wollongbar			10,000	
Pearces Creek Road			34,000	
Unallocated				45,000

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Ancillary Transport Services and Town Beautification - Manager – Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Footpaths and Shared Paths	794,000	1,034,400	641,500	625,800
Moon St - Bangalow Rd to Fox Street	20,000			
Headlands Drive - opposite school	10,000			
Skennars Head Rd - adjacent to Leisure Park	10,000			
Rifle Range Rd/Simpson Avenue	60,000			
Hill St Easton Park complete Hill St to Refuge	4,000			
The Avenue	10,000			
Beachfront Pd - west side	30,000			
Wardell Rd - Robertson St to Newbon St	10,000	5,000		
Wardell Rd - opposite Plaza		10,000		
Bruxner Highway - Sneaths Road to Rifle Range Road		60,000		
Byron St - service station to Coast Road		75,000		
Links Av - at Chickiba Drive		10,000		
Green St - highway to Robertson Street		20,000		
Fawcett Lane		5,000		
Grant St - connect existing Fox Street		19,400	100,000	
Fox St - connect Cherry St to Kerr Street			30,000	
Simpson Av - Smith Lane to shops			16,500	55,000
Owen St - King Smith Dv to Bentinck St and North Ck				100,000
Commercial Rd - Bugden Lane to South Street				15,000
The Avenue				15,800
North Ck Rd/Skennars Hd Rd - Tara Downs to Henderson Dr		450,000	400,000	
Skennars Hd Rd - Henderson Dr to Headlands Dr		90,000	95,000	
Headlands Dr - Skennars Hd Rd to Sharpes Bch (800m exist)				440,000
Coast Rd - Nth Angels Beach to Sharpes Beach	640,000			
Angels Beach - overpass to North Angels Beach		40,000		
Angels Beach - Angels Beach south to overpass		250,000		

Open Spaces - Manager - Jillian Pratten

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Playgrounds	141,000	145,200	149,600	154,100
Chickiba Sports Fields Play Equipment	81,000			
Commemoration Park Shade Structure	20,000			
Kellie Ann Cr Play Equipment	20,000			
Campbell Park Softfall	20,000			
Tanamera Drive Park, Alstonville		80,000		
Victor Place, Lennox Head		65,200		
McDougal Reserve, East Ballina			60,000	
Jan Moon Park East Ballina			60,000	
Softfall upgrades Meagan Cres Park, Lilly Pilly Place			29,600	
Unallocated				154,100
Sporting Fields	141,000	145,200	149,600	154,100
Kingsford Smith Lighting Upgrade	80,000			
Skennars Head Lights	61,000			
Unallocated		145,200	149,600	154,100

All of the works listed reflect either adopted programs or engineering assessments of priorities.

2. Self Funded Programs

Self funded programs should aim to generate sufficient revenues to finance their own capital works. The major works included in the draft budget are as follows, with all of these works funded from the reserves created within those programs.

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
<i>Camping Ground</i>				
Flat Rock - Minor works	10,000	10,000	10,000	10,300
Provision for minor works				
<i>Ballina Airport</i>				
Various improvements	1,135,000	0	400,000	0
Improvement works as per Council's Airport Business Plan.				
<i>Fleet and Plant</i>	<i>907,000</i>	<i>894,000</i>	<i>1,155,000</i>	<i>963,000</i>
Council has an adopted fleet and plant replacement program.				
<i>Domestic Waste</i>				
Waste - Domestic	0	300,000	309,000	318,000
This is a provision for the annual replacement of collection vehicles. The program may vary dependent upon the final waste strategy adopted by Council.				
<i>Landfill and Resource Management</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>
Nominal allocation				

Outstanding resolutions

Council has specifically resolved to receive reports on improvements to the Smith Drive area of Ballina along with the town entrances to Ballina.

The Civil Services Group will provide those reports to the Finance Committee meeting scheduled for 7 April 2011.

If changes are required to the draft budget, recommendations for those changes will be included in those reports.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included, are as follows.

Some of these could be assessed as non-capital however as a general rule they are one off expenditures

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Description	Estimated Budget
Abandoned Vehicle Compound	15,000
Animal Shelter	400,000
Ballina Floodplan Risk Management Plan - Actions	40,000
Ballina Yacht Club – car and trailer parking	17,000
Bus stops - upgrade to be compliant as per 'Disability Standards for Accessible Public Transport 2002'	10,000 pa for three years
Coastline Management Plan – Actions	50,000
Crane Street - tree planting project - Stage Two	60,000
Depot Facilities - improvements and expansion	300,000 pa for five years
Emigrant Creek Boat Ramp - Stage Two	116,000
Ferry Cabin – Air conditioning unit	10,000
Ferry Ramp Refurbishment	50,000
Gateway Signage Project	100,000
Lake Ainsworth Management Plan - Matching funds in the event of a successful grant application for the new road	350,000
Lake Compressor - Replacement	10,000
Newrybar Toilet – Construction of a new toilet and upgrade septic	55,000
On-Site Sewer Management	120,000
Pine and Hills Streets - Replace, replant and maintain vegetation	30,000
Richmond River Estuary Management Actions	Unspecified
Shaws Bay Management Plan - Matching funds in the event of a successful grant application to prevent movement of sand at Shaws Bay	85,000
Stormwater Management – North Lakes Estate	5,000 pa for three years
Surveyor's total station - replacement	15,000 pa for three years

If Councillors wish to pursue these or any other projects, they will need to be identified as part of the recommendations for this report and information will then be provided on those matters to the April Finance Committee meeting.

Water and Sewer Capital works

The Water and Sewer capital works are based on individual business plans and for further details refer to the two separate reports in this agenda that relate to water and sewer pricing models.

Legal / Resource / Financial Implications

Recurrent capital works represent a major component of Council's budget.

Consultation

Once approved the draft works program will be exhibited for public comment.

Options

The options are to approve or amend the proposed works program. The recommendation that follows is to approve the program, for exhibition purposes, as the recurrent works listed relate to many on-going programs that are based on engineering and other technical assessments.

RECOMMENDATIONS

That Council approves the draft Capital Works - Forward Plans, as outlined in this report, for inclusion in the draft 2011/12 Operational Plan, including any adjustments resulting from this meeting:

Attachments

Nil - Refer to separate budget document

4.7 **Capital Works - Non-recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting - 2011/11
CSP Linkage	Resilient and adaptable communities
Delivery Program	Financial Management
Objective	To review Council's priorities for the future planning of major non-recurrent capital projects.

Background

During the past 12 to 18 months Council has considered a number of reports in respect to how the funding from Council's main property reserves is being allocated for major projects.

Essentially the property reserves are the number one source of funding for projects that are non-recurrent. These are projects that do not occur every year, as do road works, footpaths drainage, parks etc and typically they are of a size and scale that external funding is needed to ensure the projects are delivered.

The last report on the property reserves was presented to the September 2010 Ordinary meeting, where Council resolved to hold a workshop on the reserves. That workshop was held in November 2010 and a number of funding options for projects was considered.

This report now revisits that information and reviews our non-recurrent capital works priorities for the next few years.

Key Issues

- Project priorities
- Availability of funding
- Funding sources
- Risk
- Maintenance costs

Information

The major projects that have been identified as part of Council's current forward financial planning and their current status are as per the next table.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Table One - Major Project Overview

Project Title	Estimate (\$)	Status
Ballina Library Expansion	\$100,000 +	Deferred due to uncertainty over Richmond Room
Coastal Shared Path / Walk	\$3m - \$4m	Construction underway for Fishery Creek Bridge to Kerr Street. Approvals being sought for preferred route from Flat Rock to Pat Morton. Lennox Head to Pat Morton under construction. Lennox Head town centre, design options being considered
Coastguard Tower	\$1.7 million	Concept designs being prepared
Cumbalum Link Road	\$5 million	Project budget has increased from \$4m. Discussions on-going with developers to determine whether they wish to finance the shortfall
Hockey - All weather field	\$1.1 million	Due for completion May 2011
Hutley Drive	\$14 million	Largely funded from Section 94 contributions. Project not due to commence until Section 94 contributions available
Lake Ainsworth Caravan Park Road	\$800,000	Project possibly now lies with Department of Lands due to resignation of Council as Reserve Trust Manager
Lennox Hd Community Centre	\$9.9 million	Due for completion April 2011
Main St Upgrade - Alstonville	\$2.7 million	Fully funded and due for completion during 2011
Main St Upgrade - Ballina	\$5m - \$8m	Designs available - works dependent on cash flow
Main St - Ballina - Cap Cook Pk	\$60,000	Funding for concept designs allocated in 2011/12
Main St Upgrade - Lennox Head	Unknown	No costing available
Main St Upgrade - Wardell	\$1.5 million	Fully funded and due for completion during 2011
Reg Entertainment / Sports Ctre	\$450,000	Funding allocated for design and approvals only
Roundabout - Tamar / Cherry	\$1.1million	Dependent on Section 94 funding
Sports fields - Skennars Hd	Unknown	Land purchased - no funding for improvements
Sports fields - Wollongbar	\$3 million	Land under contract
Surf Club - Ballina	\$5.8 million	Development consent obtained. Revised design being prepared
Surf Club - Lennox Head	Unknown	\$40,000 allocated for initial concept designs
Teven Bridges		Project expected to be completed by April 2011
Wollongbar - Link Road	\$3.2 million	Fully funded and due for completion by June 2011

The next table provides a summary of the funding allocated for these projects in the 2010/11 budget, along with the monies expended to 28 February 2011.

Table Two - Status of 2010/11 Budget Allocations

Project	Budget 2010/11	Expended
Coastal Shared Path / Walk	1,163,000	260,000
Cumbalum Link Road	4,257,000	161,000
Hockey - All weather field	750,000	552,000
Hutley Drive	119,000	61,000
Lennox Hd Community Centre	6,087,000	4,378,000
Main St Upgrade - Alstonville	2,471,000	1,151,200
Main St Upgrade - Ballina	4,000,000	0
Main St Upgrade - Wardell	1,055,400	274,000
Reg Entertainment / Sports Ctre	450,000	4,800
Sports fields - Skennars Hd	1,271,000	1,271,000
Sports fields - Wollongbar	1,666,000	211,000
Surf Club - Ballina	1,600,000	23,000
Surf Club - Lennox Head	40,000	5,000
Teven Bridges	3,855,300	2,186,000
Wollongbar - Link Road	3,065,500	307,000

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

It is important to acknowledge that the 2010/11 budget figure will often only represent part of the expenditure for a project. Typically the types of projects listed as non-recurrent are reasonably complex and will often be spread over more than one financial year.

The next section of this report deals with how Council's property reserves can be used to allow these major projects to progress.

Property Reserve Movements

This section deals with the three property reserves held by Council. The first reserve under consideration is the Community Infrastructure Reserve.

Table Three - Community Infrastructure Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	6,751,600	5,904,100	2,879,900	291,300	83,900	521,600
Add: Revenues						
Interest Accrued	333,000	178,000	72,000	7,300	2,100	13,000
Rental - 89 Tamar Street (100%)	648,400	658,000	675,500	695,600	716,300	737,700
Rental - ARC (50%)	0	128,000	157,000	161,700	166,600	171,600
Rental - Fawcett Café (100%)	75,000	79,000	83,500	86,000	88,600	91,300
Loan Income - 89 Tamar Street	0	0	1,500,000	0	0	0
Loan Income - ARC	0	0	0	0	0	0
Loan Income - Fawcett Park Café	0	0	500,000	0	0	0
Internal Loan - Commercial Opps	0	0	2,500,000	0	0	0
Sales - Harvey Norman Dividend	0	2,158,000	0	0	0	0
Sales - Southern Cross	0	730,000	580,000	580,000	0	0
Sales - Adjoining BP (50%)	0	0	0	582,400	0	0
Sales - Balance ARC Site (50%)	0	0	0	1,081,500	0	0
Insurance Claim - L.H.C.C.	0	0	0	800,000	0	0
Rate Cont to Roundabout (30%)	0	0	308,000	0	0	0
Sec 94 Road - Roundabouts (70%)	0	0	0	1,344,000	0	0
Sec 94 Recouped - Comm Fac	0	940,000	325,000	334,800	344,800	355,100
Sub Total	1,056,400	4,871,000	6,701,000	5,673,300	1,318,400	1,368,700
Less: Expenditure						
Loans Repaid (existing) - 89 Tamar	429,700	429,700	429,700	429,700	429,700	429,700
Loan Repaid (new) - 89 Tamar	0	0	0	224,000	224,000	224,000
Loan Repaid (new) - ARC	0	0	0	152,000	152,000	152,000
Loan Repaid (new) - Fawcett Pk	0	0	0	75,000	75,000	75,000
Loan Repaid- Commercial Opps	0	0	0	2,500,000	0	0
Legals	22,500	0	0	0	0	0
Capital - Lennox Hd Comm Cent	0	5,446,000	0	0	0	0
Capital - Tintenbar Hall	25,000	0	0	0	0	0
Capital - Coastal Shared Path	0	200,000	83,500	236,900	0	0
Capital - Coastal Walk	0	0	216,400	563,100	0	0
Capital - Coastguard Tower	26,700	0	0	1,700,000	0	0
Capital - Hockey	400,000	0	0	0	0	0
Capital - Main Street - Alstonville	0	1,300,000	0	0	0	0
Capital - Main Street - Ballina	0	0	5,300,000	0	0	0
Capital - Main St - Cap Cook Pk	0	0	60,000	0	0	0
Capital - Main Street - Wardell	1,000,000	0	0	0	0	0
Capital - Regional Sports Centre	0	450,000	0	0	0	0
Capital - Surf Club - Ballina	0	0	3,200,000	0	0	0
Capital - Surf Club - Lennox	0	30,000	0	0	0	0
Capital - Ballina Library Expand	0	0	0	0	0	0
Capital - Other Projects	0	39,500	0	0	0	0
Sub Total	1,903,900	7,895,200	9,289,600	5,880,700	880,700	880,700
Closing Balance	5,904,100	2,879,900	291,300	83,900	521,600	1,009,600

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Key points in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are considered conservative and achievable. Any riskier income items have been pushed out to future years
- b) Loan income has had to be used in 2011/12 to finance the capital expenditure. This loan income is funded through rental property income. For example the current net rental for the Fawcett Park Café is \$83,500 per annum. Based on a 10 year term, at an interest rate of 8%, Council can borrow \$500,000 against that revenue and result in there being no impact on Council's recurrent funding sources such as rates.

Even though loan funds have been included, they will be considered only as a last resort option, and will only be used if alternative funding sources do not eventuate. No projects funded by loans would proceed without a report to Council approving commencement.

- c) Funding for the coastal shared path and coastal walk are included. When Council adopted the preferred route for these two items in September 2010 a recommended funding program was also endorsed. That funding was as per the following table.

Table Four - Coastal Shared Path/Coastal Walk Funding - 2010 to 2014/15

Item	2010/11	2011/12	2012/13	2013/14	2014/15
Coastal Shared Path					
Council Recurrent Budget	165,000	236,400	178,100	247,500	220,000
Community Infrastructure Res	0	83,600	236,900	0	0
Council Footpath Reserves (c/f)	250,000	0	0	0	0
Council Reserves (Park Lane)	130,000	0	0	0	0
DOP Grants Approved	250,000	0	0	0	0
DOP Grant Applications	0	320,000	415,000	247,500	220,000
Totals	795,000	640,000	830,000	495,000	440,000
Coastal Walk					
Council Recurrent Budget	91,000	0	27,900	0	0
Community Infrastructure Res	200,000	216,400	563,100	0	0
Council Reserves (SIC)	100,000	74,600	100,000	0	0
Regional Local Com Infra Prog	309,000	309,000	309,000	250,000	250,000
Totals	700,000	600,000	1,000,000	250,000	250,000

This recommended funding from the Community Infrastructure reserve has been included in Table Three.

- d) Council's Civil Services Group has advised that they are in a position to finalise the majority of the Ballina Main Street Upgrade for an estimate of \$5.3 million. The one attachment to this report provides a map indicating the estimated cost for each of the major segments of this work and Council's Group Manager - Civil Services will be able to provide an overview of this work at the meeting.
- e) The Ballina Surf Club has been pushed back to be fully funded during 2011/12. With the existing design currently being reviewed construction on this project will not commence this financial year.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- f) It is necessary to take out an internal loan from the Commercial Opportunities reserve during 2011/12 to allow this work to proceed, with that loan being paid back in 2012/13 from other land sales.

In summary it is feasible to carry out the works listed in this cash flow, however to do that loan funding is needed. Importantly this table has not recognised any grant funding. For example, the Federal Government has recently released guidelines for the Regional Development Australia Fund. It is anticipated that projects such as the Ballina Main Street upgrade would be eligible under this program and if significant grant funding can be obtained the need for loans will be significantly reduced.

The second reserve under consideration is the Commercial Opportunities Reserve.

Table Five - Commercial Opportunities Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	11,355,600	10,584,200	8,399,400	2,146,900	683,900	3,283,900
Add: Revenues						
Interest Accrued	502,000	400,000	640,000	54,000	17,000	82,000
Sales - Balance Skennars Head	0	0	0	400,000	0	0
Sale - Russellton Tennis Courts	0	0	0	0	2,000,000	0
Sales - WUEA	0	0	0	0	2,000,000	2,000,000
Sales - Lennox Head	0	0	0	0	2,000,000	2,000,000
Internal Loans Repaid - Comm Inf	0	0	0	2,500,000	0	0
Internal Loans Repaid - Airport	0	268,900	24,500	0	0	0
Internal Loans Repaid - Plant	33,800	33,800	33,500	33,500	33,500	0
Internal Loans Repaid - Flat Rock	0	49,500	49,500	49,500	49,500	49,500
Sub Total	535,800	752,200	747,500	3,037,000	6,100,000	4,131,500
Less: Expenditure						
Purchase - North Ballina Property	403,000	0	0	0	0	0
Dividends - General Fund (Other)	159,200	0	0	0	0	0
Loan Funding - Flat Rock	92,000	0	0	0	0	0
Sports Fields - Wollongbar	0	1,666,000	500,000	1,000,000	0	0
Sports Fields - Skennars Head	145,000	1,271,000	0	0	0	0
Land Purchase - Lennox Head	0	0	4,000,000	0	0	0
Internal Loan - Airport	254,000	0	0	0	0	0
Internal Loan - Community Infrs	254,000	0	2,500,000	0	0	0
Development - WUEA	0	0	0	2,000,000	2,000,000	1,000,000
Development - Lennox Head	0	0	0	1,500,000	1,500,000	1,500,000
Sub Total	1,307,200	2,937,000	7,000,000	4,500,000	3,500,000	2,500,000
Closing Balance	10,584,200	8,399,400	2,146,900	683,900	3,283,900	4,915,400

Key items in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are conservative and achievable. As per Table Three, any riskier income items have been pushed out to future years.
- b) Funding is provided to complete the Wollongbar Sports field purchase and development. Income is then recouped, in part, from the sale of the Russellton Tennis Courts land.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- c) Major property development works are pushed out to 2012/13 which will allow planning for the Wollongbar Urban Expansion Area to proceed, along with confirming whether or not Council will be purchasing land at Lennox Head.
- d) If Council is able to proceed quicker with land development activities, any income generated from those activities will then be able to be applied to other community infrastructure, as required. This is typically carried out on a 50% split between the community infrastructure and commercial opportunities reserve.

In summary there is minimal movement in the reserve for 2011/12, with the major focus on the Wollongbar Sporting Fields.

The final reserve under consideration is the Land Development Reserve.

Table Six - Industrial Land Development Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	2,255,500	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300
Add: Revenues						
Interest Accrued	0	0	0	2,000	65,000	95,000
Rental - Norfolk Homes	98,000	101,000	133,000	137,000	141,200	145,500
Rental Income - ARC (50%)		128,000	155,500	161,700	166,600	171,600
Internal Loans Repaid - Waste	335,900	288,400	288,400	0	0	0
Sale - Harvey Norman	0	3,842,000	0	0	0	0
Sales - Southern Cross	0	0	2,000,000	1,500,000	1,500,000	0
Sales - Russellton	0	0	0	0	0	0
Sales - Land Adjoin BP (50%)	0	0	0	582,400	0	0
Sales - Bal ARC Site (50%)	0	0	0	1,081,500	0	0
Sub Total	433,900	4,359,400	2,576,900	3,464,600	1,878,800	418,100
Less: Expenditure						
WUEA - Operating Expenses	0	10,000	10,000	10,800	11,100	11,400
Southern Cross - Op Exps	14,000	31,500	32,600	33,900	34,900	35,900
Overheads - Southern Cross	137,000	128,000	150,400	136,900	141,000	145,200
Russellton - Operating Exps	18,000	7,500	7,800	8,100	8,300	8,500
Overheads - Russellton	61,000	60,000	105,700	62,000	63,900	65,800
Property Investigations	15,000	26,000	0	0	0	0
General Fund - Dividends	90,900	273,100	250,000	161,400	402,000	409,400
Sthn Cross - Cessna Drive	640,000	560,000	0	0	0	0
Sthn Cross - ARC	1,611,000	770,000	0	0	0	0
Sthn Cross - Harvey Norman	1,642,000	2,200,000	0	0	0	0
Sthn Cross - Residue (APN)	284,000	100,000	0	0	0	0
Russellton - Capital	0	0	200,000	300,000	0	0
Legals	110,000	0	0	0	0	0
Sub Total	4,622,900	4,166,100	756,500	713,100	661,200	676,200
Closing Balance	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300	3,791,200

Key items in this table are:

- a) This reserve has been under financial pressure in recent times due to a significant amount of work being undertaken at the Southern Cross Industrial Estate. The majority of that work is now complete and the focus for the next 12 months will be on the sale of land.

- b) Funding is set aside in 2011/12 to advance the next release at the Russellton Estate. With the Alstonville By-pass opening shortly, it is anticipated that demand for this land will increase significantly.

In summary the three tables provide an overview of how revenues and expenses may transpire over the next few years, however as these forecasts are difficult to predict there will be regular updates to Council on the reserve movements.

Legal / Resource / Financial Implications

This report provides the financial outcomes from a range of possible funding scenarios.

Consultation

The endorsed program will be exhibited as part of Council's 2011/12 budget.

Options

The financial information outlined in tables three, five and six provide funding options for the major projects Council wishes to see completed within the next two to three years.

All major projects are funded excluding the Lennox Head Surf Club, Lennox Main Street Development and Skennars Head sporting field expansion. These three projects are all considered to still be a number of years away and additional funding from increased land sales, or external grants, will be needed to allow these projects to eventuate.

The options available for this report revolve around deferring projects and reallocating funding. The purpose of this report is to generate debate that allows a range options to be considered. Further analysis can be conducted, if required, and reported back to the April Finance Committee meeting.

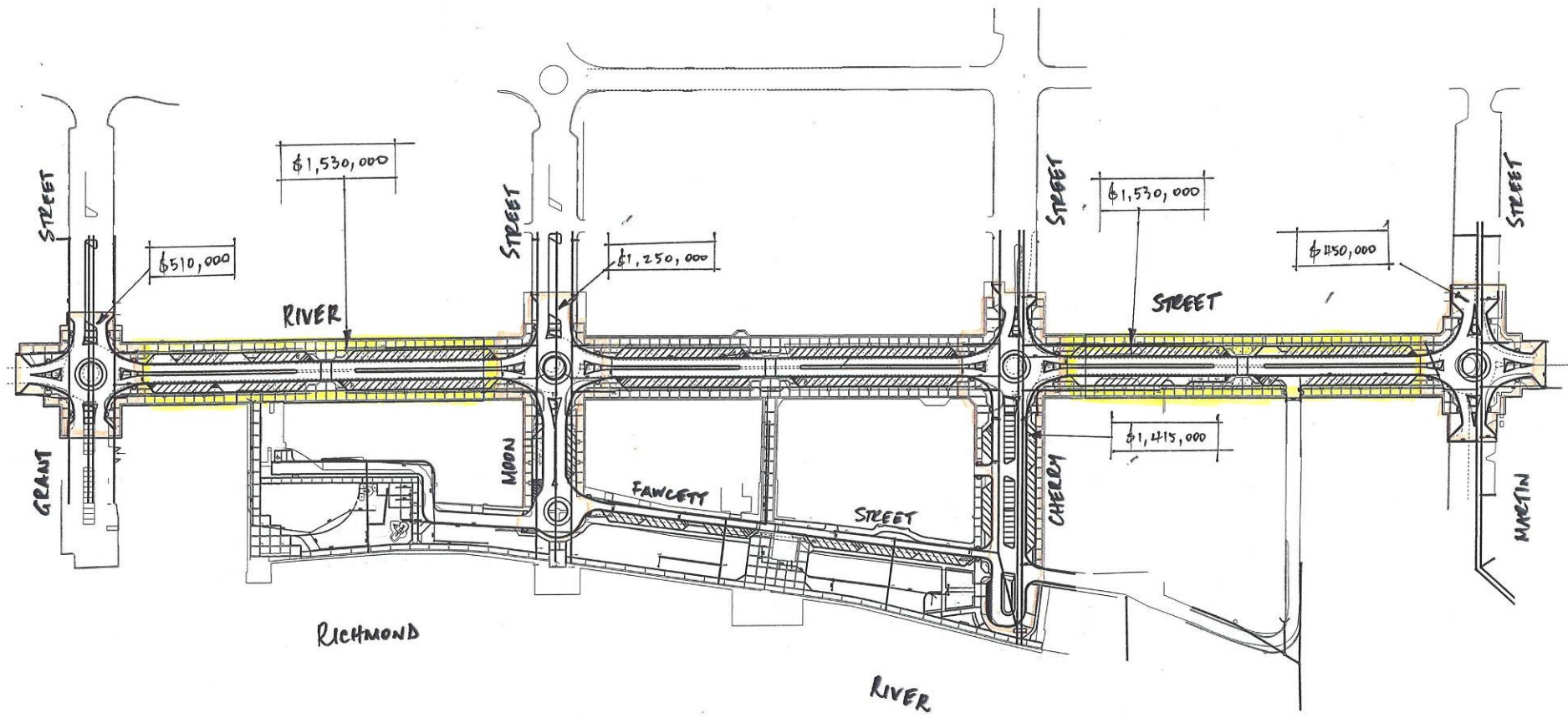
In summary the financial information provided in tables three, five and six is considered achievable and on that basis it is recommended that the tables be included in Council's 2011/12 budget for community consultation. It is also recommended that the 2010/11 budgets be amended to reflect the latest available information as outlined in those tables.

RECOMMENDATIONS

1. That Council approves the inclusion of the forward financial plans for Council's property reserves, as per Tables Three, Five and Six of this report, in the Draft 2011/12 Operational Plan.
2. That Council approves amendments to the 2010/11 budget to reflect the latest financial information as per Tables Three, Five and Six of this report.

Attachment(s)

1. Concept Plan and Preliminary Estimates - Ballina Main Street Upgrade





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 March 2011 commencing at 4.00 pm**

Business

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

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

Paul Hickey
General Manager

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

- 1. Apologies**

An apology has been received from Cr Brown.

- 2. Declarations of Interest**

- 3. Deputations**

4. Committee Reports

4.1 Newlog - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	The objective of the report is to inform Council of the operations of Newlog.

Background

The North East Weight of Loads Group (Newlog) is a joint venture between Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley, Tenterfield and Tweed councils.

Ballina Shire Council provides the administrative services for the joint venture and the report that follows provides an overview of the Newlog operations.

Key Issues

- Budget

Information

Newlog activities are funded by contributions from the constituent councils – 36%, Roads and Traffic Authority – 33% and fines and other Income – 31%.

Total annual operating expenses are approximately \$480,000. Cash reserves of \$280,000 are held to cover equipment change-overs, staff leave liabilities and possible shortfalls in fines and other income.

Newlog own and operate two vehicles with mobile weighing scales and have four full time employees. Ballina Shire Council is responsible for all management services including building space, computers, human resources, finance and supervision.

Ballina Shire Council's contribution to Newlog for 2011/12 is budgeted at \$22,000.

Council also charges Newlog a fee for management services and this is budgeted at \$89,000 for 2011/12.

4.1 Newlog - Operating Budget - 2011/12

Newlog - Operating Result

The draft Newlog budget for 2011/12 (copy attached) is showing an operating loss of \$149,500 (after deducting the non-cash expenses of depreciation and loss on sale of plant). This cash loss is then financed by member contributions of \$175,500. The surplus contributions are transferred to reserves and used to fund vehicle and other plant replacements.

The next table provides a summary of actual results for 2009/10, estimated results for 2010/11 and the budget for 2011/12.

Newlog Budget Summary

Description	2009/10 (Actual)	2010/11 (Estimate)	2011/12 (Estimate)
Operating Movements			
Operating Revenue	313,900	305,500	319,000
Operating Expenses	(480,700)	(469,700)	(496,500)
Operating Result – Surplus/(Deficit)	(166,800)	(164,200)	(177,500)
Add Back Depreciation & Loss on Sale	37,900	16,000	28,000
Cash Result – Surplus/(Deficit)	(128,900)	(148,200)	(149,500)
Capital Movements			
Member Contributions	165,800	170,200	175,500
Capital Purchases	(31,100)	0	(55,000)
Net Reserve Transfer – From/(To)	(5,800)	(22,000)	29,000

Legal / Resource / Financial Implications

Council is committed to Newlog and the provision of both a contribution in cash and the provision of management services at cost.

Consultation

The operating budget is circulated to the RTA and constituent councils for comment and approval.

Options

The Newlog budget must be approved by all constituent councils and often this is carried out at an officer level.

The purpose of this report has to provide Council with an overview of the Newlog operations and the recommendation is to note the contents of the report and approve the budget. This budget does not form part of Council's overall budget and is treated as a separate entity.

RECOMMENDATIONS

That Council notes the contents of the report and endorses the North East Weight of Loads draft operating budget, as attached.

Attachment(s)

1. Newlog Draft Budget – 2011/12 to 2013/14

4.1 Newlog - Operating Budget - 2011/12

Newlog Budget Estimates							
ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED				
			2011/12	%	2012/13	2013/14	2014/15
		OPERATING REVENUES					
		Fees and Charges					
8,600	10500.8901.0228	Legal Costs Recovered	9,000	5	9,300	9,600	9,900
127,400	10500.8902.0222	Fines	131,000	3	135,000	139,100	143,300
		Contributions					
159,200	10500.8900.0165	RTA Contribution	164,000	3	169,000	174,100	179,400
0	10500.0190.0800	Profit on Sale Assets	0	0	0	0	0
		Other Revenues					
0	10500.8901.0236	Profit on Sale of Assets	0	0	0	0	0
10,300	10500.0120.0190	Interest on Investments	15,000	46	15,500	16,000	16,500
0		State Conference	0	0	0	0	0
305,500		Total Operating Revenues	319,000	4	328,800	338,800	349,100
		OPERATING EXPENSES					
		Administration					
228,200	54000.0300.0300	Salaries	235,000	3	242,100	249,400	256,900
13,900	54000.8922.0322	Annual Leave	14,500	4	15,000	15,500	16,000
6,400	54000.8922.0326	Other Leave	6,500	2	6,700	7,000	7,300
5,400	54000.8922.0323	Sick Leave	5,500	2	5,700	5,900	6,100
6,200	54000.8922.0324	Long Service Leave	6,500	5	6,700	7,000	7,300
2,700	54000.0300.0343	State Conference Costs	2,500	(7)	2,600	2,700	2,800
8,900	54000.0300.0345	Workers Compensation	9,500	7	9,800	10,100	10,500
19,500	54000.0300.0334	Superannuation	20,000	3	20,600	21,300	22,000
1,200	54000.0300.0340	Uniforms	1,000	(17)	1,100	1,200	1,300
38,300	54000.8923.0401	Vehicle Running Costs	39,500	3	40,700	42,000	43,300
85,000	54000.8924.0980	Overheads to Newlog	89,000	5	91,700	94,500	97,300
		Operation Costs					
13,400	54002.0365.0422	Legal Costs	14,000	4	14,500	15,000	15,500
4,200	54002.8944.0422	IPB Processing Fees	4,500	7	4,700	4,900	5,100
2,000	54002.0350.0401	Admin Costs	2,000	0	2,100	2,200	2,300
0	54002.0350.0612	Bad & Doubtful Debts	0	0	0	0	0
1,900	54002.0350.0419	Audit Costs	2,000	5	2,100	2,200	2,300
5,400	54002.8945.0635	Insurance	5,500	2	5,700	5,900	6,100
1,700	54002.0450.0401	Sundry Expenses	1,500	(12)	1,600	1,700	1,800
1,100	54002.0350.0640	Telephone	1,000	(9)	1,100	1,200	1,300
8,300	54002.8946.0401	Maintenance of Scales	8,500	2	8,800	9,100	9,400
		Non-cash Expenses					
0	54002.0350.0690	Loss on Sale of Plant	12,000	100	12,000	12,000	12,500
16,000	54002.0350.0740	Depreciation	16,000	0	16,000	16,000	16,500
469,700		Total Operating Expenses	496,500	3	511,300	526,800	543,600
(164,200)		Operating Result - Surplus / (Deficit)	(177,500)	6	(182,500)	(188,000)	(194,500)
16,000		Add Back Depreciation & Loss on Sale	28,000		28,000	28,000	29,000
(148,200)		Cash Result - Surplus / (Deficit)	(149,500)	16	(154,500)	(160,000)	(165,500)
		Capital Movements					
170,200	10505.8966.0169	Add Capital Income (Members Contribut	175,500	3	180,800	186,300	191,900
22,000	4650.8997.0961	Less Transfer to Reserves	26,000	18	26,300	26,300	26,400
0	4150.8987.0960	Add Transfer from Reserves	55,000		0	56,000	0
0		Less Capital Purchases:					
0	3900.8976.0401	Replacement Scales	55,000		0	56,000	0
0		Replacement Vehicle					
0		Cash Result after Capital Movements	0	0	0	0	0
22,000		Net Change to Cash Reserves	(29,000)		26,300	(29,700)	26,400
283,710		Plus Opening Cash Reserve (incl ELE R	305,710		276,710	303,010	273,310
305,710		Closing Cash Reserve (Incl ELE)	276,710		303,010	273,310	299,710

4.2 Water Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution from the February 2011 Ordinary meeting asking for further examination of pricing options for Council's main water charges for 2011/12 onwards.

Background

Council considered a report on a possible water charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with an 8% increase likely in 2012/13 and then 5% increases for the three year period 2013/14 to 2015/16.

This recommendation was endorsed at the Finance Committee meeting, however in adopting the Finance Committee minutes, the Council also resolved as follows in respect to water charges.

That Council receive a report on the options and assumptions available to achieve increases of less than 10% in the water charging structure in the draft 2011/12 Delivery Plan.

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

Typically, as a public authority, Council's financial modelling is based on conservative assumptions, as:

- we are dealing with public monies
- councils are normally risk adverse
- the downside of incorrect financial modelling can be significant as we are dealing with critical infrastructure and services (i.e. roads, water, sewer etc).

4.2 Water Charges - Pricing Options - 2011/12

It is important to be conservative to ensure reliable outcomes however it is also important to ensure that the charges being levied are reasonable and affordable. This is particularly true for services such as water, sewer and waste where customers have no other service providers available.

In order to prepare any financial model, for our water operations, the major components of our water budget need to be analysed. Those components are operating revenues, operating expenses, capital income and capital expenditure. Each of these items is now reviewed in the next section of this report.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	1,585,188	1,806,150	2,138,400	2,461,000	2,672,900	2,812,800	2,959,900
User Charges	3,678,619	4,614,753	4,501,400	4,705,500	5,080,700	5,334,300	5,600,600
Operating Grants	147,353	145,677	197,000	167,000	172,100	177,300	182,700
Fees & Fines	88,818	212,063	256,600	217,000	223,600	230,400	237,400
Other Revenues	214,686	93,446	136,000	142,500	147,200	152,000	156,900
Interest	669,972	531,616	493,400	514,000	545,000	250,700	218,200
Total	6,384,636	7,403,705	7,722,800	8,207,000	8,841,500	8,957,500	9,355,700

What these figures highlight is that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components for modelling purposes.

Annual Access Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

The next table provides an analysis of annual charge income, from residential properties, for the period 2005/06 to 2010/11.

The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

4.2 Water Charges - Pricing Options - 2011/12

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	95.00	95.00	100.00	110.00	123.00	142.00
Actual Income Collected	1,244,316	1,254,705	1,335,499	1,480,219	1,670,087	1,940,400
Number of Residential Services	13,098	13,207	13,355	13,457	13,578	13,665
Annual % Growth in Services	N/A	0.83%	1.12%	0.76%	0.90%	0.99%

The average growth in residential services for this period is 0.92%. For the purposes of providing a forward financial model it is reasonable to assume that residential services will grow at approximately 0.90%.

In respect to non-residential properties the annual charge is based on the main size with the **2009/10** connection numbers as follows:

Table Three - Non-residential Connections Summary - 2009/10

Main Size	Connections	Charge (\$)
20mm	1,010	123
25mm	294	193
32mm	157	315
40mm	79	493
50mm	65	770
65mm	1	1,300
80mm	16	1,970
100mm	19	3,080
150mm	2	6,930

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the increase in annual charges on an annual basis.

This information is outlined in the following table.

Table Four - Annual Charge Summary - Non-residential 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	301,697	309,602	321,086	354,476	397,946	455,800
% Change in Income		2.6%	3.7%	10.4%	12.3%	14.5%
% Change in Annual Charges		0.0%	5.3%	10.0%	11.8%	15.4%
Number of non-res services (1)	1,468	1,548	1,339	1,577	1,493	1,643
Annual % Growth in Services (1)	5.46%	-13.49%	17.75%	-5.32%	10.04%	5.46%

(1) These figures are estimates only as the information is not readily available from Council's financial system.

What this table highlights is that there is a strong correlation between the change in total income collected and the increase in the annual charge each year. However there are large variations in the number of connections.

Applying this information, for modelling purposes, the preferred option for annual charge non-residential income is to increase total income by the percentage increase in the annual charge, as this appears to be a more reliable source than relying on the number of connections.

4.2 Water Charges - Pricing Options - 2011/12

Consumption Charges

Income collected from consumption charges is an area where there could potentially be significant variations due to seasonal conditions (i.e. wet weather, droughts etc).

The next table outlines the consumption charge income collected since 2005/06.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential - Consumption \$	2,051,896	2,198,776	2,463,406	2,682,685	3,320,690	3,290,000
Annual % Change - Residential		7.2%	12.0%	8.9%	23.8%	-0.9%
Non-residential - Consumption \$	658,961	756,098	894,500	975,353	1,279,166	1,186,000
Annual % Change - Non-resid		14.7%	18.3%	9.0%	31.1%	-7.3%
Total Consumption \$	2,710,857	2,954,874	3,357,906	3,658,038	4,599,856	4,476,000
Annual % Change - Total		9.0%	13.6%	8.9%	25.7%	-2.7%
Price - Cents per KL - First 350	0.82	0.90	1.07	1.18	1.32	1.52
Price - Cents per KL- Above 350	1.05	1.20	1.60	1.77	1.98	2.28
Council Approved % Change (1)		10%	19%	10%	12%	15%

(1) Represents the percentage change for the first 350 kilolitre charge

This table highlights that the correlation between the Council approved increase in prices often varies significantly from the actual consumption income. This means for modelling purposes it is not simply a matter of multiplying the traditional income figures by the percentage increase, but rather a more detailed analysis is required of overall consumption trends.

The next table provides information on consumption figures for recent years.

Table Six - Kilolitres Billed Per Annum - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	2,475,000	2,413,000	2,264,000	2,236,000	2,474,000	2,112,000
Non-residential	786,000	819,000	808,000	799,000	937,000	743,000
Total	3,261,000	3,232,000	3,072,000	3,035,000	3,411,000	2,855,000

These figures highlight that despite the growth in connections across the shire there has been limited growth, if any, in total consumption. This is particularly so before 2009/10 which was the first increase in total consumption since prior to 2005/06.

The 2010/11 figures are estimates only and the income figure was reduced significantly at the December 2010 budget review, due to the very wet weather that occurred during the first six months of the financial year. This means this figure could substantially change by year end.

The average consumption figures for the six years in Table Six are 2.3 million kilolitres for residential and 820,000 for non-residential with an average total consumption of 3.12 million. If the 2010/11 estimated figures are removed (as they are only estimates) the revised averages are 2.35 million for residential and 840,000 for non-residential.

4.2 Water Charges - Pricing Options - 2011/12

The overall variability of these figures makes it difficult to determine what assumption should be applied for total growth in water consumption in the forward financial plan. Essentially there has been no total growth for a number of years and from a conservative perspective it may be appropriate to apply this assumption into the future.

As the number of residential properties is increasing, yet the total residential water consumption is remaining static, this highlights that the consumption figures per property must be decreasing, as per the next table.

Table Seven - Average Consumption Per Connection- 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	194	188	174	171	187	158

The average per connection consumption figure for the six years in this table is 179 kilolitres. If the 2010/11 estimated figure is removed (as it is only an estimate) the revised average is 183.

For the purposes of financial modelling it may be appropriate to have minimal, if any growth, in total residential water consumption, albeit there must be a point at some time where a minimum threshold is reached,

In summing up there are a number of assumptions that can be applied in financial modelling the future annual charge and consumption income.

The key assumptions are:

- Residential connections - Table two highlights that average growth in the number of residential connections has been 0.93% in recent years and it is recommended that a figure of 0.9% be applied to Council's financial model
- Annual charge income from non-residential connections - Table four demonstrates that there is a strong correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council.

There also appears to be no steady increase in the number of non-residential connections, therefore the recommended assumption is to increase total non-residential revenue by the annual increase in Council charges

- Total water consumed - Tables five to seven highlight that there has been little, if any, growth in total water consumed across the shire in recent years. On this basis, a conservative approach would be to apply a no total growth assumption to Council's financial model.
- Water consumed at higher threshold - The other factor not mentioned to date is the amount of water consumed at the higher price threshold. Council's current pricing is based on the first 350 kilolitres being at one price and any consumption above that pays a 50% premium per kilolitre.

This approach is consistent with State Government guidelines.

4.2 Water Charges - Pricing Options - 2011/12

Based on historical trends approximately 8% of residential consumption is at the higher threshold and almost 70% of non-residential consumption.

For the purposes of financial modelling it is recommended that the 8% be retained, whereas the 70% could be gradually reduced to 50% during the next ten years.

The reason for this is that it is considered that major water users will have more opportunity to invest in water reduction measures as prices increase.

Operating Expenses

The figures presented to the February Finance Committee are as follows.

Table Eight - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	168,090	200,702	220,700	227,500	234,600	242,000	249,500
Admin & Customer Ser	442,135	352,470	484,100	399,500	412,300	425,600	439,000
Engineering & Tech	92,091	72,201	224,600	72,500	74,700	77,100	79,500
Purchase of Water	3,285,100	3,679,947	4,260,500	4,899,500	5,046,600	5,198,100	5,354,100
Energy Costs	26,153	31,446	36,200	33,000	33,400	34,800	36,400
Groundwater Bores	95,548	67,514	81,300	85,000	87,800	90,700	93,700
Reservoirs	82,099	64,191	62,400	64,500	66,500	68,500	70,600
Treatment Plants	42,913	69,192	72,000	74,000	76,300	78,700	81,200
Water Supply Mains	597,708	312,671	362,300	366,000	377,100	388,500	400,200
Water Supply Ops	453,008	833,859	874,400	903,000	926,300	940,400	969,200
Telemetry Operations	8,647	18,574	25,800	26,500	27,300	28,200	29,100
Miscellaneous	8,605	7,330	8,800	9,000	9,300	9,600	9,900
Conservation	4,580	1,570	5,700	6,000	6,200	6,400	6,600
Overheads Distributed	815,004	900,000	1,007,000	1,037,000	1,068,200	1,100,200	1,133,200
Interest On Loans	820	767	600	500	200	0	0
Total	6,122,501	6,612,434	7,726,400	8,203,500	8,446,800	8,688,800	8,952,200

Purchase of water is clearly the major cost for operating expenses with this figure ranging from 54% to 60% of the total. Rous Water County Council has been increasing the charge to constituent councils by 15% for the last four and 2011/12 is expected to be the last increase of this magnitude.

Rous is currently advising that from 2012/13 onwards the increase in this charge should be more in line with CPI.

Even though Rous has been working on a 15% increase, the contribution made by each council can vary, dependent on the movement of that council's water consumption compared to the other constituent councils. Ballina Council has now received advice that our increase for 2011/12 is 18.24% as per the following two tables.

Table Nine - Rous Council 2009/10 Consumption for 2010/11 Charges

Council	Kilolitres	% Total Sales	Cost @ \$1.1287 Cents / KI
Lismore	3,714,530	34.50	4,192,600
Byron	2,553,812	23.72	2,882,500
Richmond Valley	724,812	6.73	818,100
Ballina	3,772,556	35.04	4,258,100
Totals	10,765,710	100	12,151,300

Table Ten - Rous Council 2010/11 Consumption for 2011/12 Charges

Council	Kilolitres 2010/11	Trend %	% Sales	Cost @ \$1.4278 cents / Kl	% Change
Lismore	3,205,487	-13.70	32.75	4,576,800	9.16
Byron	2,462,994	-3.56	25.17	3,516,700	22.00
Richmond Valley	592,468	-18.26	6.05	845,900	3.40
Ballina	3,526,075	-6.53	36.03	5,034,600	18.24
Totals	9,787,024	-9.09	100.00	13,974,000	15.00

The Rous calculation looks at the trend for 2010/11 consumption (as per second table) and then divides that to equal the total revenue required (i.e. \$13.974 million). Based on these figures the increase for Ballina is 18.24% compared to the previous year (\$5,034,600 compared to \$4,258,100).

This again places further pressure on our operating result and this trend may well continue as Ballina's percentage of total consumption grows due to our overall faster growth rate compared to the other constituent councils.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$6.419 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$640,000 per annum with the maximum figure being \$858,000 and the lowest \$485,000.

Council is currently reviewing its Section 64 water and sewer plans and it is highly likely that the current contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for water \$3,200 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average future section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$700,000 p.a. compared to the current average of \$640,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The final capital income item is loan funding. Loan funding is always an option and a decision on whether capital expenditure needs to be financed from loans depends on issues such as;

- Availability of reserves
- Life of asset
- Beneficiaries from asset
- Availability to finance the interest and principal repayments

4.2 Water Charges - Pricing Options - 2011/12

Typically loan funding is the last option once Council determines whether other options such as reserves are available to finance the expenditure. In respect to capital expenditure the next table provides the works presented to the February Finance Committee meeting for 2010/11 to 2014/15.

**Table 11 - Capital Expenditure - 2010/11 to 2014/15
(February Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		1,750,000			
Reservoirs - Pacific Pines		2,317,000			
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster	70,000				
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster	180,000				
Pumping Stns - Pacific Pines Booster	110,000				
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1					
Water Mains WD19 Angels Bch - Stage 2					80,000
Water Main WD01 Ballina Hts Trunk					140,000
Water Main WD02 Ballina Hts Distribution				220,000	
Water Mains WM01 Reservoir Supply				80,000	
Nth Ball Pressure Zone Distn Area 1		990,000			
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1				300,000	
WD07 Pac Pines - Stage 1				100,000	
WD06 Pac Pines - Res Supply				70,000	
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2				150,000	
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,100	54,700
Water Mains Renewal Program	375,000	200,000	206,000	212,200	218,600
Telemetry Installation	79,000				
Generator	15,000				
Total	1,254,000	5,307,000	1,627,500	1,425,300	553,300

4.2 Water Charges - Pricing Options - 2011/12

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table 12 - Capital Expenditure - 2010/11 to 2014/15
(March Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		3,500,000			
Reservoirs - Pacific Pines					
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster			70,000		
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster			180,000		
Pumping Stns - Pacific Pines Booster			110,000		
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1			80,000		
Water Mains WD19 Angels Bch - Stage 2				140,000	
Water Main WD01 Ballina Hts Trunk			220,000		
Water Main WD02 Ballina Hts Distribution			80,000		
Water Mains WM01 Reservoir Supply		990,000			
Nth Ball Pressure Zone Distn Area 1					
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1			300,000		
WD07 Pac Pines - Stage 1			100,000		
WD06 Pac Pines - Res Supply			70,000		
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2			150,000		
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,000	54,600
Water Mains Renewal Program	375,000	400,000	500,000	515,000	530,500
Telemetry Installation	79,000				
Generator	15,000				
Total	894,000	4,940,000	3,281,500	948,000	645,100

4.2 Water Charges - Pricing Options - 2011/12

The one major item not shown in this table is the provision of a new reservoir near Ross Lane, which is scheduled for 2017/18, at a cost in excess of \$4 million. This item has a significant impact on the forward financial plan due to the magnitude of the expenditure required for the project.

The current review of the Section 64 contribution plans for Water and Sewer also involves a major review of future capital works. Once these plans are completed Council will have a further improved long term financial plan for capital works.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model.

The outcomes from that modelling are then effectively the cash forecasts for water, for the next ten years.

The information submitted to the February Finance Committee resulted in the following cash forecasts.

**Table 13 - Water Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,722	8,207	8,841	8,957	9,355	9,696	9,929	10,243	10,564	10,898	11,243
Operating Exps	7,726	8,203	8,446	8,688	8,952	9,223	9,502	9,790	10,067	10,393	10,708
Operating Result	(3)	3	395	269	403	473	427	453	477	505	535
% Change Fees	15.00	15.00	8.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00
Charge (20mm)	142	163	176	185	194	204	210	217	223	230	237
Price Per KL < 350	1.52	1.75	1.89	1.98	2.08	2.19	2.25	2.32	2.39	2.46	2.53
Price Per KL > 350	2.28	2.62	2.83	2.97	3.12	3.28	3.38	3.48	3.58	3.69	3.80
Capital Expenditure	1,254	5,308	1,627	1,425	553	2,761	300	408	308	317	328
Reserve Balances											
Water Reserves	2,871	2,217	2,041	1,123	1,170	624	707	791	878	966	1,056
Section 64 Conts	6,459	2,172	1,489	1,640	1,844	525	995	1,393	1,927	2,492	3,089
Total Reserves	9,330	4,389	3,531	2,764	3,015	1,150	1,702	2,184	2,805	3,458	4,145

Key features of this cash forecast are:

a) Operating Result - The result remains relatively poor as on a cash basis (i.e. depreciation has not been included). Council is only just making a cash surplus with this surplus not increasing to any great extent over the next ten years

b) Reserve Balances - Overall the level of reserves held remain relatively high, albeit that they dip during the period 2015/16 and 2016/17.

4.2 Water Charges - Pricing Options - 2011/12

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on fee increases of less than 10% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.9% for 2011/12, 8% for 2012/13 and then three years at 5%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.9%.
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections
- d) Assuming there is no net growth in total consumption. This results in the consumption per residential connection decreasing over time
- e) Developer contribution collections increasing from the traditional average of \$640,000 to \$700,000 in 2012/13
- f) Revised operating expenses based on the latest review of the current year, along with the increased purchase cost for water from Rous County Council.
- g) Revised capital expenditure as per Table 12 of this report.

The outcomes from that financial model are shown in the following table.

**Table 14 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,145	8,506	8,778	9,222	9,716	10,016	10,365	10,522	10,888	11,266
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(352)	(249)	(243)	(73)	138	147	196	(37)	11	62
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	156	169	177	186	195	201	207	213	220	226
Price Per KL < 350	1.52	1.67	1.80	1.89	1.99	2.09	2.15	2.22	2.28	2.35	2.42
Price Per KL > 350	2.28	2.51	2.71	2.84	2.98	3.13	3.23	3.32	3.42	3.53	3.63
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,682	1,637	1,461	1,420	1,386	1,477	732	1,325	1,961	2,644
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,508	2,118	2,233	2,786	2,799	3,506	828	1,457	2,107	2,782
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

4.2 Water Charges - Pricing Options - 2011/12

Points of note from this analysis are:

- a) This proposal, based on the assumptions applied, is financially feasible. However the operating surplus remains poor and limits our ability to respond to major variations.
- b) The last two rows highlight that average consumption decreases from 158 to 146 kls per connection. If total consumption increased this would improve the financial result.
- c) In this proposal \$1million in loan funding has been used to assist in financing the Ross Lane Reservoir upgrade in 2017/18. Without loan funds the reserves will be overdrawn. The loan interest repayments then result in a small deterioration in the operating surplus in 2018/19 onwards.
- d) The difference in charges in 2011/12 for a property using 200 kilolitres per annum is \$490 compared to \$513 based on the 15% increase, whereas for 150 kilolitres the difference is \$407 to \$426.

The first attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 14.

In looking at further options the use of 9.9% as a percentage increase was considered slightly unusual, therefore further modelling was carried out on 9%. The results from this option are shown in the next table.

**Table 15 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One A - 9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,085	8,437	8,701	9,138	9,624	9,915	10,256	10,405	10,760	11,127
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(413)	(318)	(320)	(157)	46	46	87	(154)	(117)	(77)
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	155	167	176	184	194	199	205	211	218	224
Price Per KL < 350	1.52	1.66	1.79	1.88	1.97	2.07	2.13	2.20	2.26	2.33	2.40
Price Per KL > 350	2.28	2.49	2.68	2.82	2.96	3.11	3.20	3.30	3.40	3.50	3.60
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,621	1,508	1,255	1,130	1,003	994	139	615	1,124	1,668
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,447	1,989	2,027	2,496	2,417	3,022	236	748	1,270	1,806
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

The results from this model are very similar to option one (9.9%), albeit that the major concern remains that the operating surplus under this model effectively remains in deficit for almost every year.

Further variations from 9.1% to 9.2% to 9.3% upwards to 9.9% were applied to the model and the conclusion drawn was that 9.9% was the minimum increase that should be contemplated for 2011/12.

4.2 Water Charges - Pricing Options - 2011/12

It should also be noted that a number of assumptions such as capital expenditure, operating expenses and the Rous Council contribution have been varied for this report, as compared to the February Finance Committee report, due to updated information.

To ensure a fair comparison to the February report it is also interesting to look at the flow on effects of continuing to apply a 15% increase for 2011/12, as this will allow Council to reduce the size of increases needed in future years.

For example, the next table highlights that by increasing the charges by 15% in 2011/12 we are able to reduce the future year charges to three years at 5% then CPI. The original model presented to the February Finance Committee, as per Table 13, was based on 8% followed by another three years at 5%.

**Table 16 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 15% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,485	8,663	8,953	9,416	9,749	10,051	10,402	10,501	10,869	11,254
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,479	10,799	11,128
Operating Result	(4)	(13)	(92)	(68)	121	172	182	233	22	71	125
% Change Fees	15.00%	15.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	163	171	180	189	195	201	207	213	219	226
Price Per KL < 350	1.52	1.75	1.84	1.93	2.02	2.08	2.15	2.21	2.28	2.35	2.42
Price Per KL > 350	2.28	2.62	2.75	2.89	3.04	3.13	3.22	3.32	3.42	3.52	3.62
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	3,021	2,134	2,133	2,285	2,284	2,411	702	1,376	2,096	2,868
Section 64 Confs	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,847	2,615	2,905	3,651	3,698	4,440	799	1,509	2,242	3,007
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

Loan funds are not needed under this model for the Ross Lane works in 2017/18. This model essentially highlights the benefits of compounding as future increases are based on higher prices.

The second attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 16.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report, different assumptions can result in substantially different outcomes, and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for water will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling.

The key drivers in the financial model are:

1. Water Annual Charge - Percentage increase per annum
2. Water Consumption Charge - Percentage increase per annum
3. Total Consumption - Consumption per connection and growth
4. Operating Expenses - Percentage increase per annum
5. Water Purchases - Percentage increase per annum from Rous Council
6. Section 64 contribution collection rate
7. Capital Expenditure

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years
- b) Implement a 9.9% increase. This is considered to be the minimum increase required, particularly when the Rous Council charges are increasing by in excess of 18%
- c) Implement an increase somewhere between 9.9% and 15%.

It is considered that all these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative, can be justified by the Rous Council increases, and has long term flow on effects as future price increases, on a percentage basis, will be lower.

The 9.9% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.9% and 15% benchmarks.

Also attached to this report are the two financial models for the 9.9% and 15% options. The first attachment is for the 9.9% and the second for the 15%.

Each attachment has eight pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances.

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between both options. The major change is the percentage increase in annual and consumption charges.

Page three - Operating Revenues and Expenses - This is a summary of the water operating budget.

Page four - Water Management - This is more detailed information on the water operating budget. The information from this page is then linked to the summary.

Page five - Water Operations - Similar to page four it provides more detailed information on items that make up the water operating budget.

Page six - Water Capital - Summary of major capital expenditure and funding.

Pages seven and eight - Loan Repayments - Provides details of loan repayments, if any are needed, and the loan repayment schedule.

The attachments are provided to assist in reviewing the information provided as part of this report.

Finally it is also recommended that Council adjust the current operating and capital budgets for the water program. The two attachments to this report have the updated figures for 2010/11 and these changes result in significant flow on benefits in future years. This is one of the major reasons that the 9.9% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

RECOMMENDATIONS

1. Option A

That Council, based on the information outlined in this report, endorses a 9.9% increase for water annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council endorses a 15% price increase for water annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for water based on the latest figures included in the two attachments to this report.

4.2 Water Charges - Pricing Options - 2011/12

Attachment(s)

1. Financial Plan - Option One - 9.9% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 15% increase in 2011/12 (separate attachment)

4.3 Sewer Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution arising from the February 2011 Finance Committee minutes asking for further examination of pricing options for Council's main sewer charges for 2011/12 onwards.

Background

Council considered a report on a possible sewer charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with 12% increases for the four year period 2012/13 to 2015/16. The actual resolution arising from that report, as adopted at the February Council meeting, was as follows:

- 1. That a dynamic model be developed and used to assess sewerage charges where 9.5% is set as the maximum increase per year and lower reserve balances are permitted.*
- 2. That the results of this model be presented at another workshop to assess the feasibility of the 9.5% lower reserve balances approach.*
- 3. A specific debt reduction and debt management strategy be developed to cover the entire life of the loans.*

Items to be covered include:-

- Getting best terms to begin with ie
 - Rate
 - Term
 - Ability to prepay in part or full
 - Tranche arrangements*
 - Managing reserve to prepay as much as possible, as early as possible*
 - Strong control of operating costs and cash flows.*
- 4. That a Debt Reduction & Debt Management Sub-Committee be formed to pursue all opportunities to achieve rapid paydown of sewerage debt. This sub-committee to be formed of 2 councillors, 3 staff and chaired by the General Manager.*

4.3 Sewer Charges - Pricing Options - 2011/12

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

This report follows a similar theme to the previous report on water charges in that we are dealing with financial models for our sewer operations and Council needs to determine the level of risk to be included in our pricing structures. In summary, lower prices mean there is an increased risk that we may not have sufficient funding for projects, whereas higher prices provide a greater buffer for variations.

As per the water financial model, for our sewer operations we need to review the major components of our sewer budget. Those components are operating revenues, operating expenses, capital income and capital expenditure and each of these items is now reviewed as follows.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	6,451,084	7,135,228	8,318,600	9,652,000	10,936,300	12,388,400	14,030,200
User Charges	691,616	808,758	770,900	870,500	963,000	1,066,300	1,181,600
Operating Grants	147,397	148,632	157,600	162,500	167,400	172,500	177,700
Fees & Fines	52,863	80,095	74,200	76,500	78,900	81,400	83,900
Other Revenues	217,987	285,384	268,600	276,500	284,900	293,600	302,500
Interest	1,019,492	4,168,858	814,200	591,000	438,100	214,100	103,200
Total	8,580,439	12,626,955	10,404,100	11,629,000	12,868,600	14,216,300	15,879,100

As per water, these figures highlight that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components.

Annual Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

4.3 Sewer Charges - Pricing Options - 2011/12

The next table provides an analysis of annual charge income from residential properties for the period 2005/06 to 2010/11. The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	360	360	400	440	480	550
Actual Income Collected	4,745,087	4,784,688	5,361,165	5,970,368	6,720,524	7,630,000
Number of Residential Services	13,181	13,291	13,403	13,569	14,001	13,873
Annual % Growth in Services	N/A	0.83%	0.84%	1.24%	3.18%	-0.92%

The average growth in residential services for this period is 1.04%. With the water financial model, it was assumed that residential services would grow at approximately 0.90% and this is considered to be a reasonable assumption to apply for sewer also.

In respect to non-residential properties the annual charge is based on the main size with the 2010/11 connection charges are as follows:

Table Three - Non-residential Connection Charges

Main Size	Charge (\$)
Not connected / minimum	415
20mm	415
25mm	645
32mm	1,060
40mm	1,655
50mm	2,585
65mm	4,370
80mm	6,620
100mm	10,340
150mm	23,265

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the annual Council increase in prices.

This information is outlined in the following table.

Table Four - Annual Charge Summary - Non-residential 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	547,886	578,812	676,990	748,680	685,544	975,000
% Change in Income		5.64%	16.96%	10.59%	-8.43%	42.22%
% Change in Annual Charges		0.00%	11.11%	10.00%	9.09%	14.58%

The average percentage change for income is 13.4% and 8.96% for changes in pricing. This table demonstrates that there is not a strong correlation between the change in total income collected and the increase in the annual charge each year, and there are also large variations in income.

4.3 Sewer Charges - Pricing Options - 2011/12

Based on this it can only be suggested that for modelling purposes that Council apply the percentage change in annual charges as the most reliable figure, without any growth factor included. This is the only recommended approach as there does not appear to be any other consistent information available for forecasting non-residential access charges over a longer period of time.

Consumption Charges

Non-residential properties also pay a sewer discharge fee based on their water consumption. The next table provides details on that income for year years.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Non-residential - Consumption \$	441,308	485,504	481,044	536,087	648,149	640,000
Annual % Change in Income		10.01%	-0.92%	11.44%	20.90%	-1.26%
Council Approved % Change		0.00%	11.11%	10.00%	9.09%	14.58%

Similar to the previous table there is very little correlation between the actual percentage change in income figures and the Council approved percentage change.

However it is interesting to note that the average percentage change in income received for the total period is 8.04% and the average change in prices for the total period is 8.96%.

Therefore it may well be reasonable to assume, for forward modelling purposes, that there is some correlation, in the longer term, between increases in prices and income.

In summing up the key assumptions that could be applied in financial modelling the future annual charge and consumption income for our sewer operations are:

- Residential connections - Table Two highlights that average growth in the number of residential connections has been 1.04% in recent years. This figure is close to the 0.90% applied to the water financial model and for consistency it is recommended that 0.90% be applied in both models for residential growth.
- Annual charge income from non-residential connections - Table Four demonstrates that there is little correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council. Despite there being little correlation this remains the recommended approach due to a lack of viable alternatives.
- Consumption for non-residential connections - Table Five highlights that there is some correlation between increases in income and increases in the consumption charge over time, and that basis it is recommended that a similar approach be applied to Council's financial model.

4.3 Sewer Charges - Pricing Options - 2011/12

Even though there is not a sound and tested method for forecasting non-residential income, both access charge and consumption, importantly the figures for residential access charge income are reasonably consistent. As residential income represents around 75% of the total income for sewer operations, it does mean we have a relatively high level of reliability in our forecasting income over time, as the non-residential income is a relatively small component of the total income budget.

Operating Expenses

The figures presented to the February Finance Committee were as follows.

Table Six - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	435,869	591,675	569,100	581,000	597,900	616,200	635,000
Admin & Customer Ser	471,681	431,517	460,300	475,000	490,000	505,200	521,100
Engineering & Tech	354,108	351,837	343,500	313,500	323,100	332,900	343,100
Energy Costs	550,864	643,313	718,500	679,500	693,400	707,700	729,300
Pumping Stations	1,283,047	1,916,270	1,778,000	1,776,000	1,811,800	1,848,400	1,904,300
Reuse Water Facilities	1,761,094	1,365,678	1,927,000	1,924,500	1,963,300	2,002,800	2,063,200
Mains Operations	808,466	821,505	640,000	857,000	874,200	891,700	918,500
Plans & Investigations	148,909	134,632	209,800	138,500	140,500	144,900	149,400
Donations and Legals	12,079	12,951	10,600	12,000	12,500	13,000	13,500
Conservation/Promotion	2,000	24,396	105,100	108,000	102,100	102,200	105,300
Telemetry Operations	10,537	32,551	51,000	62,000	63,300	64,600	66,600
Other Costs	138,185	189,538	204,200	198,000	202,300	206,400	212,500
Overheads	1,017,996	1,161,000	1,238,000	1,275,500	1,313,800	1,353,200	1,393,800
Interest on Loans	21,000	21,000	8,600	1,000,000	3,983,000	4,878,000	4,748,000
Total	7,015,835	7,697,863	8,263,700	9,400,500	12,571,200	13,667,200	13,803,600

There is no one major expenditure item that forms part of the overall operating expenses and the major change in recent times has been the increase in pumping station expenses and re-use facilities.

The level of expenditure across sewer operations has been reviewed in recent weeks and based on that review it is proposed to adjust the forward operating expenses as per the next table.

Table Seven - Revised Operating Expenses - 2011/12 to 2014/15

Description	February 2010/11	February 2011/12	Revised 2011/12	Revised 2012/13	Revised 2013/14	Revised 2014/15
Engineering Mgmt	569,100	581,000	581,000	598,000	615,000	632,000
Admin & Customer Ser	460,300	475,000	532,500	548,000	565,000	582,000
Engineering & Tech	343,500	313,500	300,000	310,000	320,000	330,000
Energy Costs	718,500	679,500	801,300	881,600	969,700	1,066,700
Pumping Stations	1,778,000	1,776,000	1,610,000	1,657,000	1,705,000	1,754,000
Reuse Water Facilities	1,927,000	1,924,500	1,977,000	2,037,000	2,098,000	2,160,000
Mains Operations	640,000	857,000	660,000	680,000	700,000	721,000
Plans & Investigations	209,800	138,500	65,000	67,000	69,000	71,000
Donations and Legals	10,600	12,000	12,000	12,000	12,000	12,000
Conservation/Promotion	105,100	108,000	100,000	103,000	106,000	109,000
Telemetry Operations	51,000	62,000	62,000	64,000	66,000	68,000
Other Costs	204,200	198,000	222,000	228,000	234,000	240,000
Overheads	1,238,000	1,275,500	1,302,000	1,341,000	1,381,000	1,422,000
Total	8,255,100	8,400,500	8,224,800	8,526,600	8,840,700	9,167,700

The revised figures show the adjusted budgets for 2011/12 onwards. In comparing the 2011/12 figures to the February report, there is a significant reduction in pumping station which results in the revised figures being actually less than the current 2010/11 budget.

Interest on loans has been left out as this is discussed in further detail later in this report.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$4.954 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$740,000 per annum with the maximum figure being \$1.1m and the lowest \$308,000.

As mentioned in the water report, Council is currently reviewing both its Section 64 plans for water and sewer and it is highly likely that the current sewer contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for sewer is \$8,000 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$800,000 p.a. compared to the current average of \$740,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The other major cash contribution that Council needs to consider is a contribution from Rous Council for the use of recycled water that displaces demands on the region's potable water supply. Rous has indicated their support for payments to Ballina Council for infrastructure we provide that contributes to the sources of water for the region.

The sewer program has an extensive recycling and re-use component (i.e. dual reticulation) and by providing this, at a significant cost to our community, Rous recognise that this is in fact saving the region the cost of new water infrastructure. Council's Civil Services Group has commenced discussions with Rous on this matter and it is considered that we will be in a position to collect funding from Rous in the not too distant future.

4.3 Sewer Charges - Pricing Options - 2011/12

There is some uncertainty over the level of funding we will be able to receive, however for the purposes of the sewer financial model it is recommended that we include \$200,000, commencing from the 2012/13 financial year. The \$200,000 is a relatively small contribution compared to the magnitude of expenditure being incurred by Council on this project and with the income being delayed until 2012/13 this provides over 12 months for Council to negotiate a suitable agreement with Rous.

The final capital income item is loan funding. As per the water report, loan funding is the final option once Council determines whether other financing options such as reserves and on-going operating surpluses are in a position to finance capital expenditure. It is fair to say that loan funds will be needed for sewer due to the scale of the capital expenditure program.

In respect to capital expenditure the next table provides the total value of works presented to the February Finance Committee meeting for 2010/11 to 2020/21.

**Table Eight - Capital Expenditure - 2010/11 to 2020/21
(February Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Funding Sources											
Section 64	4,950	588	968	434	0	1,091	0	0	0	0	0
Loans	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserves	2,894	4,132	2,398	275	273	1,082	290	298	317	317	326
Total	20,273	42,320	15,866	709	273	2,173	290	298	317	317	326

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table Nine - Capital Expenditure - 2010/11 to 2020/21
(March Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	14,847	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389

As the capital expenditure program includes numerous projects it has not been reproduced in this section of the report. However the attachments, which are the revised financial models, provide complete details of the expenditure program. The funding sources have also not been included as the type of funding allocated represents a major part of the financial modelling options.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model. The outcomes from that modelling are then effectively the cash forecasts for sewer, for the next ten years. The information submitted to the February Finance Committee resulted in the following cash forecasts.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table Ten - Sewer Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,629	12,869	14,216	15,879	17,887	18,572	19,388	20,272	21,215	22,221
Operating Exps	8,264	9,400	12,571	13,667	13,803	13,948	14,100	14,282	14,431	14,610	14,697
Operating Result	2,140	2,229	298	549	2,076	3,939	4,472	5,126	5,841	6,605	7,524
% Change Fees	15.00	15.00	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	633	708	793	889	995	1,025	1,056	1,088	1,120	1,154
Capital Expend	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Loan Principal	1,185	1,258	2,105	2,483	2,613	2,743	2,873	3,003	3,133	3,263	2,510
Loan Funds	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	10,219	6,990	2,709	435	(187)	(185)	1,021	2,703	4,910	7,691	12,080
Section 64 Conts	1,004	1,145	933	1,267	1,801	1,566	2,435	3,369	4,376	5,458	6,620
Total Reserves	11,223	8,135	3,642	1,702	1,614	1,381	3,456	6,072	9,286	13,149	18,700

Key features of this cash forecast are:

- a) Operating Result - The operating result is good, however it needs to be, to finance the capital expenditure and loan repayments.
- b) Reserve Balances - The level of reserves remain relatively sound, albeit that they dip during the period 2014/15 and 2015/16.

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on increases of 9.5% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.5% for 2011/12 and then four years at 12%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.5%
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections and consumption and multiplying the current income by the percentage increase in fees each year
- d) Developer contribution collections increasing from the traditional average of \$740,000 to \$800,000 in 2012/13
- e) Including a contribution from Rous Council of \$200,000 from 2012/13 onwards

4.3 Sewer Charges - Pricing Options - 2011/12

- f) Revised operating expenses based on the latest review of the current year and for 2011/12 as per Table Seven
- g) Revised capital expenditure as per Table Nine of this report
- h) Reducing existing reserves over more than one year to allow price increases to be implemented more gradually
- i) Using loan funds based on 20 year terms, at an interest rate of 8%. A longer loan term could be used, however from the analysis undertaken by staff, the difference between 20 and 25 years is minimal in respect to the annual cash flow, although the cumulative interest repayments are far higher.

The outcomes from this financial model are shown in the next table.

**Table 11 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.5% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	12,174	13,508	15,183	17,099	17,795	18,548	19,475	20,462	21,370
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,033	13,168	13,304	13,441	13,573	13,700
Operating Result	2,710	3,144	332	895	2,367	4,067	4,627	5,243	6,035	6,889	7,669
% Change Fees	15.00	9.50	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	675	755	846	948	976	1,005	1,036	1,067	1,099
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,519	2,643	2,775	2,919	3,074	2,255
Loan Funds	4,000	45,000	7,000	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,434	756	352	797	1,112	3,726	6,802	7,984	9,184
Section 64 Conts	1,340	291	69	188	321	261	847	1,609	2,435	3,331	4,299
Total Reserves	9,061	4,489	1,503	944	672	1,058	1,959	5,335	9,237	11,315	13,483

Points of note from this analysis are:

- a) Based on the assumptions applied, it is financially feasible and there are more than adequate reserves held during the next ten years.
- b) The annual charge increases to \$1,099 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting. The difference in the annual charge for a standard residential property under this model for 2011/12, as compared to the February Committee meeting is \$602 compared to \$633.
- c) A total of \$56 million in funding has been used to finance the capital expenditure program, with all these loans being used during the period 2010/11 to 2012/13.

One issue with this model is that loans are only used in the first few years, and all the remaining major capital works are funded from reserves and section 64 contributions. If loan funds are used for some of the later capital works the model can be revised again, with particular reference to future year's increase.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table 12 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 9.5% Increase and Increased Loans (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,918	14,170	15,625	16,246	16,952	17,695	18,484	19,181
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,129	13,366	13,658	13,785	13,910	14,027
Operating Result	2,710	3,144	75	305	1,354	2,496	2,880	3,294	3,910	4,575	5,154
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,545	2,699	2,879	3,033	3,195	2,386
Loan Funds	4,000	45,000	7,000	0	1,200	1,300	2,000	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,177	92	9	44	577	1,160	2,021	1,652	1,221
Section 64 Conts	1,340	291	69	4	14	86	661	1,412	2,226	2,250	2,268
Total Reserves	9,061	4,489	1,245	97	23	130	1,238	2,571	4,248	3,902	3,488

Key changes with this analysis are:

- Annual charge and consumption price increases of 9.5% applied for the five year period from 2011/12 to 2015/16
- The annual charge increases to \$1,009 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting and \$1,099 in option one.
- Based on the assumptions applied, it is still financially feasible, although the reserve balances are very low during the period 2013/14 to 2015/16.
- A total of \$60.5 million (\$4.5 million more than option one) in funding has been used to finance the capital expenditure program.

Based on these outcomes this is a viable financial option, subject to whether Council feels comfortable with the assumptions applied.

In reviewing the assumptions, the one that has the highest risk is the Rous Council contribution from 2012/13 onwards, as this is outside Ballina Council's control.

The next table provides a revised cash forecast with that contribution removed.

**Table 13 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Three - 9.5% Increase and no Rous Contribution (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,966	14,202	15,640	16,243	16,929	17,651	18,418	19,093
Operating Exps	7,695	7,964	11,842	12,693	12,895	13,205	13,441	13,730	13,855	13,977	14,091
Operating Result	2,710	3,144	75	273	1,308	2,435	2,802	3,199	3,796	4,442	5,002
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,323	2,431	2,571	2,726	2,909	3,065	3,230	2,424
Loan Funds	4,000	45,000	8,000	0	1,200	1,300	2,000	0	0	0	0

4.3 Sewer Charges - Pricing Options - 2011/12

Reserve Balances											
Sewer Reserves	7,721	4,198	1,977	632	267	51	260	494	1,814	1,138	378
Section 64 Conts	1,340	291	69	4	14	31	604	1,350	1,326	1,295	1,256
Total Reserves	9,061	4,489	2,045	637	281	83	864	1,844	3,140	2,434	1,634

The results from this model are very similar to option two, with the main difference being that additional loan funds of \$1m are required in 2012/13 to ensure the reserves remain in the black.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report different assumptions can result in substantially different outcomes and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for sewer will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling. The key drivers in the financial model are:

1. Sewer Annual Charge - Percentage increase per annum
2. Residential Connections - Growth per annum
3. Sewer Usage Charge - Percentage increase per annum
4. Operating Expenses - Percentage increase per annum
5. Section 64 contribution collection rate
6. Capital Expenditure
7. Rous Contribution

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years and provides a large buffer for Council
- b) Implement a 9.5% increase for 2011/12. Based on the modelling undertaken this is considered to be the minimum increase required based on the extensive capital works and loan borrowing program Council is about to commence.
- c) Implement an increase somewhere between 9.5% and 15%.

All these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative and has long term flow on effects.

The 9.5% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.5% and 15% benchmarks.

Also attached to this report are the three financial models considered in this report being 9.5%, 9.5% with increased loans and 9.5% with no contribution from Rous options. The attachments are included in that order.

Each attachment has ten pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between the options

Page three - Operating Revenues and Expenses - This is a summary of the sewer operating budget

Page four - Sewer Management - This is more detailed information on the sewer operating budget. The information from this page is then linked to the summary

Page five - Sewer Operations - Similar to page four it provides more detailed information on items that make up the water operating budget

Pages six to eight - Sewer Capital - Summary of major capital expenditure and funding

Pages nine and ten - Loan Repayments and Repayment Schedule - Provides details of loan repayments

The attachments are provided to assist in reviewing the information provided as part of this report.

It is also recommended that Council adjust the current operating and capital budgets for the sewer program. Each of the three attachments has the updated figures for 2010/11 and these changes then result in significant flow on benefits in future years.

This is one of the major reasons that the 9.5% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

Finally, the minimum loan commitment that is considered viable is \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13. It is recommended that Council now call tenders for these funds.

Council has already engaged a specialist company to source call tenders for these loans and to review the responses. The outcomes from that tender process will then be submitted to Council for further evaluation.

The tender report will also allow Council to consider points three and four of the original resolution (i.e. debt reduction strategy etc) as that report will canvass the range of loan options available.

RECOMMENDATIONS

1. Option A

That Council endorses a 15% price increase for sewer annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council, based on the information outlined in this report, endorses a 9.5% increase for sewer annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for sewer based on the latest figures included in the attachments to this report.
3. That Council approves the calling of expressions of interest / tenders for loan funds of \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13 to assist with the financing of the sewer capital works program.

Attachment(s)

1. Financial Plan - Option One - 9.5% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 9.5% increase in 2011/12 with increased loans (separate attachment)
3. Financial Plan - Option Three - 9.5% increase and no Rous Council contributions (separate attachment)

4.4 Fees and Charges - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	This report summarises the proposed 2011/12 fees and charges. The objective of the report is to obtain Council approval to exhibit the draft fees for public comment.

Background

A key element of Council's activities is the raising of fees and charges to pay for the provision of works and services. A listing of all fees and charges is prepared annually and advertised for public comment as part of the draft Operational Plan.

A copy of the draft fees and charges document is included as an attachment to this business paper.

Council must establish pricing categories with the charging structure set to meet the nature of the service.

Council's adopted categories are:

- Business/Commercial - Fee set in accordance with the market
- Full cost recovery - Fees set to recover the full cost of the service
- Partial cost pricing - Fees set at what Council considers is a reasonable cost for the user to bear. The balance of the necessary funds is then sourced from general revenue
- Rate of return - The price is established to make a contribution towards the cost of providing the infrastructure
- Fixed by legislation - Fees set by legislation

The attached document is divided into the major functional areas of Council being the General Managers, Civil Services, Strategic Services and Regulatory Services Groups.

Key Issues

- Variations in fees
- Opportunities to recover the cost of Council services
- Affordability
- Reasonableness

Information

The fees document is extensive therefore the information provided relates only to fees where increases are well beyond CPI or new fees are proposed.

Commercial use of Council footpaths

At the August 2010 Ordinary meeting Council adopted a new policy for the management of the Commercial Use of Footpaths (i.e. alfresco dining, footpath displays).

A primary objective of this policy was to simplify the approval process and to encourage the use of the footpaths, subject to strict operating conditions.

In summary the policy ensured that a development consent process was no longer needed to obtain approval and the application is now based on operators seeking a Council approval under the Roads Act. The former development consent process required a number of application fees, along with the possibility that section 94 car parking contributions may be levied.

In adopting the revised policy Council also endorsed a pricing approach based on the value of the land multiplied by the square metres being used. This superseded the previous approach, which was based on a per chair price.

The square metre method improves compliance, as the approved area is clearly identified by the use of footpath markers. It is then a matter for the operators to determine how many chairs and seats are placed in that area.

The recommended pricing for the square metre rates, as per the August 2010 report, has been included in the draft fees and charges. The price was determined using an independent valuer providing a figure that aligned with a reasonable return on the land value. The actual fee proposed is 50% of the valuer's recommendation. Those prices are as follows

<u>Ballina:</u>	
Area A River St - Martin St to Cherry St	28.13/m ²
Area B River St - Cherry St to Moon St	43.13/m ²
Area C River St - Moon St to Grant St	24.38/m ²
Area D River St - Grant St to Kerr St	21.88/m ²
Area E Tamar St - Martin St to Cherry St	20.63/m ²
Area F Tamar St - Cherry St to Moon St	21.88/m ²
Area G Tamar St - Moon St to Grant St	19.38/m ²
Area H Tamar St - Grant St to Kerr St	16.88/m ²
Area I Cherry St - River St to Tamar St	28.13/m ²
Area J Moon St - Fawcett St to River St	30.63/m ²
Area K Moon St - River St to Tamar St	28.13/m ²
<u>Lennox Head:</u>	
North Precinct - 65-98 Byron St	55.63/m ²
South Precinct - 51-64 Byron St	38.13/m ²
<u>Alstonville:</u>	13.13/m ²
<u>All Other Areas</u>	Based on % of land value

4.4 Fees and Charges - 2011/12

The 2010/11 pricing is \$60 per chair.

Council's property staff have been having on-going discussions with existing operators regarding the new pricing structure and approval process and the feedback appears to be that operators accept that the approvals are more streamlined and the pricing is fair.

The only objections that have come to date are from some Lennox Head representatives who are of the opinion that all pricing should be the same.

Council has never enforced the commercial use of footpath licensing conditions in Lennox Head therefore any existing operators will now be required to obtain approval, comply with the conditions and pay the appropriate fees.

The lack of compliance in Lennox Head has effectively been a de facto policy of Council as under the previous development consent regime it was virtually impossible to obtain a planning approval, due to the narrow width of the footpath in many areas of Lennox Head.

The new policy has allowed operators to overcome many of those former planning constraints.

Refer to page 7 of the attachment for the fees and charges.

Airport fees and charges

Landing charges for airport based businesses are proposed to have a new scale.

Charge	2010/11	2011/12
Aircraft under 1,000kg	2,143	735/1000kg
Aircraft 1,000 to 2000kg	3,215	735/1000kg
Aircraft 2,000 to 5,000kg	8,255	735/1000kg
Aircraft greater than 5,000kg	12,200	735/1000kg

The 2010/11 charges allowed owners to have up to three planes. Hence owners with one plane paid the same fee as those with three planes. The new structure rationalises the approach.

Refer to page 8 of the attachment for further information.

Airport based private aircraft

New fee for aircraft parked in lease area which varies from \$40 per month to \$350 per annum

Fee to replace existing landing fee for airport based aircraft. This is a common practice in airports that is preferable to both parties over the current practice of charging per landing.

Refer to page 8 of the attachment.

Airport car parking

Fee for under 1 hour is unchanged, 1 to 2 hours increased from \$2 to \$4, day parking increased from \$6 to \$8 and overnight from \$12 to \$14.

New fees for long term parking ranging from \$14 per night to \$42 for three nights

Parking fees adjusted to meet the market. Also price changed to time of purchase.

Refer to page 8 of the attachment.

Trade waste usage charges

Increases to charges in excess of CPI

Fees increased to be closer to NSW Office of Water recommended levels. The Office of Water issues the best practice guidelines for the State which councils are encouraged to adopt. Ballina Council's charges have been well below recommended levels for some time and this was done to allow the program to be introduced and accepted.

The proposed fees are still only at the 2007/08 recommended level as it is considered that the best practice fees are overly onerous.

Refer to pages 10-11 of the attachment.

Construction and demolition waste

Construction and Demolition waste \$196/tonne to \$220/tonne.

Council considered charges for the Landfill centre at the February Finance Committee meeting and it was resolved, with certain exceptions, to increase most gate fees by 3%.

However, Construction and Demolition waste is trucked to Queensland for disposal. Queensland has introduced a new levy of \$35 per tonne for all buried waste which Council must pay. Hence it is proposed to pass some of this increase on to the public.

Refer to page 13 of the attachment.

Council has also recently resolved to review the structure of certain waste fees to encourage recycling. A more detailed report on that issue will be submitted to the April Finance Committee meeting by the Civil Services Group.

Road naming fee

New fee of \$300

Fee introduced to meet cost of advertising in local paper and government gazette.

Refer to page 15 of the attachment.

Bus shelter advertising

Increase to fees

- <i>Bus shelters 6 months</i>	<i>\$620 to \$750</i>
- <i>bus shelters 12 months</i>	<i>\$1,240 to \$1,500</i>
- <i>J poles 6 months</i>	<i>\$260 to \$350</i>
- <i>J poles 12 months</i>	<i>\$520 to \$630</i>

Fees increased to more correctly reflect market value. These fees only relate to those structures that are not included in the current advertising and maintenance contract.

Refer to page 16 of the attachment.

Ferry fees

Fees Increased by 4.7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 17 of the attachment.

Cemetery fees

Fees have been simplified and some new fees added. New fees such as 'present at time of placement of ashes' and 'transfer of right of burial' are as presented in the draft cemetery policy, which will be considered at the March Council meeting. Also a new section has been added to the fees and charges document that reflects existing practice in respect to War Grave Plaques.

Refer to page 19 of the attachment.

Building certificate - copy

New fee of \$10

New fee provided for by legislation. However the amount of the fee is up to Council.

Refer to page 23 of the attachment.

Amended construction certificate

New fee of \$50 for minor amendments and \$150 for more significant section 96 amendments.

Council has provided this service at no cost to the applicant. It can be a time consuming and complicated process and the fee reflects the cost of the work.

Refer to page 24 of the attachment.

Non complying development - dwelling

Fee increased from \$1,390 to \$1,450

Increase in costs reflects true cost of providing the service. Council must also be conscious of the fact that this is a competitive field and we must not subsidise the process.

Refer to page 24 of the attachment.

NSW Government SEPP charges

Fees increased by varying percentages up to 15%

Fee increases are to bring these charges into line with other council fees such as the development application fee. There is also a new regulation in respect to these approvals which has included some new fees such as bed and breakfast and demolition application/inspection fees.

Refer to page 25 and 26 of the attachment.

Rural fire service

New fee for depot assessment \$300

This is a new fee due to amended legislation that requires council staff or private certifiers to complete the assessment.

Refer to page 27 of the attachment.

Swimming pool compliance

Fees increased from \$50 to \$70 for compliance certificate and fencing exemption

Fee prescribed by new legislation.

Refer to page 27 of the attachment.

Septic tank (OSSM)

Fees increased by 7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 29 of the attachment.

Food inspections / water carters

Fees increased by varying amounts from Nil to 20%

At this same meeting last year Council considered a report that advised that we had accepted responsibility to undertake, in lieu of the NSW Food Authority, its food surveillance role and to report on performance annually. Part of this agreement includes increasing the frequency of inspections to twice per year.

Council is currently performing one inspection and a strategy was put in place to increase Ballina's fees over several years that would generate sufficient return to enable the biannual inspection.

Refer to page 31 of the attachment.

Market inspections

Fees increased by 11%

Fee increase more accurately reflects cost to provide the service.

Refer to page 31 of the attachment.

Public pool water quality test

New fee of \$70 for 1- 2 pools or spas and \$115 for greater than 3

This service has been provided in the past at no charge. The fee reflects part of the cost of performing the service. It is proposed to graduate this fee up over the next few years.

Refer to page 31 of the attachment.

Micro-chipping of animals

New fee of \$40

Council rangers are to be trained to microchip animals as it is now required that impounded animals be micro chipped and registered prior to being returned to the owner. The new fee is to meet Council's costs for performing this service.

Refer to page 30 of the attachment.

Planning proposals

Revised fees to reflect new process to manage planning proposals;

Commencement fee \$2,500

Minor amendment \$2,500

Major amendment \$5,000

DCP amendment \$1,500

Fees charged at cost for studies and processing.

4.4 Fees and Charges - 2011/12

Council previously charged a fee of \$1,400 as an initial fee to cover the cost of processing rezoning fees and amendments to the development control plan. The new LEP means that terminology and processes have changed and accordingly a new fee structure is proposed.

Refer to page 39 of the attachment.

Lennox Head Community Centre

New fees for operation of the centre

Council considered these fees as part of the February Finance committee. The fees are currently on exhibition.

Refer to page 40 of the attachment.

Flat Rock Tent Park

Council's property section has also asked Council to consider amending the existing refund procedures for the tent park. The proposed procedures are as follows:

Refund

Refunds of deposits and fees paid are available from Flat Rock Tent Park under certain circumstances:

Peak Period Bookings

Where at least 28 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within 12 months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 28 days written notice has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

If site is rebooked then Options A and B are applicable.

If site is not rebooked, no refund is applicable.

Off Peak and Shoulder Period Bookings

Where at least 7 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within twelve months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 7 days written notice of cancellation has been given, a cancellation fee of the first nights accommodation will apply. Other amounts deposited above the first nights accommodation will be refunded either via cash, cheque or credit card upon a written application by the guest.

4.4 Fees and Charges - 2011/12

NOTIFICATION FOR BOOKINGS CANCELLED WITHIN 24 HOURS OF BEING DUE TO ARRIVE WILL FORFEIT FULL DEPOSIT

General

- *Should people vacate a site early due to weather conditions no refund is to be given.*
- *Tariffs and deposits are not refundable if your stay is cut short.*
- *Booked sites will only be held for 24 hours from booked time of arrival, unless otherwise arranged.*

Severe Weather

In the event of severe weather, if deemed so by Council, no refunds apply. Guests may apply, in writing, for the following option depending on which circumstances applies:

- *Full Cancellation Prior to Arrival - a full credit will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*
- *Remaining stay cancellation - a credit of the remaining amount of the guest's nights left on the reservation will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*

The proposed changes are marked in red.

The major difference with this is to better manage late cancellations due to unforeseen circumstances as the contractors are having difficulties managing credits and cancellations at the last moment.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. Council needs to be satisfied that the proposed fees and charges also meet the requirements, as per the established pricing categories.

Consultation

This report has been prepared following consultation with staff across Council's entire operations. Once approved the draft document will be exhibited for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or amend the proposed 2011/12 fees and charges.

RECOMMENDATIONS

1. That Council approves the draft schedule of fees and charges for inclusion in the draft 2011/12 Operational Plan, as attached to this report, including any adjustments resulting from this meeting.
2. That Council approves the amended Refund Procedures for the Flat Rock Tent Park, as outlined within this report.

Attachment(s)

1. Draft Fees and Charges – 2011/12 (separate attachment)

4.5 General Fund - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To obtain Council approval to advertise the draft operating budget for public comment.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's recurrent programs (eg parks, roads, planning etc) with any surplus on operations then financing Council's capital works program and loan debt.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 operating budget. The complete draft budget is included as a separate attachment to this business paper.

Key Issues

- Allocation of resources and services provided

Information

The Council structure provides for four groups (Strategic, Regulatory, Civil and General Manager) within which 30 main programs are delivered. The budget is structured around these programs. In preparing the draft budget the main assumptions applied have been:

- Rate pegging increase – 6.1%
- Financial Assistance Grant (FAG) increase – 2.5%
- Interest rate for investments – 5.8% and a declining portfolio
- Interest rate for loans – 8%
- CPI – 3%
- Salary movements – 2.15%

Whilst the budget assumes a CPI increase of 3%, in many instances expenditure budgets have been increased by an amount less than 3%. This is because our internal labour oncost rates have fallen by 1% due to reduced superannuation costs. The reduced superannuation is based on advice from the Local Government Superannuation Board confirming that Council's contribution for members in the defined benefits scheme will be reduced in 2011/12. Even though there is a reduction, this figure is still extremely high and well above historical trends.

4.5 General Fund - Operating Budget - 2011/12

The operating result is a primary financial benchmark for any entity. It determines whether you have, or have not, had a surplus of operating income over expense and if a cash operating deficit is recorded on a regular basis the entity is not sustainable in the long term.

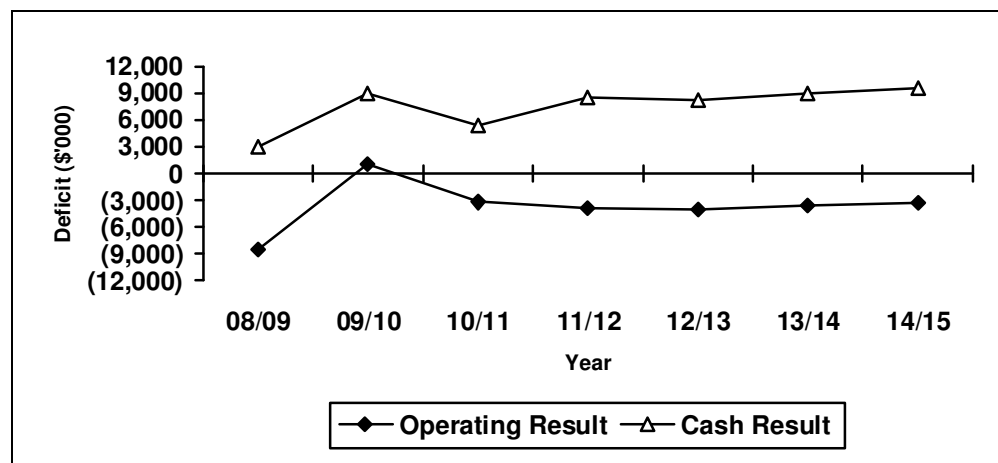
Council's General Fund aims to generate a significant cash surplus annually that enables an adequate level of capital investment (both new and replacement) to take place. Given that the General Fund is restricted by rate pegging it is a difficult task to achieve a surplus that enables all capital works desired by the community. Therefore Council must establish priorities between maintaining existing assets / services and providing new or extended services when formulating the budget.

The operating result must also include depreciation, which accounts for the fall in the service potential of an asset during the financial year. In an ideal world Council would be making sufficient surpluses to fund depreciation and then some, to pay for new assets and services.

The following chart summarises the net General Fund operating results (inclusive and exclusive of depreciation) for the period from 2008/09 to 2014/15. The first two years reflect actual results whilst the rest are forecast. The chart indicates that there was a strong improvement from 2008/09 to 2009/10 and this is partly to do with 'accounting' adjustments between the years relating to the value of investments. Nevertheless the 2009/10 result does reflect a much improved outcome in comparison to the previous year and to some extent reflects policies put in place under Council's "get well" strategy. This strategy included a number of increases to the ordinary rate that is in excess of the rate pegging maximum.

Looking forward the forecast is for operating losses inclusive of depreciation. The extent of the loss is significantly influenced by an increase of some \$3.7 million in depreciation between 2010/11 and 2011/12. This is due to the revaluation of stormwater and roads infrastructure. Exclusive of depreciation the forecast is for a gradual increase in the surplus with approximately \$8.5 to \$9 million being available in discretionary funds to replace existing assets and provide new works or services.

Table One - General Fund Operating Results – 2008/09 to 2014/15



Council has held strong cash reserves for a number of years which are now in the process of being converted into assets. This is a concern in the sense that we need to generate an even bigger surplus to fund maintenance and operation of these new assets. A prime example is the new Lennox Head Community Centre that is forecast to run at a deficit of approximately \$165,000, without providing for future refurbishment.

The reduction to cash on hand also inhibits our ability to cope with an unforeseen negative event.

General Fund – Summary

The draft General Fund budget is showing a working capital deficit of approximately \$198,000. This has, as usual, proven to be a very difficult budget to try and bring close to a break even point.

Contributing issues include:

- new assets to operate and maintain such as the Lennox Head Community Centre
- Regulatory Services legal expenses have been increased by \$75,000 to \$275,000 which is higher than would normally be the case at the start of the year. This figure may well prove too low, which means, as in recent years, the property reserves will be needed to balance the budget
- Additional staff expense with respect to the new ranger position which was funded for six months in the 2010/11 budget and now must be funded in full for 2011/12 onwards.
- Increased lease costs with respect to computers and other technology such as photocopiers estimated at \$60,000 extra.

On a positive note the superannuation expense in relation to the defined benefits scheme has fallen by approximately \$200,000 in comparison to last year.

Expenditure budgets of interest include:

- Salary/wage expenses are forecast to increase with an award based increment of 2.15%. The award increase has been adjusted such that it now applies from 1 July as opposed to 1 November. The total 52 week General Fund wages expense, exclusive of overtime, allowances and contract staff is estimated to be in the order of \$13.5 million.
- Workers compensation insurance is estimated to be \$620,000. This estimate is actually \$20,000 less than the current year however it is a substantial increase from recent years of \$393,000 in 2008/09 and \$436,000 in 2009/10.
- Public liability insurance is estimated to be \$530,000

4.5 General Fund - Operating Budget - 2011/12

- Superannuation expense is forecast to be approximately \$1.95 million. This includes expense for the current scheme of \$1,072,000 and the defined benefits scheme of \$878,000. The contribution rate in respect of the defined benefits scheme is still greater than the original scheme rates however it is substantially less than last year.
- The cash budget for employee leave entitlements has been set at \$1.8 million. This relates to long service leave, annual leave and sick leave. In addition there is a transfer to reserve of \$50,000 to provide for the accrued leave liability; i.e. leave accrued but not taken.

As at the start of this financial year the leave liability stood at \$7.3 million with a cash reserve to meet this debt of \$1.95 million. This means that, at that time, the liability was 27% funded, which is considered satisfactory.

Council also has in the order of 49 staff members who are at, or over, the retirement age. This means that over the next few years the reserve will be called on to pay out a significant amount of leave accrued.

Based on calculations on the growth in the leave liability the transfer to reserve should be more like \$150,000 rather than \$50,000. Given the working funds position this is not possible however it is a situation that must be closely watched and where possible Council should look to place cash into the reserve.

- Internal overheads distributed to various sections of the budget amount to \$3.9 million. This process distributes costs for insurances, leave entitlements and administration to various sections of the budget so that their expenses more accurately reflect true costs
- Total loan repayments are forecast to be \$3.5 million which is an increase of some \$500,000 on the 2010/11 financial year. Additional loans relate to the airport and the Wollongbar Link Road. These should be funded by airport reserves and Section 94 contributions.

Income budgets of interest include:

- Income from the investment portfolio that is applied to general revenue is estimated to return \$750,000. This assumes that the reserve balance will fall and the interest rate will remain reasonably steady. General Fund reserves are being applied to major projects such as the town centre upgrades, coastguard tower, surf club, Skennars Head sports fields, Wollongbar sports fields and coastal cycleway.
- The Financial Assistance Grant is estimated to provide 2.5% more than the current year, with total income estimated at \$3.4 million. This grant is not predictable, as at times the grant amount has actually reduced from one year to another. However an optimistic outlook has been taken.
- Income from rates, based on a 6.1% increase, is estimated at \$15.4 million. The 'additional income' beyond a cost of living increase is included in the budget as is the offsetting expenditure, which is as follows:

4.5 General Fund - Operating Budget - 2011/12

Description	Amount
Roads New works	300,000
Roads Reconstruction	50,000
Buildings and Facilities	65,000

This allocation is consistent with Council's Ministerial approval for the 6.1% increase.

The Roads New Works monies will be used to finance Section 94 related works.

The Roads Reconstruction monies form part of Council's total capital reconstruction works, whereas the buildings and facilities monies now provides a recurrent budget of \$200,000 that can be used on community buildings and facilities.

For further information on these items refer to the next report in this agenda, which details the recurrent capital works programs for 2011/12.

- Private works income is forecast to be \$825,000 with expense of \$750,000. This assumes an approximate 10% surplus. This budget is difficult to predict and varies considerably from year to year
- Tuckombil quarry royalties are estimated to return, net of expenses, \$268,000 with a dividend to the General Fund of \$100,000
- Rental returns from commercial properties are estimated at \$2.3 million with the property portfolio providing a dividend to Council of \$300,000

In summary this has been a typically difficult General Fund budget to try and achieve even a reasonably small deficit. Therefore it is imperative that caution is shown prior to approving new expenses that do not have their own funding source.

Alternatively, if new items are added existing works will need to be deleted.

General Fund - Cash Result

The 2011/12 budget, as presented, assumes that Council wishes to provide the same mix of services and programs as per the current year.

Based on these assumptions the cash result, on a working fund basis (i.e. working capital basis - net unrestricted cash), for 2011/12, as compared to the original estimated 2010/11 result, is as per table two.

The information is shown on a program by program basis as this highlights the cost (occasionally there is a program that generates a surplus) of these programs to the community.

Please note that the 2010/11 column shows the budget as at the commencement of the financial year, not as at the latest quarterly review (i.e. December).

This is considered to be a fairer comparison as it allows Council to assess the cash movements from the start of one financial year to another.

Table Two - Net Working Capital Result by Program

Description	2010/11 Budget Surplus / (Deficit)	2011/12 Budget Surplus / (Deficit)	Variation Improve / (Worsen)	Variation %
Strategic and Community Services Group				
Strategic Planning	(877)	(937)	(60)	7
Community Services	(351)	(624)	(273)	78
Sub Total	(1,228)	(1,561)	(333)	27
Regulatory Services Group				
Development Services	(856)	(1,089)	(233)	27
Building Services	58	77	19	33
Environmental Health	(479)	(489)	(10)	2
Administration & Public Order	(863)	(943)	(80)	9
Sub Total	(2,140)	(2,444)	(304)	14
Civil Services Group				
Engineering Management	(2,470)	(2,482)	(12)	0
Stormwater/Environmental	(674)	(686)	(12)	2
Roads and Bridges	(4,663)	(4,907)	(244)	5
Ancillary Transport	(1,711)	(1,466)	245	14
RTA	0	0	0	0
Open Spaces and Reserves	(3,165)	(3,015)	150	5
Fleet Management	0	0	0	0
Rural Fire Service	(192)	(187)	5	3
Quarries and Sandpit	100	100	0	0
Swimming Pools	(402)	(393)	9	2
Landfill & Resource Recovery	0	0	0	0
Waste - Domestic	0	0	0	0
Water Services	0	0	0	0
Sewer Supplies	0	0	0	0
Sub total	(13,177)	(13,036)	141	1
General Manager's Group				
Governance	(904)	(968)	(64)	7
Administrative Services	(853)	(879)	(26)	3
Financial Services	20,881	22,317	1,436	7
Library Services	(1,141)	(1,177)	(36)	3
Information Services	(1,191)	(1,317)	(126)	11
Human Resources and Risk	(522)	(770)	(248)	48
Communication and Tourism	(535)	(663)	(128)	24
Property Management	406	300	(106)	26
Caravan Parks	236	0	(236)	100
Airport	0	0	0	0
Sub Total	16,377	16,843	466	3
Total	(168)	(198)	(30)	18

It is important to note that the self funded programs are shown as a nil cost, as income and expenses are matched against reserve movements.

Brief comments on the programs are as follows.

Strategic and Community Services Group

Strategic Services

The Strategic Services budget represents a continuation of existing services with staff levels and recurrent expense forecast to be similar to 2010/11. The budget makes provision for a continuation of funding to complete the LEP revision, additional planning studies and heritage programs.

The increased deficit, above CPI, from 2010/11 to 2011/12 relates to the transfer of funding for economic development programs from the Commercial Services Unit, as per a report to Council during 2010/11.

Community Services

The Community Services program incorporates the Wardell Community Space, Ballina Community Services Centre, Lennox Head Community Centre (LHCC), Alstonville Leisure and Entertainment Centre (ALEC), Richmond Room, the Community Gallery and other community services.

Similar to Strategic Services this program shows a far higher deficit as items such as ALEC, LHCC and the Richmond Room were not part of this budget at the start of 2010/11. With the employment of a dedicated centre manager for the Ballina Community Services and Wardell Community Centres all of these properties are now located in the one program.

Regulatory Services Group

Development Services

Income is forecast to fall by \$65,000 in comparison to last year which is on the back of poor returns this financial year. Legal costs have been increased by \$75,000, again due to experiences in recent years.

Building Services

No significant changes forecast. A small incline in income has been anticipated which would continue trends over recent years. Most areas of building services are subject to competition with private certifiers and it is important that fees are not artificially low through subsidisation. Hence a pro active approach has been taken to fees which have again been increased to meet the market.

Environmental Health

The budget proposes a continuation of services such as the on site sewerage management program, water testing and inspection of commercial premises. There are only incremental changes in comparison to the previous year.

Administration and Public Order

Income is forecast to be quite similar to the current year. Expenses have risen due to increased staff costs with the inclusion of one full time ranger, as compared to only six months being provided during 2010/11.

Civil Services Group

Asset Management

This section of the budget includes Civil Services internal staff. The budget movement is slightly distorted as one staff member has been transferred from Civil to Human resources to better co-ordinate risk management tasks

Roads and Bridges

The comparison shown in table two highlights growth in the net cost of services provided. This is primarily due to the additional resources being applied to this area funded by the special rate variation.

Ancillary Transport

The net decrease to cost in this area is due to the fact that at the start of the 2010/11 year loan repayments relating to previous upgrades of the Ballina town centre were shown as an expense in ancillary services. However the transfer from reserve (income relevant to the repayments) was shown in property services. Hence the original 2010/11 budget showed a distorted position in that income was in one area and expense in another. This situation has been corrected and therefore the 2011/12 position 'appears' to be better in comparison.

Open Spaces and Reserves

Despite the reduction to forecast expense shown in table two all services will remain similar to the current year. Reduced costs are attributable to a relocation of income paid by the crown in respect to crown parks of \$205,000. This income was previously located in property services however given the disposal of the crown parks the expenditure to which the income relates now resides in open spaces.

Rural Fire Service (RFS)

It is estimated that the 2011/12 expense will be less than 2010/11, as the current year includes Council's share of a new fire station. However the 2011/12 year is still elevated in comparison to earlier years in that the RFS is proposing to purchase a new fire truck in 2011/12.

Quarries and Sandpits

The budget proposes a dividend from this business to assist the bottom line of the budget of \$100,000. Whilst it is still forecast that there will be a net transfer to reserve it is a considerable sum to take as a dividend. The budget also proposes capital expense of \$50,000 to pay for a post closure options report. This report will provide a better idea of funds required for post closure remediation.

Swimming Pools

Pools are forecast to run at a net cost of \$392,000. This represents a forecast reduction in comparison to 2010/11, which is due to additional expense being applied in 2010/11 to repair tiles and fencing.

General Manager's Group

Governance and Corporate Management

The majority of the increase to forecast expense relates to an increase in the donations budget. This is for general donations as well as the scholarship funding. There have also been increments to salaries, councillor's expenses and subscriptions.

Council has resolved to include \$100,000 in the miscellaneous donations budget for 2011/12 and in response to this the total donations budget is as follows, as compared to the original 2010/11 budget,

Description	2010/11	2011/12
Rates and Charges	19,000	20,000
SCU Scholarship	0	15,000
Donations - General	52,000	65,000
Public Halls and Buildings	33,000	35,000
Donations - Planning Fees	2,000	2,000
Total	106,000	137,000

The Public Halls and Buildings and Donations - General figures total \$100,000. If Council wishes to achieve a figure of \$100,000 for Donations - General, the overall deficit will need to be increased or expenses reduced elsewhere.

Financial Services

Income from ordinary rates is forecast to be approximately \$15.4 million which is an increase of approximately \$900,000 in comparison to last year. The 6.1% rate increase accounts for the majority of this movement. There are also forecast increases to the Financial Assistance Grant and internal overheads.

Information Services

As mentioned previously hardware lease costs have risen significantly and an additional \$60,000 has been added to this area. There have also been incremental adjustments to all expenses. Many of these costs have been re-distributed across the organisation to self funded areas such as water, sewer and waste, however the credit from that redistribution is included in the governance and corporate management program.

Human Resources and Risk Management

This section of the budget includes overhead expenses such as insurances; superannuation and employee leave entitlements together with the on cost credit that is generated from charging out this expense to other areas of the budget.

Estimating the interaction of these transactions is not an exact science and the outcomes are influenced by various factors such as leave taken, engagement of casual staff, use of contractors etc. The 2011/12 budget forecasts substantial increases in relation to workers compensation insurance with more modest increases forecast for staff leaves and training /recruitment costs.

Salaries for this section have also increased due to the relocation of a staff member from Civil to this area.

Corporate Communications and Tourism

This section of the budget has acquired the Community Event budget, along with an additional two days for the grants officer position. This change was reported to Council during 2010/11 when Council resolved to reallocate part of the former economic development budget to the Strategic and Community Services Group, for economic development related research, and the balance was transferred to this program to allow a current three day per week position, to be expanded to full time. The extra days are allocated to grant related activities (i.e. seeking funding, completing applications etc).

Property Management

This section of the budget includes an array of commercial and community properties. The net outcome is that a contribution is made to support General Fund activities with the 2011/12 figure less than the 2010/11. As mentioned previously there have been a number of movements from this area of the budget to Strategic services including the Richmond Room, ALEC and economic development.

These adjustments have contributed to make comparisons from one year to another difficult. There have been no staff increases or additional resources added to this area.

During 2010/11 this program has also allocated approximately \$280,000 from reserves to assist with financing over-expenditures in Council's legal budget.

Property Management continually contributes a dividend to General Fund and in 2011/12 it is proposed to be \$300,000. This has traditionally been the case over many years with the Wigmore Arcade surplus being applied to general revenues as opposed to going in to a reserve.

The current position of property reserves is such that future incomes are committed to financing debt raised to construct community infrastructure. It may become difficult for this dividend to continue into the future.

Camping Ground (Flat Rock Tent Park)

The deficit movement of \$236,000 shown in table two relates to the fact that income received from the crown has been relocated to Open Spaces.

The tent park is forecast to make a cash loss of \$6,000. Add to this proposed capital expense of \$10,000 and the forecast is for a negative cash result of \$16,000.

4.5 General Fund - Operating Budget - 2011/12

The reserve is currently negative \$19,000 so the forecast to 30 June 2012 is negative \$35,000.

This is not a sustainable position and the enterprise needs to be looked at closely in terms of future strategies.

Airport

Forecast income has been increased substantially (by \$1 million to \$4 million) in anticipation of new tariffs for major commercial airlines. Based on this income the budget includes capital works of some \$1.1 million that will almost consume the forecast surplus.

At the start of this financial year the airport reserve was a negative \$444,000 due to successive years where we have spent more than we have received. The 2011/12 budget is premised on very optimistic income figures and it will be important to hold off on proposed capital works until such time as the income forecast becomes a reality.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included are as follows.

Description	Recurrent Budget
Ballina Pool Maintenance – inadequate vote	20,000
Boat Ramps – contract cleaning	17,000
Depot Building Maintenance – inadequate vote	34,000
Depot Yard Maintenance – inadequate vote	14,000
Environmental Health - Special projects	5,000
Environmental Health Officer - Increased Hours	16,000
Open Spaces - Team Leader	102,000
Plumbing Inspector - Additional	60,000
Regular cleaning of Ballina and Alstonville CBD pavers	38,000
RSL Boardwalk – handover to Council and annual maintenance	3,000
Rural road resealing program - improvements	100,000
Senior Planner Job Share - Additional Day	16,000
Street Tree Planting Program	10,000
Street Tree Planting as per adopted policy	3,000

From a Councillor viewpoint the one item that has been consistently raised with Council staff is the need to increase the number of street trees being planted. If this is a priority of Council then the recommendation from this report should include a direction to staff to find funding to allocate monies to that program. A sample recommendation could be:

That the General Manager review the draft Council budget to identify savings of approximately \$10,000 to \$15,000 with this funding to be allocated to an on-going street tree planting program.

Late items for consideration

TRIM Electronic Document Management System (EDMS)

The following information has been provided by Council's Information Services section.

It is proposed that the TRIM software product will replace the EDMS currently in use by Council since 2000 (i.e. Dataworks). This is the next stage in the implementation of an enterprise-class information system that commenced in 2009 with the installation of the Civica Authority product. This stage sees the implementation of the Authority Customer Service Requests module, and, in order to derive the greatest ongoing benefit from this implementation, replacing the currently installed Dataworks product with TRIM is required.

This implementation will result in significantly improved integration over and above what can be achieved by retaining the Dataworks product, increased productivity by way of improved document management, and better customer service.

Implementations of this nature are typically made with a view to a minimum ten-year life. With this in mind, the annual costs associated with TRIM are significantly less than those associated with Dataworks, and will realise a net saving to Council over the life of the product. Total cost of the project is \$320,000. This includes software licenses, implementation costs, and the appointment of a project manager for a fixed-term to oversee the implementation.

A budget of \$137,000 is already in place in the 2010/11 financial year for the management of the Authority Name and Address Register (NAR) and the implementation of the TRIM document management system (see Quarterly Review report – February 2011 meeting). Of this, \$37,000 will be required for the NAR project, leaving \$100,000 already allocated to the upgrade of the current document management system and the introduction of customer service requests.

If Council were to approve the implementation of TRIM the balance of the project cost, \$220,000, will be spent in the 2011/12 financial year. TRIM, along with Authority, is a product that will be used organisationally, and therefore the Water, Sewer and Waste funds must contribute to the cost. The allocation of costs to these funds is as follows:

*General - 29% - \$63,000
Water - 24% - \$53,000
Sewer - 21% - \$47,000
Waste - 26% - \$57,000*

The General Fund contribution will comprise \$15,000 gained from savings made by not renewing the annual Dataworks licence, \$20,000 will be funded from the IT/Legal / Audit reserve and \$28,000 from either IT capital and operational expenditure or from savings generated in the ALEC operations this year (i.e. \$28,000 saving in matting and floor resurfacing).

If TRIM is not implemented, it will still be necessary to upgrade Dataworks to achieve a rudimentary level of integration with Authority. This cost will be in the order of \$125,000 for 2011/2012, with a corresponding increase in annual costs after that of approximately \$10,000 over and above current recurrent costs for the product.

Further, the level of product integration will not provide the functionality required to achieve the best available productivity gains and maximise customer service improvements. Further, it is likely that Council may still be faced with a TRIM implementation down the track as more Civica customers move towards implementing this product.

In summary the TRIM product is considered critical to the on-going efficiency and responsiveness of the organisation and can be funded without impacting on the General Fund recurrent budget.

Occupational Health and Safety (OH&S) Resources

The following information has been provided by Council's Human Resources section.

Council has recently been recruiting for a replacement OH&S officer following the resignation of an incumbent staff member. Following the recruitment process two very strong candidates have been identified for the position. The skills / experience of these candidates are as follows:

Candidate One

Candidate one has over 20 years experience in safety in Local Government context and is currently an OHS Coordinator for a large Council. This candidate has excellent skills and experience in OHS policy and program development, site safety management plans, OHS incident / accident investigation, injury management and prevention and provision of general OHS specialist technical advice and support.

Candidate Two

Candidate two has strong OHS background and is a qualified external auditor and WorkCover Accredited Trainer. This candidate also has excellence skills and experience in developing and reviewing OHS management systems, auditing and delivery of training. Currently this candidate develops contractor safety management systems for contractors in the south coast of NSW and delivers a range of WorkCover accredited plant assessment and OHS general induction and consultation training.

The interview panel identified that candidate one would be very suitable to the current OHS Officer position however has identified that candidate two can not only support and complement the skills of candidate one but provides an excellent opportunity for Council to enhance the OHS skills and competency of our employees.

Candidate two has the skills and expertise to not only deliver a range of OHS specialist services currently engaged through external auditing and training organisations but also provides a range of other essential OHS training that needs to be provided to our employees on an ongoing basis to meet WorkCover and legislative requirements (eg competency assessments).

From a review of the costs paid to external workcover accredited and other OHS trainers over the past 12 months, Council has paid \$102,000, the majority of which could have been undertaken in house should Council have had the skills and qualifications of candidate two.

Furthermore the engagement of external trainers provides less flexibility in how training is delivered and the engagement of candidate two will provide the additional benefit of having an in house trainer who can tailor training specific to Council needs and deliver training at short notice and during wet weather and other down time periods therefore increasing efficiency in such delivery. Council's insurer provides Council with approximately \$30,000 to \$40,000 each year to utilise on OHS project improvements. Currently these funds pay for external providers to implement such projects. The employment of both candidates will enable these projects to be undertaken in house.

WorkCover has identified that Council needs to undertake competency assessments of all employees and to ensure that Council is adequately auditing our systems. This expectation cannot be performed by one OHS Officer. The changes in national OHS laws will also require a large amount of resources to review our existing OHS programs and to assist our employees, volunteers and contractors in understanding their OHS requirements.

Therefore, the interview panel have recommended the appointment of both individuals to the role of OHS Officer with the funding of the second position from the existing training and development and OHS project funding therefore having no financial impact to Council.

The opportunity exists with respect to OH&S to employ a dedicated trainer, the cost of which will be totally offset by current payments being made to external trainers.

Street Lighting

The following information has been provided by the Civil Services Group.

Ballina Council in partnership with other councils in the region has negotiated with Country Energy (now Essential Energy) to establish a new street lighting maintenance agreement.

The emphasis of the negotiations was for Country Energy to upgrade the Council street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards.

The outcome of the negotiations was a series of offers made by Essential Energy to the various councils to enter into a new Streetlighting Use Of System (SLUOS) agreement.

The offer presented to Ballina Council will in affect reduce Council's annual SLUOS charge by \$41,543 per annum and under the new lighting model there is an estimated total yearly savings of \$187,000.

It is necessary however for Council to make a capital contribution at the commencement of the project and this is estimated to be \$162,000.

These funds are required to compensate Essential Energy for the unrecovered capital on the existing network.

The payback period for this is less than 12 months and on that basis it is recommended that Council approve the funding with the monies sourced from one of Council's property reserves.

Water and Sewer Operating Budgets

Reports on the current state of the Water and Sewer budgets form separate reports to this meeting.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. The programs included in this report look to meet the mandatory and essential functions of Council as well as applying resources to discretionary activities.

Consultation

The operating budget has received input from every manager. Council's draft Operational Plan will be advertised for a minimum period of 28 days for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or change the proposed budget/s.

The draft budget reflects the difficulties in providing a wide range of services to the community, with limited resources and it is recommended that Council approve the exhibition of the draft operating budget as presented.

RECOMMENDATIONS

1. That Council endorses the draft operating budget, as attached, for inclusion in the draft 2010/11 Operational Plan, including any adjustments resulting from this meeting.
2. That Council approves the inclusion of the TRIM document Management System in the draft operating budget, as per the information outlined in this report.
3. That Council approves the employment of an additional Workcover Accredited Occupational Health and Safety Trainer, with the cost of this position to be totally offset by savings in monies currently paid to external trainers.
4. That Council approves funding of approximately \$162,000, sourced from Council's property reserves, to upgrade Council's street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards. The savings from this changeover are to be immediately reimbursed to the property reserves and this is expected to occur in less than one year.

Attachment(s)

1. Draft Budget – 2011/12 to 2014/15 (separate attachment)

4.6 **Capital Works - Recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the draft capital recurrent capital works program for 2011/12 onwards.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's day to day programs (i.e. open spaces, roads, planning etc) with the cash surplus on operations then assisting in financing Council's capital works program.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 capital works program and onwards, with the focus primarily on works that are recurrent or self funded.

Key Issues

- Funding available
- Priorities

Information

Capital works for Council projects are typically funded from one or more of the following sources:

- General revenue - represents any surplus revenue after day to day activities are funded
- Loans (the loan repayments must then be funded)
- Developer contributions (Section 94 for General Fund and Section 64 for Water and Sewer)
- Grants
- Reserves
- Asset Sales

The format of the Council budget, as included in Part C of the separate budget document, provides a forward works program for the next four years; i.e. 2011/12 to 2014/15.

Details of how the projects are funded are also included on the right hand side page of the document.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The capital works included in the Council budget can be categorised into three broad groups.

1. General Fund Revenue - Recurrent works

The typical Council budget includes revenue funding for major recurrent programs such as urban and rural roads, footpaths / shared paths, open space, sporting grounds and stormwater / drainage works.

On-going general revenue is needed for these items as they represent a major component of Council's infrastructure base. The funding of the replacement and renewal of this infrastructure can, at times, be under funded, as the liability is often in the millions of dollars.

The recent development of Council's Asset Management Plans has helped to quantify this information and a large part of Council's strategy to increase its rate base requires that the additional funds are allocated to the replacement and maintenance of existing infrastructure.

2. Self-funded Programs

Programs such as water, sewer, airport, waste, fleet and plant should generate adequate revenues from their own operations to fund their own capital works programs.

3. Non-recurrent projects

There are numerous capital projects, that may not be recurrent in nature, but are considered desirable by the community and to finance these projects a funding source(s) must be identified.

This third category is dealt with by the following report in this agenda.

The next section of this report deals with the remaining two categories of capital works in detail; general revenue funded recurrent works and self funded programs.

1. General Fund Revenue - Recurrent Works

A review of Part C of the draft budget highlights that the following capital works are sourced, either in full, or in part, from General Fund revenue (i.e. refer to column titled General Revenue in the Funding Sources of the capital works pages).

Table One - General Revenue Funded Programs

Description	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900
Community Infrastructure	200,000	206,000	212,000	218,600
Stormwater / Drainage	398,500	411,800	424,100	436,900
Urban and Rural Roads	3,371,000	20,294,000	3,726,000	3,810,000
Footpaths / Shared Paths	794,000	1,035,000	641,500	625,800
Street Lighting	41,000	42,000	44,000	45,000
Parks and Reserves	161,000	166,000	172,000	177,000
Sporting Fields	141,000	145,200	149,600	154,100
Total	5,137,500	22,331,900	5,402,100	5,501,300

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The current priorities for the expenditure of these funds for the next four years are as follows.

Information Services – Manager – Stewart Littleford

Item	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900

Provision for on-going replacement of miscellaneous computer equipment.

Property Manager – Paul Tsikleas

The funding allocated for this program is as follows:

Community Infrastructure	200,000	206,000	212,200	218,600
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When Council adopted the 2010/11 budget the works planned were as follows for **2010/11 to 2013/14**

Item	2010/11	2011/12	2012/13	2013/14
Building Lifecycle Contracts	60,000	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	42,000	0	0	0
Pat Morton Lookout - Toilet	0	115,000	85,000	0
Alstonville Pool - Improvements	0	0	36,000	127,200
Alstonville Pool - Plant Room	10,000	0	0	0
Ballina Pool - Fence Repairs	10,000	0	0	0
Ballina Pool - Pool Tiles	10,000	0	0	0
Total Expenditure	132,000	200,000	206,000	212,200

During 2010/11 Council reallocated \$25,000 of the funding for the building lifecycle contracts to allow the purchase of seats for the Richmond Room and to assist with the solar panel projects at facilities such as the Ballina Community Services Centre, Ballina library, Waste Centre, ALEC and 71 Tamar Street.

Also in respect to the 2010/11 budget Council has funding allocated of \$140,000 to construct stairs for Pat Morton Lookout. This is funded through Federal Government grants and Council revenue through the Open Spaces section. In order to complete the Pat Morton steps in 2010/11 an additional \$80,000 in funding is now needed. Alternatively the stairs will only be constructed two thirds of the way to the top.

In order to allow that project to be completed this year it is recommended that the \$42,000 for the Players Theatre - Re-roof and the remaining \$35,000 from the lifecycle contracts, be reallocated to this project. This would then leave a \$3,000 shortfall which can be funded from the Open Spaces budget.

The current status of the Players Theatre re-roof project is that closer analysis has identified that there are other structural issues with the building and the total cost of the project is now closer to \$80,000.

It has also been suggested that the Players Theatre should be making a contribution to this project.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

On that basis it is recommended that the priorities for the community infrastructure funding for the next few years should be as follows:

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Building Lifecycle Contracts	0	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	40,000	0	0	0
Pat Morton Lookout - Toilet	160,000	0	0	0
Alstonville Pool - Improvements	0	50,000	52,000	54,000
Ballina Pool - Improvements	0	50,000	52,000	54,000
Other Community Infrastructure	0	21,000	23,200	25,600
Total Expenditure	200,000	206,000	212,200	218,600

For 2011/12 the major change is providing sufficient funding to allow the Pat Morton Lookout toilets to be completed and also providing a 50 / 50 contribution to the Players Theatre re-roof. The assumption being that the Players Theatre will only proceed based on matching fund from the tenants.

The Pat Morton estimate is based on an allowance of \$55,000 for the building, \$12,000 for lighting and \$93,000 for connection to sewer, water and electricity. A composting toilet was considered however the professional advice from the RTA and National Parks, who use composting toilets extensively, is that the frequency of use for Pat Morton is not conducive to composting.

Discussions were also held with a manufacturer of composting toilets and their verbal advice also confirmed that based on use levels composting was not appropriate.

In respect to figures for 2012/13 onwards, the allocations are nominal only and the expenditure on swimming pools will be dependent on the infrastructure plan for the swimming pools that is subject to a further report to Council.

This has been requested by resolution and that report, from the Civil Services Group, is scheduled for the April Finance Committee meeting.

Stormwater - Manager - Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Stormwater	398,500	411,800	424,100	436,900
Urban Lane Improvements	23,500	24,400	74,100	25,900
Coogee St Pump Station	150,000			
Tweed St / Tamar Street	100,000			
Rous Mill Road	50,000			
Gibbon Street		137,000		
Canal Road		100,000		
Williams Reserve		50,000	50,000	
Foster Street			150,000	
Moon Street			150,000	
Grant Street				151,000
West Ballina				260,000
Floodgate Investigation	25,000			
Stormwater Asset Data	50,000	100,400		

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Roads and Bridges - Manager - Paul Busmanis

Item	2011/12	2012/13	2013/14	2014/15
Fawcett Lane			60,000	
Wilson Street			100,000	
Grant Street	250,000			
River Street		100,000		
Henry Philp Avenue				105,000
Fenwick Drive	190,000			
Canal Road		80,000	290,000	
Cherry Street			290,000	
Norton Street				90,000
Moon Street				80,000
Heavy Patching	345,000	276,000	284,000	293,000
Boatharbour Road	83,000			
Chickiba Drive		200,000		
Banksia Lane				90,000
Byron Street	225,000			
The Serpentine			100,000	
Crane Street				170,000
Brunswick Street		60,000		
Burnet Street			152,000	
Fox Street		284,000		
Grant Street		140,000	106,000	
Cedar Street			100,000	
Fernleigh Road			100,000	60,000
Nashua Road			85,000	
Rifle Range Rd (seg 220 & 223)	137,000			
The Coast Road, Lennox Head	563,000			
Marom Creek Road				107,000
Midgen Flat Road	250,000	250,000		
Bagotville Road			200,000	330,000
Pimlico Road	150,000	150,000		
Teven Road				200,000
Uralba Road	150,000	150,000		
Tuckombil Road		151,300	218,200	
Maguires Creek Bridge				622,000
River Street Roundabouts - Section 94	1,028,000			
Hutley Drive - Section 94		13,970,000		
Cumbalum Interchange - Section 94		2,883,000		
McLeary Culvert		1,600,000		
Links Avenue Intersection - Section 94			1,031,000	
Tamar / Cherry Street Roundabout - Section 94			610,000	
Skennars Hd / Coast Roads Roundabout - Section 94				1,663,000
Street Lighting	41,000	42,000	44,000	45,000
Kalinga St West Ballina	41,000			
Sunnybank Dve West Ballina		4,000		
Riverside Dve West Ballina		15,000		
Melaleuca Pl East Ballina		7,000		
Casey Pl West Ballina		7,000		
Carrington Street		4,000		
Main Street		5,000		
Bruxner Highway, Wollongbar			10,000	
Pearces Creek Road			34,000	
Unallocated				45,000

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Ancillary Transport Services and Town Beautification - Manager – Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Footpaths and Shared Paths	794,000	1,034,400	641,500	625,800
Moon St - Bangalow Rd to Fox Street	20,000			
Headlands Drive - opposite school	10,000			
Skennars Head Rd - adjacent to Leisure Park	10,000			
Rifle Range Rd/Simpson Avenue	60,000			
Hill St Easton Park complete Hill St to Refuge	4,000			
The Avenue	10,000			
Beachfront Pd - west side	30,000			
Wardell Rd - Robertson St to Newbon St	10,000	5,000		
Wardell Rd - opposite Plaza		10,000		
Bruxner Highway - Sneaths Road to Rifle Range Road		60,000		
Byron St - service station to Coast Road		75,000		
Links Av - at Chickiba Drive		10,000		
Green St - highway to Robertson Street		20,000		
Fawcett Lane		5,000		
Grant St - connect existing Fox Street		19,400	100,000	
Fox St - connect Cherry St to Kerr Street			30,000	
Simpson Av - Smith Lane to shops			16,500	55,000
Owen St - King Smith Dv to Bentinck St and North Ck				100,000
Commercial Rd - Bugden Lane to South Street				15,000
The Avenue				15,800
North Ck Rd/Skennars Hd Rd - Tara Downs to Henderson Dr		450,000	400,000	
Skennars Hd Rd - Henderson Dr to Headlands Dr		90,000	95,000	
Headlands Dr - Skennars Hd Rd to Sharpes Bch (800m exist)				440,000
Coast Rd - Nth Angels Beach to Sharpes Beach	640,000			
Angels Beach - overpass to North Angels Beach		40,000		
Angels Beach - Angels Beach south to overpass		250,000		

Open Spaces - Manager - Jillian Pratten

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Playgrounds	141,000	145,200	149,600	154,100
Chickiba Sports Fields Play Equipment	81,000			
Commemoration Park Shade Structure	20,000			
Kellie Ann Cr Play Equipment	20,000			
Campbell Park Softfall	20,000			
Tanamera Drive Park, Alstonville		80,000		
Victor Place, Lennox Head		65,200		
McDougal Reserve, East Ballina			60,000	
Jan Moon Park East Ballina			60,000	
Softfall upgrades Meagan Cres Park, Lilly Pilly Place			29,600	
Unallocated				154,100
Sporting Fields	141,000	145,200	149,600	154,100
Kingsford Smith Lighting Upgrade	80,000			
Skennars Head Lights	61,000			
Unallocated		145,200	149,600	154,100

All of the works listed reflect either adopted programs or engineering assessments of priorities.

2. Self Funded Programs

Self funded programs should aim to generate sufficient revenues to finance their own capital works. The major works included in the draft budget are as follows, with all of these works funded from the reserves created within those programs.

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
<i>Camping Ground</i>				
Flat Rock - Minor works	10,000	10,000	10,000	10,300
Provision for minor works				
<i>Ballina Airport</i>				
Various improvements	1,135,000	0	400,000	0
Improvement works as per Council's Airport Business Plan.				
<i>Fleet and Plant</i>	<i>907,000</i>	<i>894,000</i>	<i>1,155,000</i>	<i>963,000</i>
Council has an adopted fleet and plant replacement program.				
<i>Domestic Waste</i>				
Waste - Domestic	0	300,000	309,000	318,000
This is a provision for the annual replacement of collection vehicles. The program may vary dependent upon the final waste strategy adopted by Council.				
<i>Landfill and Resource Management</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>
Nominal allocation				

Outstanding resolutions

Council has specifically resolved to receive reports on improvements to the Smith Drive area of Ballina along with the town entrances to Ballina.

The Civil Services Group will provide those reports to the Finance Committee meeting scheduled for 7 April 2011.

If changes are required to the draft budget, recommendations for those changes will be included in those reports.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included, are as follows.

Some of these could be assessed as non-capital however as a general rule they are one off expenditures

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Description	Estimated Budget
Abandoned Vehicle Compound	15,000
Animal Shelter	400,000
Ballina Floodplan Risk Management Plan - Actions	40,000
Ballina Yacht Club – car and trailer parking	17,000
Bus stops - upgrade to be compliant as per 'Disability Standards for Accessible Public Transport 2002'	10,000 pa for three years
Coastline Management Plan – Actions	50,000
Crane Street - tree planting project - Stage Two	60,000
Depot Facilities - improvements and expansion	300,000 pa for five years
Emigrant Creek Boat Ramp - Stage Two	116,000
Ferry Cabin – Air conditioning unit	10,000
Ferry Ramp Refurbishment	50,000
Gateway Signage Project	100,000
Lake Ainsworth Management Plan - Matching funds in the event of a successful grant application for the new road	350,000
Lake Compressor - Replacement	10,000
Newrybar Toilet – Construction of a new toilet and upgrade septic	55,000
On-Site Sewer Management	120,000
Pine and Hills Streets - Replace, replant and maintain vegetation	30,000
Richmond River Estuary Management Actions	Unspecified
Shaws Bay Management Plan - Matching funds in the event of a successful grant application to prevent movement of sand at Shaws Bay	85,000
Stormwater Management – North Lakes Estate	5,000 pa for three years
Surveyor's total station - replacement	15,000 pa for three years

If Councillors wish to pursue these or any other projects, they will need to be identified as part of the recommendations for this report and information will then be provided on those matters to the April Finance Committee meeting.

Water and Sewer Capital works

The Water and Sewer capital works are based on individual business plans and for further details refer to the two separate reports in this agenda that relate to water and sewer pricing models.

Legal / Resource / Financial Implications

Recurrent capital works represent a major component of Council's budget.

Consultation

Once approved the draft works program will be exhibited for public comment.

Options

The options are to approve or amend the proposed works program. The recommendation that follows is to approve the program, for exhibition purposes, as the recurrent works listed relate to many on-going programs that are based on engineering and other technical assessments.

RECOMMENDATIONS

That Council approves the draft Capital Works - Forward Plans, as outlined in this report, for inclusion in the draft 2011/12 Operational Plan, including any adjustments resulting from this meeting:

Attachments

Nil - Refer to separate budget document

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

File Reference	Integrated Planning and Reporting - 2011/11
CSP Linkage	Resilient and adaptable communities
Delivery Program	Financial Management
Objective	To review Council's priorities for the future planning of major non-recurrent capital projects.

Background

During the past 12 to 18 months Council has considered a number of reports in respect to how the funding from Council's main property reserves is being allocated for major projects.

Essentially the property reserves are the number one source of funding for projects that are non-recurrent. These are projects that do not occur every year, as do road works, footpaths drainage, parks etc and typically they are of a size and scale that external funding is needed to ensure the projects are delivered.

The last report on the property reserves was presented to the September 2010 Ordinary meeting, where Council resolved to hold a workshop on the reserves. That workshop was held in November 2010 and a number of funding options for projects was considered.

This report now revisits that information and reviews our non-recurrent capital works priorities for the next few years.

Key Issues

- Project priorities
- Availability of funding
- Funding sources
- Risk
- Maintenance costs

Information

The major projects that have been identified as part of Council's current forward financial planning and their current status are as per the next table.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Table One - Major Project Overview

Project Title	Estimate (\$)	Status
Ballina Library Expansion	\$100,000 +	Deferred due to uncertainty over Richmond Room
Coastal Shared Path / Walk	\$3m - \$4m	Construction underway for Fishery Creek Bridge to Kerr Street. Approvals being sought for preferred route from Flat Rock to Pat Morton. Lennox Head to Pat Morton under construction. Lennox Head town centre, design options being considered
Coastguard Tower	\$1.7 million	Concept designs being prepared
Cumalum Link Road	\$5 million	Project budget has increased from \$4m. Discussions on-going with developers to determine whether they wish to finance the shortfall
Hockey - All weather field	\$1.1 million	Due for completion May 2011
Hutley Drive	\$14 million	Largely funded from Section 94 contributions. Project not due to commence until Section 94 contributions available
Lake Ainsworth Caravan Park Road	\$800,000	Project possibly now lies with Department of Lands due to resignation of Council as Reserve Trust Manager
Lennox Hd Community Centre	\$9.9 million	Due for completion April 2011
Main St Upgrade - Alstonville	\$2.7 million	Fully funded and due for completion during 2011
Main St Upgrade - Ballina	\$5m - \$8m	Designs available - works dependent on cash flow
Main St - Ballina - Cap Cook Pk	\$60,000	Funding for concept designs allocated in 2011/12
Main St Upgrade - Lennox Head	Unknown	No costing available
Main St Upgrade - Wardell	\$1.5 million	Fully funded and due for completion during 2011
Reg Entertainment / Sports Ctre	\$450,000	Funding allocated for design and approvals only
Roundabout - Tamar / Cherry	\$1.1million	Dependent on Section 94 funding
Sports fields - Skennars Hd	Unknown	Land purchased - no funding for improvements
Sports fields - Wollongbar	\$3 million	Land under contract
Surf Club - Ballina	\$5.8 million	Development consent obtained. Revised design being prepared
Surf Club - Lennox Head	Unknown	\$40,000 allocated for initial concept designs
Teven Bridges		Project expected to be completed by April 2011
Wollongbar - Link Road	\$3.2 million	Fully funded and due for completion by June 2011

The next table provides a summary of the funding allocated for these projects in the 2010/11 budget, along with the monies expended to 28 February 2011.

Table Two - Status of 2010/11 Budget Allocations

Project	Budget 2010/11	Expended
Coastal Shared Path / Walk	1,163,000	260,000
Cumalum Link Road	4,257,000	161,000
Hockey - All weather field	750,000	552,000
Hutley Drive	119,000	61,000
Lennox Hd Community Centre	6,087,000	4,378,000
Main St Upgrade - Alstonville	2,471,000	1,151,200
Main St Upgrade - Ballina	4,000,000	0
Main St Upgrade - Wardell	1,055,400	274,000
Reg Entertainment / Sports Ctre	450,000	4,800
Sports fields - Skennars Hd	1,271,000	1,271,000
Sports fields - Wollongbar	1,666,000	211,000
Surf Club - Ballina	1,600,000	23,000
Surf Club - Lennox Head	40,000	5,000
Teven Bridges	3,855,300	2,186,000
Wollongbar - Link Road	3,065,500	307,000

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

It is important to acknowledge that the 2010/11 budget figure will often only represent part of the expenditure for a project. Typically the types of projects listed as non-recurrent are reasonably complex and will often be spread over more than one financial year.

The next section of this report deals with how Council's property reserves can be used to allow these major projects to progress.

Property Reserve Movements

This section deals with the three property reserves held by Council. The first reserve under consideration is the Community Infrastructure Reserve.

Table Three - Community Infrastructure Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	6,751,600	5,904,100	2,879,900	291,300	83,900	521,600
Add: Revenues						
Interest Accrued	333,000	178,000	72,000	7,300	2,100	13,000
Rental - 89 Tamar Street (100%)	648,400	658,000	675,500	695,600	716,300	737,700
Rental - ARC (50%)	0	128,000	157,000	161,700	166,600	171,600
Rental - Fawcett Café (100%)	75,000	79,000	83,500	86,000	88,600	91,300
Loan Income - 89 Tamar Street	0	0	1,500,000	0	0	0
Loan Income - ARC	0	0	0	0	0	0
Loan Income - Fawcett Park Café	0	0	500,000	0	0	0
Internal Loan - Commercial Opps	0	0	2,500,000	0	0	0
Sales - Harvey Norman Dividend	0	2,158,000	0	0	0	0
Sales - Southern Cross	0	730,000	580,000	580,000	0	0
Sales - Adjoining BP (50%)	0	0	0	582,400	0	0
Sales - Balance ARC Site (50%)	0	0	0	1,081,500	0	0
Insurance Claim - L.H.C.C.	0	0	0	800,000	0	0
Rate Cont to Roundabout (30%)	0	0	308,000	0	0	0
Sec 94 Road - Roundabouts (70%)	0	0	0	1,344,000	0	0
Sec 94 Recouped - Comm Fac	0	940,000	325,000	334,800	344,800	355,100
Sub Total	1,056,400	4,871,000	6,701,000	5,673,300	1,318,400	1,368,700
Less: Expenditure						
Loans Repaid (existing) - 89 Tamar	429,700	429,700	429,700	429,700	429,700	429,700
Loan Repaid (new) - 89 Tamar	0	0	0	224,000	224,000	224,000
Loan Repaid (new) - ARC	0	0	0	152,000	152,000	152,000
Loan Repaid (new) - Fawcett Pk	0	0	0	75,000	75,000	75,000
Loan Repaid- Commercial Opps	0	0	0	2,500,000	0	0
Legals	22,500	0	0	0	0	0
Capital - Lennox Hd Comm Cent	0	5,446,000	0	0	0	0
Capital - Tintenbar Hall	25,000	0	0	0	0	0
Capital - Coastal Shared Path	0	200,000	83,500	236,900	0	0
Capital - Coastal Walk	0	0	216,400	563,100	0	0
Capital - Coastguard Tower	26,700	0	0	1,700,000	0	0
Capital - Hockey	400,000	0	0	0	0	0
Capital - Main Street - Alstonville	0	1,300,000	0	0	0	0
Capital - Main Street - Ballina	0	0	5,300,000	0	0	0
Capital - Main St - Cap Cook Pk	0	0	60,000	0	0	0
Capital - Main Street - Wardell	1,000,000	0	0	0	0	0
Capital - Regional Sports Centre	0	450,000	0	0	0	0
Capital - Surf Club - Ballina	0	0	3,200,000	0	0	0
Capital - Surf Club - Lennox	0	30,000	0	0	0	0
Capital - Ballina Library Expand	0	0	0	0	0	0
Capital - Other Projects	0	39,500	0	0	0	0
Sub Total	1,903,900	7,895,200	9,289,600	5,880,700	880,700	880,700
Closing Balance	5,904,100	2,879,900	291,300	83,900	521,600	1,009,600

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Key points in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are considered conservative and achievable. Any riskier income items have been pushed out to future years
- b) Loan income has had to be used in 2011/12 to finance the capital expenditure. This loan income is funded through rental property income. For example the current net rental for the Fawcett Park Café is \$83,500 per annum. Based on a 10 year term, at an interest rate of 8%, Council can borrow \$500,000 against that revenue and result in there being no impact on Council's recurrent funding sources such as rates.

Even though loan funds have been included, they will be considered only as a last resort option, and will only be used if alternative funding sources do not eventuate. No projects funded by loans would proceed without a report to Council approving commencement.

- c) Funding for the coastal shared path and coastal walk are included. When Council adopted the preferred route for these two items in September 2010 a recommended funding program was also endorsed. That funding was as per the following table.

Table Four - Coastal Shared Path/Coastal Walk Funding - 2010 to 2014/15

Item	2010/11	2011/12	2012/13	2013/14	2014/15
Coastal Shared Path					
Council Recurrent Budget	165,000	236,400	178,100	247,500	220,000
Community Infrastructure Res	0	83,600	236,900	0	0
Council Footpath Reserves (c/f)	250,000	0	0	0	0
Council Reserves (Park Lane)	130,000	0	0	0	0
DOP Grants Approved	250,000	0	0	0	0
DOP Grant Applications	0	320,000	415,000	247,500	220,000
Totals	795,000	640,000	830,000	495,000	440,000
Coastal Walk					
Council Recurrent Budget	91,000	0	27,900	0	0
Community Infrastructure Res	200,000	216,400	563,100	0	0
Council Reserves (SIC)	100,000	74,600	100,000	0	0
Regional Local Com Infra Prog	309,000	309,000	309,000	250,000	250,000
Totals	700,000	600,000	1,000,000	250,000	250,000

This recommended funding from the Community Infrastructure reserve has been included in Table Three.

- d) Council's Civil Services Group has advised that they are in a position to finalise the majority of the Ballina Main Street Upgrade for an estimate of \$5.3 million. The one attachment to this report provides a map indicating the estimated cost for each of the major segments of this work and Council's Group Manager - Civil Services will be able to provide an overview of this work at the meeting.
- e) The Ballina Surf Club has been pushed back to be fully funded during 2011/12. With the existing design currently being reviewed construction on this project will not commence this financial year.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- f) It is necessary to take out an internal loan from the Commercial Opportunities reserve during 2011/12 to allow this work to proceed, with that loan being paid back in 2012/13 from other land sales.

In summary it is feasible to carry out the works listed in this cash flow, however to do that loan funding is needed. Importantly this table has not recognised any grant funding. For example, the Federal Government has recently released guidelines for the Regional Development Australia Fund. It is anticipated that projects such as the Ballina Main Street upgrade would be eligible under this program and if significant grant funding can be obtained the need for loans will be significantly reduced.

The second reserve under consideration is the Commercial Opportunities Reserve.

Table Five - Commercial Opportunities Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	11,355,600	10,584,200	8,399,400	2,146,900	683,900	3,283,900
Add: Revenues						
Interest Accrued	502,000	400,000	640,000	54,000	17,000	82,000
Sales - Balance Skennars Head	0	0	0	400,000	0	0
Sale - Russellton Tennis Courts	0	0	0	0	2,000,000	0
Sales - WUEA	0	0	0	0	2,000,000	2,000,000
Sales - Lennox Head	0	0	0	0	2,000,000	2,000,000
Internal Loans Repaid - Comm Inf	0	0	0	2,500,000	0	0
Internal Loans Repaid - Airport	0	268,900	24,500	0	0	0
Internal Loans Repaid - Plant	33,800	33,800	33,500	33,500	33,500	0
Internal Loans Repaid - Flat Rock	0	49,500	49,500	49,500	49,500	49,500
Sub Total	535,800	752,200	747,500	3,037,000	6,100,000	4,131,500
Less: Expenditure						
Purchase - North Ballina Property	403,000	0	0	0	0	0
Dividends - General Fund (Other)	159,200	0	0	0	0	0
Loan Funding - Flat Rock	92,000	0	0	0	0	0
Sports Fields - Wollongbar	0	1,666,000	500,000	1,000,000	0	0
Sports Fields - Skennars Head	145,000	1,271,000	0	0	0	0
Land Purchase - Lennox Head	0	0	4,000,000	0	0	0
Internal Loan - Airport	254,000	0	0	0	0	0
Internal Loan - Community Infrs	254,000	0	2,500,000	0	0	0
Development - WUEA	0	0	0	2,000,000	2,000,000	1,000,000
Development - Lennox Head	0	0	0	1,500,000	1,500,000	1,500,000
Sub Total	1,307,200	2,937,000	7,000,000	4,500,000	3,500,000	2,500,000
Closing Balance	10,584,200	8,399,400	2,146,900	683,900	3,283,900	4,915,400

Key items in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are conservative and achievable. As per Table Three, any riskier income items have been pushed out to future years.
- b) Funding is provided to complete the Wollongbar Sports field purchase and development. Income is then recouped, in part, from the sale of the Russellton Tennis Courts land.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- c) Major property development works are pushed out to 2012/13 which will allow planning for the Wollongbar Urban Expansion Area to proceed, along with confirming whether or not Council will be purchasing land at Lennox Head.
- d) If Council is able to proceed quicker with land development activities, any income generated from those activities will then be able to be applied to other community infrastructure, as required. This is typically carried out on a 50% split between the community infrastructure and commercial opportunities reserve.

In summary there is minimal movement in the reserve for 2011/12, with the major focus on the Wollongbar Sporting Fields.

The final reserve under consideration is the Land Development Reserve.

Table Six - Industrial Land Development Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	2,255,500	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300
Add: Revenues						
Interest Accrued	0	0	0	2,000	65,000	95,000
Rental - Norfolk Homes	98,000	101,000	133,000	137,000	141,200	145,500
Rental Income - ARC (50%)		128,000	155,500	161,700	166,600	171,600
Internal Loans Repaid - Waste	335,900	288,400	288,400	0	0	0
Sale - Harvey Norman	0	3,842,000	0	0	0	0
Sales - Southern Cross	0	0	2,000,000	1,500,000	1,500,000	0
Sales - Russellton	0	0	0	0	0	0
Sales - Land Adjoin BP (50%)	0	0	0	582,400	0	0
Sales - Bal ARC Site (50%)	0	0	0	1,081,500	0	0
Sub Total	433,900	4,359,400	2,576,900	3,464,600	1,878,800	418,100
Less: Expenditure						
WUEA - Operating Expenses	0	10,000	10,000	10,800	11,100	11,400
Southern Cross - Op Exps	14,000	31,500	32,600	33,900	34,900	35,900
Overheads - Southern Cross	137,000	128,000	150,400	136,900	141,000	145,200
Russellton - Operating Exps	18,000	7,500	7,800	8,100	8,300	8,500
Overheads - Russellton	61,000	60,000	105,700	62,000	63,900	65,800
Property Investigations	15,000	26,000	0	0	0	0
General Fund - Dividends	90,900	273,100	250,000	161,400	402,000	409,400
Sthn Cross - Cessna Drive	640,000	560,000	0	0	0	0
Sthn Cross - ARC	1,611,000	770,000	0	0	0	0
Sthn Cross - Harvey Norman	1,642,000	2,200,000	0	0	0	0
Sthn Cross - Residue (APN)	284,000	100,000	0	0	0	0
Russellton - Capital	0	0	200,000	300,000	0	0
Legals	110,000	0	0	0	0	0
Sub Total	4,622,900	4,166,100	756,500	713,100	661,200	676,200
Closing Balance	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300	3,791,200

Key items in this table are:

- a) This reserve has been under financial pressure in recent times due to a significant amount of work being undertaken at the Southern Cross Industrial Estate. The majority of that work is now complete and the focus for the next 12 months will be on the sale of land.

- b) Funding is set aside in 2011/12 to advance the next release at the Russellton Estate. With the Alstonville By-pass opening shortly, it is anticipated that demand for this land will increase significantly.

In summary the three tables provide an overview of how revenues and expenses may transpire over the next few years, however as these forecasts are difficult to predict there will be regular updates to Council on the reserve movements.

Legal / Resource / Financial Implications

This report provides the financial outcomes from a range of possible funding scenarios.

Consultation

The endorsed program will be exhibited as part of Council's 2011/12 budget.

Options

The financial information outlined in tables three, five and six provide funding options for the major projects Council wishes to see completed within the next two to three years.

All major projects are funded excluding the Lennox Head Surf Club, Lennox Main Street Development and Skennars Head sporting field expansion. These three projects are all considered to still be a number of years away and additional funding from increased land sales, or external grants, will be needed to allow these projects to eventuate.

The options available for this report revolve around deferring projects and reallocating funding. The purpose of this report is to generate debate that allows a range options to be considered. Further analysis can be conducted, if required, and reported back to the April Finance Committee meeting.

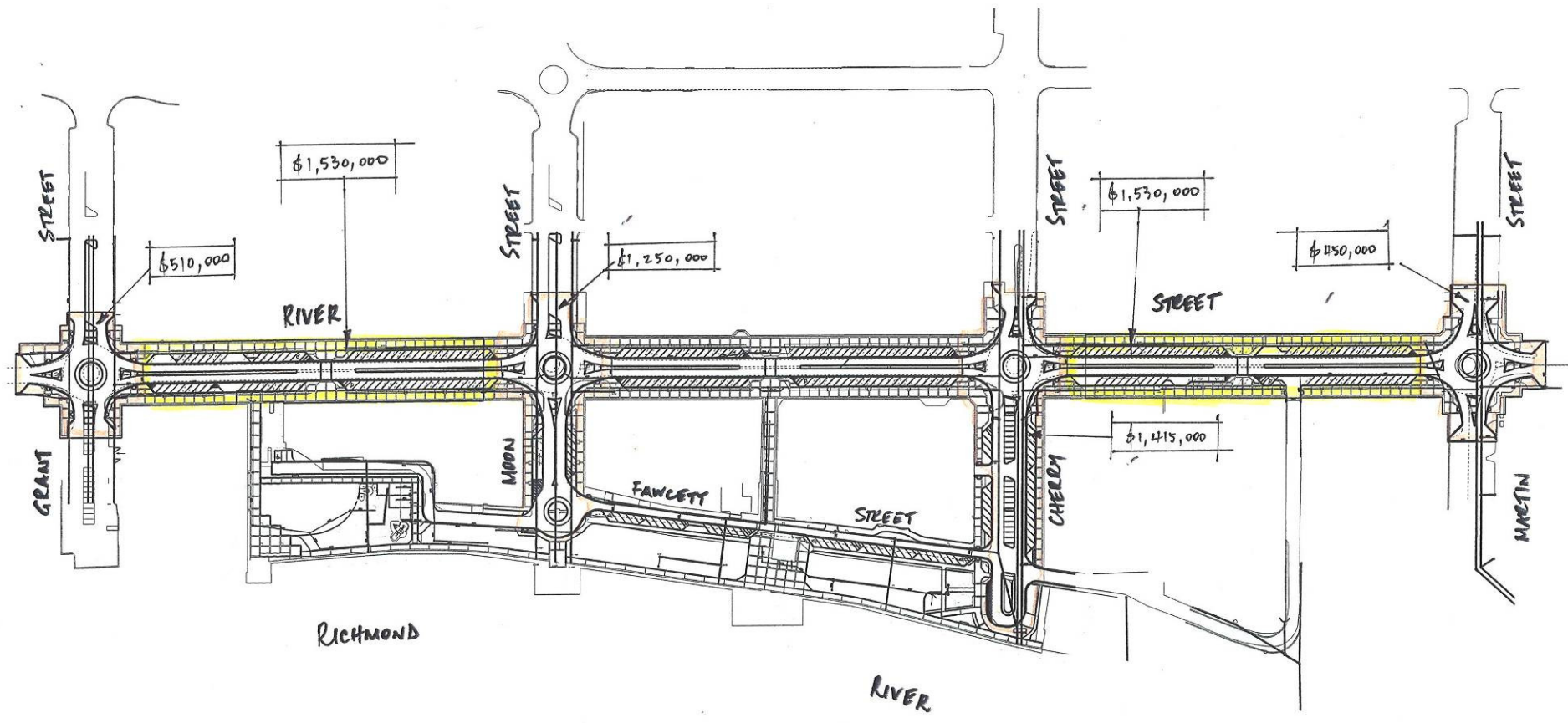
In summary the financial information provided in tables three, five and six is considered achievable and on that basis it is recommended that the tables be included in Council's 2011/12 budget for community consultation. It is also recommended that the 2010/11 budgets be amended to reflect the latest available information as outlined in those tables.

RECOMMENDATIONS

1. That Council approves the inclusion of the forward financial plans for Council's property reserves, as per Tables Three, Five and Six of this report, in the Draft 2011/12 Operational Plan.
2. That Council approves amendments to the 2010/11 budget to reflect the latest financial information as per Tables Three, Five and Six of this report.

Attachment(s)

1. Concept Plan and Preliminary Estimates - Ballina Main Street Upgrade





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 March 2011 commencing at 4.00 pm**

Business

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

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

Paul Hickey
General Manager

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

- 1. Apologies**

An apology has been received from Cr Brown.

- 2. Declarations of Interest**

- 3. Deputations**

4. Committee Reports

4.1 Newlog - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	The objective of the report is to inform Council of the operations of Newlog.

Background

The North East Weight of Loads Group (Newlog) is a joint venture between Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley, Tenterfield and Tweed councils.

Ballina Shire Council provides the administrative services for the joint venture and the report that follows provides an overview of the Newlog operations.

Key Issues

- Budget

Information

Newlog activities are funded by contributions from the constituent councils – 36%, Roads and Traffic Authority – 33% and fines and other Income – 31%.

Total annual operating expenses are approximately \$480,000. Cash reserves of \$280,000 are held to cover equipment change-overs, staff leave liabilities and possible shortfalls in fines and other income.

Newlog own and operate two vehicles with mobile weighing scales and have four full time employees. Ballina Shire Council is responsible for all management services including building space, computers, human resources, finance and supervision.

Ballina Shire Council's contribution to Newlog for 2011/12 is budgeted at \$22,000.

Council also charges Newlog a fee for management services and this is budgeted at \$89,000 for 2011/12.

4.1 Newlog - Operating Budget - 2011/12

Newlog - Operating Result

The draft Newlog budget for 2011/12 (copy attached) is showing an operating loss of \$149,500 (after deducting the non-cash expenses of depreciation and loss on sale of plant). This cash loss is then financed by member contributions of \$175,500. The surplus contributions are transferred to reserves and used to fund vehicle and other plant replacements.

The next table provides a summary of actual results for 2009/10, estimated results for 2010/11 and the budget for 2011/12.

Newlog Budget Summary

Description	2009/10 (Actual)	2010/11 (Estimate)	2011/12 (Estimate)
Operating Movements			
Operating Revenue	313,900	305,500	319,000
Operating Expenses	(480,700)	(469,700)	(496,500)
Operating Result – Surplus/(Deficit)	(166,800)	(164,200)	(177,500)
Add Back Depreciation & Loss on Sale	37,900	16,000	28,000
Cash Result – Surplus/(Deficit)	(128,900)	(148,200)	(149,500)
Capital Movements			
Member Contributions	165,800	170,200	175,500
Capital Purchases	(31,100)	0	(55,000)
Net Reserve Transfer – From/(To)	(5,800)	(22,000)	29,000

Legal / Resource / Financial Implications

Council is committed to Newlog and the provision of both a contribution in cash and the provision of management services at cost.

Consultation

The operating budget is circulated to the RTA and constituent councils for comment and approval.

Options

The Newlog budget must be approved by all constituent councils and often this is carried out at an officer level.

The purpose of this report has to provide Council with an overview of the Newlog operations and the recommendation is to note the contents of the report and approve the budget. This budget does not form part of Council's overall budget and is treated as a separate entity.

RECOMMENDATIONS

That Council notes the contents of the report and endorses the North East Weight of Loads draft operating budget, as attached.

Attachment(s)

1. Newlog Draft Budget – 2011/12 to 2013/14

4.1 Newlog - Operating Budget - 2011/12

Newlog Budget Estimates							
ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED				
			2011/12	%	2012/13	2013/14	2014/15
		OPERATING REVENUES					
		Fees and Charges					
8,600	10500.8901.0228	Legal Costs Recovered	9,000	5	9,300	9,600	9,900
127,400	10500.8902.0222	Fines	131,000	3	135,000	139,100	143,300
		Contributions					
159,200	10500.8900.0165	RTA Contribution	164,000	3	169,000	174,100	179,400
0	10500.0190.0800	Profit on Sale Assets	0	0	0	0	0
		Other Revenues					
0	10500.8901.0236	Profit on Sale of Assets	0	0	0	0	0
10,300	10500.0120.0190	Interest on Investments	15,000	46	15,500	16,000	16,500
0		State Conference	0	0	0	0	0
305,500		Total Operating Revenues	319,000	4	328,800	338,800	349,100
		OPERATING EXPENSES					
		Administration					
228,200	54000.0300.0300	Salaries	235,000	3	242,100	249,400	256,900
13,900	54000.8922.0322	Annual Leave	14,500	4	15,000	15,500	16,000
6,400	54000.8922.0326	Other Leave	6,500	2	6,700	7,000	7,300
5,400	54000.8922.0323	Sick Leave	5,500	2	5,700	5,900	6,100
6,200	54000.8922.0324	Long Service Leave	6,500	5	6,700	7,000	7,300
2,700	54000.0300.0343	State Conference Costs	2,500	(7)	2,600	2,700	2,800
8,900	54000.0300.0345	Workers Compensation	9,500	7	9,800	10,100	10,500
19,500	54000.0300.0334	Superannuation	20,000	3	20,600	21,300	22,000
1,200	54000.0300.0340	Uniforms	1,000	(17)	1,100	1,200	1,300
38,300	54000.8923.0401	Vehicle Running Costs	39,500	3	40,700	42,000	43,300
85,000	54000.8924.0980	Overheads to Newlog	89,000	5	91,700	94,500	97,300
		Operation Costs					
13,400	54002.0365.0422	Legal Costs	14,000	4	14,500	15,000	15,500
4,200	54002.8944.0422	IPB Processing Fees	4,500	7	4,700	4,900	5,100
2,000	54002.0350.0401	Admin Costs	2,000	0	2,100	2,200	2,300
0	54002.0350.0612	Bad & Doubtful Debts	0	0	0	0	0
1,900	54002.0350.0419	Audit Costs	2,000	5	2,100	2,200	2,300
5,400	54002.8945.0635	Insurance	5,500	2	5,700	5,900	6,100
1,700	54002.0450.0401	Sundry Expenses	1,500	(12)	1,600	1,700	1,800
1,100	54002.0350.0640	Telephone	1,000	(9)	1,100	1,200	1,300
8,300	54002.8946.0401	Maintenance of Scales	8,500	2	8,800	9,100	9,400
		Non-cash Expenses					
0	54002.0350.0690	Loss on Sale of Plant	12,000	100	12,000	12,000	12,500
16,000	54002.0350.0740	Depreciation	16,000	0	16,000	16,000	16,500
469,700		Total Operating Expenses	496,500	3	511,300	526,800	543,600
(164,200)		Operating Result - Surplus / (Deficit)	(177,500)	6	(182,500)	(188,000)	(194,500)
16,000		Add Back Depreciation & Loss on Sale	28,000		28,000	28,000	29,000
(148,200)		Cash Result - Surplus / (Deficit)	(149,500)	16	(154,500)	(160,000)	(165,500)
		Capital Movements					
170,200	10505.8966.0169	Add Capital Income (Members Contribut	175,500	3	180,800	186,300	191,900
22,000	4650.8997.0961	Less Transfer to Reserves	26,000	18	26,300	26,300	26,400
0	4150.8987.0960	Add Transfer from Reserves	55,000		0	56,000	0
0		Less Capital Purchases:					
0	3900.8976.0401	Replacement Scales	55,000		0	56,000	0
0		Replacement Vehicle					
0		Cash Result after Capital Movements	0	0	0	0	0
22,000		Net Change to Cash Reserves	(29,000)		26,300	(29,700)	26,400
283,710		Plus Opening Cash Reserve (incl ELE R	305,710		276,710	303,010	273,310
305,710		Closing Cash Reserve (Incl ELE)	276,710		303,010	273,310	299,710

4.2 Water Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution from the February 2011 Ordinary meeting asking for further examination of pricing options for Council's main water charges for 2011/12 onwards.

Background

Council considered a report on a possible water charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with an 8% increase likely in 2012/13 and then 5% increases for the three year period 2013/14 to 2015/16.

This recommendation was endorsed at the Finance Committee meeting, however in adopting the Finance Committee minutes, the Council also resolved as follows in respect to water charges.

That Council receive a report on the options and assumptions available to achieve increases of less than 10% in the water charging structure in the draft 2011/12 Delivery Plan.

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

Typically, as a public authority, Council's financial modelling is based on conservative assumptions, as:

- we are dealing with public monies
- councils are normally risk adverse
- the downside of incorrect financial modelling can be significant as we are dealing with critical infrastructure and services (i.e. roads, water, sewer etc).

4.2 Water Charges - Pricing Options - 2011/12

It is important to be conservative to ensure reliable outcomes however it is also important to ensure that the charges being levied are reasonable and affordable. This is particularly true for services such as water, sewer and waste where customers have no other service providers available.

In order to prepare any financial model, for our water operations, the major components of our water budget need to be analysed. Those components are operating revenues, operating expenses, capital income and capital expenditure. Each of these items is now reviewed in the next section of this report.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	1,585,188	1,806,150	2,138,400	2,461,000	2,672,900	2,812,800	2,959,900
User Charges	3,678,619	4,614,753	4,501,400	4,705,500	5,080,700	5,334,300	5,600,600
Operating Grants	147,353	145,677	197,000	167,000	172,100	177,300	182,700
Fees & Fines	88,818	212,063	256,600	217,000	223,600	230,400	237,400
Other Revenues	214,686	93,446	136,000	142,500	147,200	152,000	156,900
Interest	669,972	531,616	493,400	514,000	545,000	250,700	218,200
Total	6,384,636	7,403,705	7,722,800	8,207,000	8,841,500	8,957,500	9,355,700

What these figures highlight is that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components for modelling purposes.

Annual Access Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

The next table provides an analysis of annual charge income, from residential properties, for the period 2005/06 to 2010/11.

The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

4.2 Water Charges - Pricing Options - 2011/12

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	95.00	95.00	100.00	110.00	123.00	142.00
Actual Income Collected	1,244,316	1,254,705	1,335,499	1,480,219	1,670,087	1,940,400
Number of Residential Services	13,098	13,207	13,355	13,457	13,578	13,665
Annual % Growth in Services	N/A	0.83%	1.12%	0.76%	0.90%	0.99%

The average growth in residential services for this period is 0.92%. For the purposes of providing a forward financial model it is reasonable to assume that residential services will grow at approximately 0.90%.

In respect to non-residential properties the annual charge is based on the main size with the **2009/10** connection numbers as follows:

Table Three - Non-residential Connections Summary - 2009/10

Main Size	Connections	Charge (\$)
20mm	1,010	123
25mm	294	193
32mm	157	315
40mm	79	493
50mm	65	770
65mm	1	1,300
80mm	16	1,970
100mm	19	3,080
150mm	2	6,930

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the increase in annual charges on an annual basis.

This information is outlined in the following table.

**Table Four - Annual Charge Summary - Non-residential
2005/06 to 2010/11**

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	301,697	309,602	321,086	354,476	397,946	455,800
% Change in Income		2.6%	3.7%	10.4%	12.3%	14.5%
% Change in Annual Charges		0.0%	5.3%	10.0%	11.8%	15.4%
Number of non-res services (1)	1,468	1,548	1,339	1,577	1,493	1,643
Annual % Growth in Services (1)	5.46%	-13.49%	17.75%	-5.32%	10.04%	5.46%

(1) These figures are estimates only as the information is not readily available from Council's financial system.

What this table highlights is that there is a strong correlation between the change in total income collected and the increase in the annual charge each year. However there are large variations in the number of connections.

Applying this information, for modelling purposes, the preferred option for annual charge non-residential income is to increase total income by the percentage increase in the annual charge, as this appears to be a more reliable source than relying on the number of connections.

4.2 Water Charges - Pricing Options - 2011/12

Consumption Charges

Income collected from consumption charges is an area where there could potentially be significant variations due to seasonal conditions (i.e. wet weather, droughts etc).

The next table outlines the consumption charge income collected since 2005/06.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential - Consumption \$	2,051,896	2,198,776	2,463,406	2,682,685	3,320,690	3,290,000
Annual % Change - Residential		7.2%	12.0%	8.9%	23.8%	-0.9%
Non-residential - Consumption \$	658,961	756,098	894,500	975,353	1,279,166	1,186,000
Annual % Change - Non-resid		14.7%	18.3%	9.0%	31.1%	-7.3%
Total Consumption \$	2,710,857	2,954,874	3,357,906	3,658,038	4,599,856	4,476,000
Annual % Change - Total		9.0%	13.6%	8.9%	25.7%	-2.7%
Price - Cents per KL - First 350	0.82	0.90	1.07	1.18	1.32	1.52
Price - Cents per KL- Above 350	1.05	1.20	1.60	1.77	1.98	2.28
Council Approved % Change (1)		10%	19%	10%	12%	15%

(1) Represents the percentage change for the first 350 kilolitre charge

This table highlights that the correlation between the Council approved increase in prices often varies significantly from the actual consumption income. This means for modelling purposes it is not simply a matter of multiplying the traditional income figures by the percentage increase, but rather a more detailed analysis is required of overall consumption trends.

The next table provides information on consumption figures for recent years.

Table Six - Kilolitres Billed Per Annum - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	2,475,000	2,413,000	2,264,000	2,236,000	2,474,000	2,112,000
Non-residential	786,000	819,000	808,000	799,000	937,000	743,000
Total	3,261,000	3,232,000	3,072,000	3,035,000	3,411,000	2,855,000

These figures highlight that despite the growth in connections across the shire there has been limited growth, if any, in total consumption. This is particularly so before 2009/10 which was the first increase in total consumption since prior to 2005/06.

The 2010/11 figures are estimates only and the income figure was reduced significantly at the December 2010 budget review, due to the very wet weather that occurred during the first six months of the financial year. This means this figure could substantially change by year end.

The average consumption figures for the six years in Table Six are 2.3 million kilolitres for residential and 820,000 for non-residential with an average total consumption of 3.12 million. If the 2010/11 estimated figures are removed (as they are only estimates) the revised averages are 2.35 million for residential and 840,000 for non-residential.

4.2 Water Charges - Pricing Options - 2011/12

The overall variability of these figures makes it difficult to determine what assumption should be applied for total growth in water consumption in the forward financial plan. Essentially there has been no total growth for a number of years and from a conservative perspective it may be appropriate to apply this assumption into the future.

As the number of residential properties is increasing, yet the total residential water consumption is remaining static, this highlights that the consumption figures per property must be decreasing, as per the next table.

Table Seven - Average Consumption Per Connection- 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Residential	194	188	174	171	187	158

The average per connection consumption figure for the six years in this table is 179 kilolitres. If the 2010/11 estimated figure is removed (as it is only an estimate) the revised average is 183.

For the purposes of financial modelling it may be appropriate to have minimal, if any growth, in total residential water consumption, albeit there must be a point at some time where a minimum threshold is reached,

In summing up there are a number of assumptions that can be applied in financial modelling the future annual charge and consumption income.

The key assumptions are:

- Residential connections - Table two highlights that average growth in the number of residential connections has been 0.93% in recent years and it is recommended that a figure of 0.9% be applied to Council's financial model
- Annual charge income from non-residential connections - Table four demonstrates that there is a strong correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council.

There also appears to be no steady increase in the number of non-residential connections, therefore the recommended assumption is to increase total non-residential revenue by the annual increase in Council charges

- Total water consumed - Tables five to seven highlight that there has been little, if any, growth in total water consumed across the shire in recent years. On this basis, a conservative approach would be to apply a no total growth assumption to Council's financial model.
- Water consumed at higher threshold - The other factor not mentioned to date is the amount of water consumed at the higher price threshold. Council's current pricing is based on the first 350 kilolitres being at one price and any consumption above that pays a 50% premium per kilolitre.

This approach is consistent with State Government guidelines.

4.2 Water Charges - Pricing Options - 2011/12

Based on historical trends approximately 8% of residential consumption is at the higher threshold and almost 70% of non-residential consumption.

For the purposes of financial modelling it is recommended that the 8% be retained, whereas the 70% could be gradually reduced to 50% during the next ten years.

The reason for this is that it is considered that major water users will have more opportunity to invest in water reduction measures as prices increase.

Operating Expenses

The figures presented to the February Finance Committee are as follows.

Table Eight - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	168,090	200,702	220,700	227,500	234,600	242,000	249,500
Admin & Customer Ser	442,135	352,470	484,100	399,500	412,300	425,600	439,000
Engineering & Tech	92,091	72,201	224,600	72,500	74,700	77,100	79,500
Purchase of Water	3,285,100	3,679,947	4,260,500	4,899,500	5,046,600	5,198,100	5,354,100
Energy Costs	26,153	31,446	36,200	33,000	33,400	34,800	36,400
Groundwater Bores	95,548	67,514	81,300	85,000	87,800	90,700	93,700
Reservoirs	82,099	64,191	62,400	64,500	66,500	68,500	70,600
Treatment Plants	42,913	69,192	72,000	74,000	76,300	78,700	81,200
Water Supply Mains	597,708	312,671	362,300	366,000	377,100	388,500	400,200
Water Supply Ops	453,008	833,859	874,400	903,000	926,300	940,400	969,200
Telemetry Operations	8,647	18,574	25,800	26,500	27,300	28,200	29,100
Miscellaneous	8,605	7,330	8,800	9,000	9,300	9,600	9,900
Conservation	4,580	1,570	5,700	6,000	6,200	6,400	6,600
Overheads Distributed	815,004	900,000	1,007,000	1,037,000	1,068,200	1,100,200	1,133,200
Interest On Loans	820	767	600	500	200	0	0
Total	6,122,501	6,612,434	7,726,400	8,203,500	8,446,800	8,688,800	8,952,200

Purchase of water is clearly the major cost for operating expenses with this figure ranging from 54% to 60% of the total. Rous Water County Council has been increasing the charge to constituent councils by 15% for the last four and 2011/12 is expected to be the last increase of this magnitude.

Rous is currently advising that from 2012/13 onwards the increase in this charge should be more in line with CPI.

Even though Rous has been working on a 15% increase, the contribution made by each council can vary, dependent on the movement of that council's water consumption compared to the other constituent councils. Ballina Council has now received advice that our increase for 2011/12 is 18.24% as per the following two tables.

Table Nine - Rous Council 2009/10 Consumption for 2010/11 Charges

Council	Kilolitres	% Total Sales	Cost @ \$1.1287 Cents / KI
Lismore	3,714,530	34.50	4,192,600
Byron	2,553,812	23.72	2,882,500
Richmond Valley	724,812	6.73	818,100
Ballina	3,772,556	35.04	4,258,100
Totals	10,765,710	100	12,151,300

Table Ten - Rous Council 2010/11 Consumption for 2011/12 Charges

Council	Kilolitres 2010/11	Trend %	% Sales	Cost @ \$1.4278 cents / Kl	% Change
Lismore	3,205,487	-13.70	32.75	4,576,800	9.16
Byron	2,462,994	-3.56	25.17	3,516,700	22.00
Richmond Valley	592,468	-18.26	6.05	845,900	3.40
Ballina	3,526,075	-6.53	36.03	5,034,600	18.24
Totals	9,787,024	-9.09	100.00	13,974,000	15.00

The Rous calculation looks at the trend for 2010/11 consumption (as per second table) and then divides that to equal the total revenue required (i.e. \$13.974 million). Based on these figures the increase for Ballina is 18.24% compared to the previous year (\$5,034,600 compared to \$4,258,100).

This again places further pressure on our operating result and this trend may well continue as Ballina's percentage of total consumption grows due to our overall faster growth rate compared to the other constituent councils.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$6.419 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$640,000 per annum with the maximum figure being \$858,000 and the lowest \$485,000.

Council is currently reviewing its Section 64 water and sewer plans and it is highly likely that the current contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for water \$3,200 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average future section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$700,000 p.a. compared to the current average of \$640,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The final capital income item is loan funding. Loan funding is always an option and a decision on whether capital expenditure needs to be financed from loans depends on issues such as;

- Availability of reserves
- Life of asset
- Beneficiaries from asset
- Availability to finance the interest and principal repayments

4.2 Water Charges - Pricing Options - 2011/12

Typically loan funding is the last option once Council determines whether other options such as reserves are available to finance the expenditure. In respect to capital expenditure the next table provides the works presented to the February Finance Committee meeting for 2010/11 to 2014/15.

**Table 11 - Capital Expenditure - 2010/11 to 2014/15
(February Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		1,750,000			
Reservoirs - Pacific Pines		2,317,000			
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster	70,000				
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster	180,000				
Pumping Stns - Pacific Pines Booster	110,000				
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1					
Water Mains WD19 Angels Bch - Stage 2					80,000
Water Main WD01 Ballina Hts Trunk					140,000
Water Main WD02 Ballina Hts Distribution				220,000	
Water Mains WM01 Reservoir Supply				80,000	
Nth Ball Pressure Zone Distn Area 1		990,000			
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1				300,000	
WD07 Pac Pines - Stage 1				100,000	
WD06 Pac Pines - Res Supply				70,000	
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2				150,000	
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,100	54,700
Water Mains Renewal Program	375,000	200,000	206,000	212,200	218,600
Telemetry Installation	79,000				
Generator	15,000				
Total	1,254,000	5,307,000	1,627,500	1,425,300	553,300

4.2 Water Charges - Pricing Options - 2011/12

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table 12 - Capital Expenditure - 2010/11 to 2014/15
(March Finance Committee)**

Description	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Water Storage					
Reservoirs - Ballina Heights		3,500,000			
Reservoirs - Pacific Pines					
Reservoirs - Ross Lane					
Water Pump & Bore Stations					
Pumping Stns - Ballina Heights Booster			70,000		
Pumping Stns - North Lennox Booster					
Pumping Stns - Basalt Court Booster			180,000		
Pumping Stns - Pacific Pines Booster			110,000		
Water Trunk Mains - Extension					
Water Mains - WD05 Angels Bch - Stage 1			80,000		
Water Mains WD19 Angels Bch - Stage 2				140,000	
Water Main WD01 Ballina Hts Trunk			220,000		
Water Main WD02 Ballina Hts Distribution			80,000		
Water Mains WM01 Reservoir Supply		990,000			
Nth Ball Pressure Zone Distn Area 1					
Nth Ball Pressure Zone Distn Area 2	600				
Nth Ball WD37 Trunk Main Area 1					
WD08 Pac Pines - Stage 1			300,000		
WD07 Pac Pines - Stage 1			100,000		
WD06 Pac Pines - Res Supply			70,000		
WD09 Pac Pines - PZ Distn Stage 1					
WD28 Pac Pines - PZ Distn Stage 2			150,000		
West Ball Pressure Zone Dist - Area 1					
W'bar Boosted WD17 Pressure Zone	130,000				
W'bar Boosted WD18 Pressure Zone	210,000				
W'bar Boosted WD45 Pressure Zone					
Water Trunk Mains - Augmentation					
Ballina - Main Parallel to Miss Bridge			130,000		
Ballina - Boring Parallel to Miss Bridge			380,000		
Ballina Island PZ Distn for Coastal Growth			150,000		
Ballina Island PZ Distn for Coastal Growth			160,000		
Water Mains Basalt Court - Distn Main			40,000		
Water Mains WD31 HLZ Distn				70,000	
Water Mains WD41 HLZ Distn					60,000
Lennox Head WD26 Distn Main Upgrade			240,000		
Lennox Head WD27 Distn Main Upgrade					
North Ballina WD36 Distn Main Upgrade	34,400		140,000		
North Ballina WD36 Distn Main Fishery Ck			130,000		
North Ballina WM07 New Highway Main					
W'bar Boosted WD40 Distn Main Upgrade				170,000	
East Ballina - Reticulation Duplication					
Miscellaneous					
Vehicle Replacement	50,000	50,000	51,500	53,000	54,600
Water Mains Renewal Program	375,000	400,000	500,000	515,000	530,500
Telemetry Installation	79,000				
Generator	15,000				
Total	894,000	4,940,000	3,281,500	948,000	645,100

4.2 Water Charges - Pricing Options - 2011/12

The one major item not shown in this table is the provision of a new reservoir near Ross Lane, which is scheduled for 2017/18, at a cost in excess of \$4 million. This item has a significant impact on the forward financial plan due to the magnitude of the expenditure required for the project.

The current review of the Section 64 contribution plans for Water and Sewer also involves a major review of future capital works. Once these plans are completed Council will have a further improved long term financial plan for capital works.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model.

The outcomes from that modelling are then effectively the cash forecasts for water, for the next ten years.

The information submitted to the February Finance Committee resulted in the following cash forecasts.

**Table 13 - Water Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,722	8,207	8,841	8,957	9,355	9,696	9,929	10,243	10,564	10,898	11,243
Operating Exps	7,726	8,203	8,446	8,688	8,952	9,223	9,502	9,790	10,067	10,393	10,708
Operating Result	(3)	3	395	269	403	473	427	453	477	505	535
% Change Fees	15.00	15.00	8.00	5.00	5.00	5.00	3.00	3.00	3.00	3.00	3.00
Charge (20mm)	142	163	176	185	194	204	210	217	223	230	237
Price Per KL < 350	1.52	1.75	1.89	1.98	2.08	2.19	2.25	2.32	2.39	2.46	2.53
Price Per KL > 350	2.28	2.62	2.83	2.97	3.12	3.28	3.38	3.48	3.58	3.69	3.80
Capital Expenditure	1,254	5,308	1,627	1,425	553	2,761	300	408	308	317	328
Reserve Balances											
Water Reserves	2,871	2,217	2,041	1,123	1,170	624	707	791	878	966	1,056
Section 64 Conts	6,459	2,172	1,489	1,640	1,844	525	995	1,393	1,927	2,492	3,089
Total Reserves	9,330	4,389	3,531	2,764	3,015	1,150	1,702	2,184	2,805	3,458	4,145

Key features of this cash forecast are:

a) Operating Result - The result remains relatively poor as on a cash basis (i.e. depreciation has not been included). Council is only just making a cash surplus with this surplus not increasing to any great extent over the next ten years

b) Reserve Balances - Overall the level of reserves held remain relatively high, albeit that they dip during the period 2015/16 and 2016/17.

4.2 Water Charges - Pricing Options - 2011/12

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on fee increases of less than 10% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.9% for 2011/12, 8% for 2012/13 and then three years at 5%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.9%.
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections
- d) Assuming there is no net growth in total consumption. This results in the consumption per residential connection decreasing over time
- e) Developer contribution collections increasing from the traditional average of \$640,000 to \$700,000 in 2012/13
- f) Revised operating expenses based on the latest review of the current year, along with the increased purchase cost for water from Rous County Council.
- g) Revised capital expenditure as per Table 12 of this report.

The outcomes from that financial model are shown in the following table.

**Table 14 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,145	8,506	8,778	9,222	9,716	10,016	10,365	10,522	10,888	11,266
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(352)	(249)	(243)	(73)	138	147	196	(37)	11	62
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	156	169	177	186	195	201	207	213	220	226
Price Per KL < 350	1.52	1.67	1.80	1.89	1.99	2.09	2.15	2.22	2.28	2.35	2.42
Price Per KL > 350	2.28	2.51	2.71	2.84	2.98	3.13	3.23	3.32	3.42	3.53	3.63
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,682	1,637	1,461	1,420	1,386	1,477	732	1,325	1,961	2,644
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,508	2,118	2,233	2,786	2,799	3,506	828	1,457	2,107	2,782
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

4.2 Water Charges - Pricing Options - 2011/12

Points of note from this analysis are:

- a) This proposal, based on the assumptions applied, is financially feasible. However the operating surplus remains poor and limits our ability to respond to major variations.
- b) The last two rows highlight that average consumption decreases from 158 to 146 kls per connection. If total consumption increased this would improve the financial result.
- c) In this proposal \$1million in loan funding has been used to assist in financing the Ross Lane Reservoir upgrade in 2017/18. Without loan funds the reserves will be overdrawn. The loan interest repayments then result in a small deterioration in the operating surplus in 2018/19 onwards.
- d) The difference in charges in 2011/12 for a property using 200 kilolitres per annum is \$490 compared to \$513 based on the 15% increase, whereas for 150 kilolitres the difference is \$407 to \$426.

The first attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 14.

In looking at further options the use of 9.9% as a percentage increase was considered slightly unusual, therefore further modelling was carried out on 9%. The results from this option are shown in the next table.

**Table 15 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One A - 9% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,085	8,437	8,701	9,138	9,624	9,915	10,256	10,405	10,760	11,127
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,559	10,877	11,204
Operating Result	(4)	(413)	(318)	(320)	(157)	46	46	87	(154)	(117)	(77)
% Change Fees	15.00%	9.90%	8.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	155	167	176	184	194	199	205	211	218	224
Price Per KL < 350	1.52	1.66	1.79	1.88	1.97	2.07	2.13	2.20	2.26	2.33	2.40
Price Per KL > 350	2.28	2.49	2.68	2.82	2.96	3.11	3.20	3.30	3.40	3.50	3.60
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	2,621	1,508	1,255	1,130	1,003	994	139	615	1,124	1,668
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,447	1,989	2,027	2,496	2,417	3,022	236	748	1,270	1,806
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

The results from this model are very similar to option one (9.9%), albeit that the major concern remains that the operating surplus under this model effectively remains in deficit for almost every year.

Further variations from 9.1% to 9.2% to 9.3% upwards to 9.9% were applied to the model and the conclusion drawn was that 9.9% was the minimum increase that should be contemplated for 2011/12.

4.2 Water Charges - Pricing Options - 2011/12

It should also be noted that a number of assumptions such as capital expenditure, operating expenses and the Rous Council contribution have been varied for this report, as compared to the February Finance Committee report, due to updated information.

To ensure a fair comparison to the February report it is also interesting to look at the flow on effects of continuing to apply a 15% increase for 2011/12, as this will allow Council to reduce the size of increases needed in future years.

For example, the next table highlights that by increasing the charges by 15% in 2011/12 we are able to reduce the future year charges to three years at 5% then CPI. The original model presented to the February Finance Committee, as per Table 13, was based on 8% followed by another three years at 5%.

**Table 16 - Water Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 15% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	7,723	8,485	8,663	8,953	9,416	9,749	10,051	10,402	10,501	10,869	11,254
Operating Exps	7,726	8,497	8,755	9,021	9,295	9,578	9,869	10,169	10,479	10,799	11,128
Operating Result	(4)	(13)	(92)	(68)	121	172	182	233	22	71	125
% Change Fees	15.00%	15.00%	5.00%	5.00%	5.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Charge (20mm)	142	163	171	180	189	195	201	207	213	219	226
Price Per KL < 350	1.52	1.75	1.84	1.93	2.02	2.08	2.15	2.21	2.28	2.35	2.42
Price Per KL > 350	2.28	2.62	2.75	2.89	3.04	3.13	3.22	3.32	3.42	3.52	3.62
Capital Expenditure	894	4,940	3,282	948	645	1,323	631	4,989	659	678	699
Reserve Balances											
Water Reserves	3,244	3,021	2,134	2,133	2,285	2,284	2,411	702	1,376	2,096	2,868
Section 64 Conts	6,038	1,826	481	772	1,366	1,414	2,029	97	132	146	138
Total Reserves	9,281	4,847	2,615	2,905	3,651	3,698	4,440	799	1,509	2,242	3,007
Resid. Connections	13,161	13,161	13,279	13,399	13,520	13,641	13,764	13,888	14,013	14,139	14,266
Ave Consumption	158	158	157	155	154	153	151	150	149	147	146

Loan funds are not needed under this model for the Ross Lane works in 2017/18. This model essentially highlights the benefits of compounding as future increases are based on higher prices.

The second attachment to this report provides the complete financial model that resulted in the cash flow forecasts for Table 16.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report, different assumptions can result in substantially different outcomes, and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for water will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling.

The key drivers in the financial model are:

1. Water Annual Charge - Percentage increase per annum
2. Water Consumption Charge - Percentage increase per annum
3. Total Consumption - Consumption per connection and growth
4. Operating Expenses - Percentage increase per annum
5. Water Purchases - Percentage increase per annum from Rous Council
6. Section 64 contribution collection rate
7. Capital Expenditure

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years
- b) Implement a 9.9% increase. This is considered to be the minimum increase required, particularly when the Rous Council charges are increasing by in excess of 18%
- c) Implement an increase somewhere between 9.9% and 15%.

It is considered that all these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative, can be justified by the Rous Council increases, and has long term flow on effects as future price increases, on a percentage basis, will be lower.

The 9.9% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.9% and 15% benchmarks.

Also attached to this report are the two financial models for the 9.9% and 15% options. The first attachment is for the 9.9% and the second for the 15%.

Each attachment has eight pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances.

4.2 Water Charges - Pricing Options - 2011/12

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between both options. The major change is the percentage increase in annual and consumption charges.

Page three - Operating Revenues and Expenses - This is a summary of the water operating budget.

Page four - Water Management - This is more detailed information on the water operating budget. The information from this page is then linked to the summary.

Page five - Water Operations - Similar to page four it provides more detailed information on items that make up the water operating budget.

Page six - Water Capital - Summary of major capital expenditure and funding.

Pages seven and eight - Loan Repayments - Provides details of loan repayments, if any are needed, and the loan repayment schedule.

The attachments are provided to assist in reviewing the information provided as part of this report.

Finally it is also recommended that Council adjust the current operating and capital budgets for the water program. The two attachments to this report have the updated figures for 2010/11 and these changes result in significant flow on benefits in future years. This is one of the major reasons that the 9.9% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

RECOMMENDATIONS

1. Option A

That Council, based on the information outlined in this report, endorses a 9.9% increase for water annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council endorses a 15% price increase for water annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for water based on the latest figures included in the two attachments to this report.

4.2 Water Charges - Pricing Options - 2011/12

Attachment(s)

1. Financial Plan - Option One - 9.9% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 15% increase in 2011/12 (separate attachment)

4.3 Sewer Charges - Pricing Options - 2011/12

File Reference	Integrated Planning and Reporting - 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To respond to a resolution arising from the February 2011 Finance Committee minutes asking for further examination of pricing options for Council's main sewer charges for 2011/12 onwards.

Background

Council considered a report on a possible sewer charging structure for the 2011/12 financial year at the February 2011 Finance Committee meeting. That report recommended increases of 15% in the annual charges and consumption charges for 2011/12 with 12% increases for the four year period 2012/13 to 2015/16. The actual resolution arising from that report, as adopted at the February Council meeting, was as follows:

- 1. That a dynamic model be developed and used to assess sewerage charges where 9.5% is set as the maximum increase per year and lower reserve balances are permitted.*
- 2. That the results of this model be presented at another workshop to assess the feasibility of the 9.5% lower reserve balances approach.*
- 3. A specific debt reduction and debt management strategy be developed to cover the entire life of the loans.*

Items to be covered include:-

- Getting best terms to begin with ie
 - Rate
 - Term
 - Ability to prepay in part or full
 - Tranche arrangements*
 - Managing reserve to prepay as much as possible, as early as possible*
 - Strong control of operating costs and cash flows.*
- 4. That a Debt Reduction & Debt Management Sub-Committee be formed to pursue all opportunities to achieve rapid paydown of sewerage debt. This sub-committee to be formed of 2 councillors, 3 staff and chaired by the General Manager.*

4.3 Sewer Charges - Pricing Options - 2011/12

The report that follows addresses this resolution.

Key Issues

- Assumptions to be applied in the financial modelling
- Level of risk to be applied in those assumptions
- Pricing options available

Information

This report follows a similar theme to the previous report on water charges in that we are dealing with financial models for our sewer operations and Council needs to determine the level of risk to be included in our pricing structures. In summary, lower prices mean there is an increased risk that we may not have sufficient funding for projects, whereas higher prices provide a greater buffer for variations.

As per the water financial model, for our sewer operations we need to review the major components of our sewer budget. Those components are operating revenues, operating expenses, capital income and capital expenditure and each of these items is now reviewed as follows.

Operating Revenues

The operating revenue figures presented to the February Finance Committee were as follows.

Table One - Operating Revenues 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimate 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Annual Charges	6,451,084	7,135,228	8,318,600	9,652,000	10,936,300	12,388,400	14,030,200
User Charges	691,616	808,758	770,900	870,500	963,000	1,066,300	1,181,600
Operating Grants	147,397	148,632	157,600	162,500	167,400	172,500	177,700
Fees & Fines	52,863	80,095	74,200	76,500	78,900	81,400	83,900
Other Revenues	217,987	285,384	268,600	276,500	284,900	293,600	302,500
Interest	1,019,492	4,168,858	814,200	591,000	438,100	214,100	103,200
Total	8,580,439	12,626,955	10,404,100	11,629,000	12,868,600	14,216,300	15,879,100

As per water, these figures highlight that annual and usage charges represent, on average, almost 90% of operating revenues. This means that these are the most critical revenue components.

Annual Charges Analysis

Annual charge income is based on the number of properties / connections liable to pay the annual access charge. The income is dissected between residential and non-residential properties. Non-residential includes businesses and other not for profit organisations such as schools, churches etc.

In respect to residential properties there is not a lot of variability in the revenue received, as it is a set charge, and the only key assumption that needs to be determined is an estimate of the annual growth in the number of connections.

4.3 Sewer Charges - Pricing Options - 2011/12

The next table provides an analysis of annual charge income from residential properties for the period 2005/06 to 2010/11. The table outlines the annual charge per property, the actual income collected, the number of residential services and the annual growth in residential connections.

Table Two - Annual Charge Summary - Residential - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Actual 2010/11
Access Charge - Residential	360	360	400	440	480	550
Actual Income Collected	4,745,087	4,784,688	5,361,165	5,970,368	6,720,524	7,630,000
Number of Residential Services	13,181	13,291	13,403	13,569	14,001	13,873
Annual % Growth in Services	N/A	0.83%	0.84%	1.24%	3.18%	-0.92%

The average growth in residential services for this period is 1.04%. With the water financial model, it was assumed that residential services would grow at approximately 0.90% and this is considered to be a reasonable assumption to apply for sewer also.

In respect to non-residential properties the annual charge is based on the main size with the 2010/11 connection charges are as follows:

Table Three - Non-residential Connection Charges

Main Size	Charge (\$)
Not connected / minimum	415
20mm	415
25mm	645
32mm	1,060
40mm	1,655
50mm	2,585
65mm	4,370
80mm	6,620
100mm	10,340
150mm	23,265

Due to the wide range of charges available for non-residential properties it is interesting to compare the change in annual charge revenue for these properties against the annual Council increase in prices.

This information is outlined in the following table.

Table Four - Annual Charge Summary - Non-residential 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimated 2010/11
Total Income Collected	547,886	578,812	676,990	748,680	685,544	975,000
% Change in Income		5.64%	16.96%	10.59%	-8.43%	42.22%
% Change in Annual Charges		0.00%	11.11%	10.00%	9.09%	14.58%

The average percentage change for income is 13.4% and 8.96% for changes in pricing. This table demonstrates that there is not a strong correlation between the change in total income collected and the increase in the annual charge each year, and there are also large variations in income.

4.3 Sewer Charges - Pricing Options - 2011/12

Based on this it can only be suggested that for modelling purposes that Council apply the percentage change in annual charges as the most reliable figure, without any growth factor included. This is the only recommended approach as there does not appear to be any other consistent information available for forecasting non-residential access charges over a longer period of time.

Consumption Charges

Non-residential properties also pay a sewer discharge fee based on their water consumption. The next table provides details on that income for year years.

Table Five - Consumption Analysis - 2005/06 to 2010/11

Description	Actual 2005/06	Actual 2006/07	Actual 2007/08	Actual 2008/09	Actual 2009/10	Estimate 2010/11
Non-residential - Consumption \$	441,308	485,504	481,044	536,087	648,149	640,000
Annual % Change in Income		10.01%	-0.92%	11.44%	20.90%	-1.26%
Council Approved % Change		0.00%	11.11%	10.00%	9.09%	14.58%

Similar to the previous table there is very little correlation between the actual percentage change in income figures and the Council approved percentage change.

However it is interesting to note that the average percentage change in income received for the total period is 8.04% and the average change in prices for the total period is 8.96%.

Therefore it may well be reasonable to assume, for forward modelling purposes, that there is some correlation, in the longer term, between increases in prices and income.

In summing up the key assumptions that could be applied in financial modelling the future annual charge and consumption income for our sewer operations are:

- Residential connections - Table Two highlights that average growth in the number of residential connections has been 1.04% in recent years. This figure is close to the 0.90% applied to the water financial model and for consistency it is recommended that 0.90% be applied in both models for residential growth.
- Annual charge income from non-residential connections - Table Four demonstrates that there is little correlation between the increase in total income from annual charges for non-residential properties and the annual increase applied by Council. Despite there being little correlation this remains the recommended approach due to a lack of viable alternatives.
- Consumption for non-residential connections - Table Five highlights that there is some correlation between increases in income and increases in the consumption charge over time, and that basis it is recommended that a similar approach be applied to Council's financial model.

4.3 Sewer Charges - Pricing Options - 2011/12

Even though there is not a sound and tested method for forecasting non-residential income, both access charge and consumption, importantly the figures for residential access charge income are reasonably consistent. As residential income represents around 75% of the total income for sewer operations, it does mean we have a relatively high level of reliability in our forecasting income over time, as the non-residential income is a relatively small component of the total income budget.

Operating Expenses

The figures presented to the February Finance Committee were as follows.

Table Six - Operating Expenses 2008/09 to 2014/15

Description	Actual 2008/09	Actual 2009/10	Estimated 2010/11	Estimated 2011/12	Estimated 2012/13	Estimated 2013/14	Estimated 2014/15
Engineering Mgmt	435,869	591,675	569,100	581,000	597,900	616,200	635,000
Admin & Customer Ser	471,681	431,517	460,300	475,000	490,000	505,200	521,100
Engineering & Tech	354,108	351,837	343,500	313,500	323,100	332,900	343,100
Energy Costs	550,864	643,313	718,500	679,500	693,400	707,700	729,300
Pumping Stations	1,283,047	1,916,270	1,778,000	1,776,000	1,811,800	1,848,400	1,904,300
Reuse Water Facilities	1,761,094	1,365,678	1,927,000	1,924,500	1,963,300	2,002,800	2,063,200
Mains Operations	808,466	821,505	640,000	857,000	874,200	891,700	918,500
Plans & Investigations	148,909	134,632	209,800	138,500	140,500	144,900	149,400
Donations and Legals	12,079	12,951	10,600	12,000	12,500	13,000	13,500
Conservation/Promotion	2,000	24,396	105,100	108,000	102,100	102,200	105,300
Telemetry Operations	10,537	32,551	51,000	62,000	63,300	64,600	66,600
Other Costs	138,185	189,538	204,200	198,000	202,300	206,400	212,500
Overheads	1,017,996	1,161,000	1,238,000	1,275,500	1,313,800	1,353,200	1,393,800
Interest on Loans	21,000	21,000	8,600	1,000,000	3,983,000	4,878,000	4,748,000
Total	7,015,835	7,697,863	8,263,700	9,400,500	12,571,200	13,667,200	13,803,600

There is no one major expenditure item that forms part of the overall operating expenses and the major change in recent times has been the increase in pumping station expenses and re-use facilities.

The level of expenditure across sewer operations has been reviewed in recent weeks and based on that review it is proposed to adjust the forward operating expenses as per the next table.

Table Seven - Revised Operating Expenses - 2011/12 to 2014/15

Description	February 2010/11	February 2011/12	Revised 2011/12	Revised 2012/13	Revised 2013/14	Revised 2014/15
Engineering Mgmt	569,100	581,000	581,000	598,000	615,000	632,000
Admin & Customer Ser	460,300	475,000	532,500	548,000	565,000	582,000
Engineering & Tech	343,500	313,500	300,000	310,000	320,000	330,000
Energy Costs	718,500	679,500	801,300	881,600	969,700	1,066,700
Pumping Stations	1,778,000	1,776,000	1,610,000	1,657,000	1,705,000	1,754,000
Reuse Water Facilities	1,927,000	1,924,500	1,977,000	2,037,000	2,098,000	2,160,000
Mains Operations	640,000	857,000	660,000	680,000	700,000	721,000
Plans & Investigations	209,800	138,500	65,000	67,000	69,000	71,000
Donations and Legals	10,600	12,000	12,000	12,000	12,000	12,000
Conservation/Promotion	105,100	108,000	100,000	103,000	106,000	109,000
Telemetry Operations	51,000	62,000	62,000	64,000	66,000	68,000
Other Costs	204,200	198,000	222,000	228,000	234,000	240,000
Overheads	1,238,000	1,275,500	1,302,000	1,341,000	1,381,000	1,422,000
Total	8,255,100	8,400,500	8,224,800	8,526,600	8,840,700	9,167,700

The revised figures show the adjusted budgets for 2011/12 onwards. In comparing the 2011/12 figures to the February report, there is a significant reduction in pumping station which results in the revised figures being actually less than the current 2010/11 budget.

Interest on loans has been left out as this is discussed in further detail later in this report.

Capital Income and Expenditure

In respect to capital income the major factors under consideration include section 64 contributions, capital grants and loan funds.

As at 1 July 2010 Council held \$4.954 million in Section 64 contributions for water. Average collections for the past four years have been approximately \$740,000 per annum with the maximum figure being \$1.1m and the lowest \$308,000.

As mentioned in the water report, Council is currently reviewing both its Section 64 plans for water and sewer and it is highly likely that the current sewer contribution will increase to keep pace with higher construction costs. The current average contribution per dwelling for sewer is \$8,000 and it is anticipated that this charge will increase by at least 10%, if not more.

It is considered reasonable to assume that average section 64 contributions will increase by approximately 10%, although this increase will not flow through for at least another 12 months. This is the normal time lag between new contribution rates and developments that have those contributions applied.

On that basis from 2012/13 onwards the average section 64 contributions collected could be based on approximately \$800,000 p.a. compared to the current average of \$740,000.

No grants have been factored into any financial models as there are no known sources of grant funding.

The other major cash contribution that Council needs to consider is a contribution from Rous Council for the use of recycled water that displaces demands on the region's potable water supply. Rous has indicated their support for payments to Ballina Council for infrastructure we provide that contributes to the sources of water for the region.

The sewer program has an extensive recycling and re-use component (i.e. dual reticulation) and by providing this, at a significant cost to our community, Rous recognise that this is in fact saving the region the cost of new water infrastructure. Council's Civil Services Group has commenced discussions with Rous on this matter and it is considered that we will be in a position to collect funding from Rous in the not too distant future.

4.3 Sewer Charges - Pricing Options - 2011/12

There is some uncertainty over the level of funding we will be able to receive, however for the purposes of the sewer financial model it is recommended that we include \$200,000, commencing from the 2012/13 financial year. The \$200,000 is a relatively small contribution compared to the magnitude of expenditure being incurred by Council on this project and with the income being delayed until 2012/13 this provides over 12 months for Council to negotiate a suitable agreement with Rous.

The final capital income item is loan funding. As per the water report, loan funding is the final option once Council determines whether other financing options such as reserves and on-going operating surpluses are in a position to finance capital expenditure. It is fair to say that loan funds will be needed for sewer due to the scale of the capital expenditure program.

In respect to capital expenditure the next table provides the total value of works presented to the February Finance Committee meeting for 2010/11 to 2020/21.

**Table Eight - Capital Expenditure - 2010/11 to 2020/21
(February Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Funding Sources											
Section 64	4,950	588	968	434	0	1,091	0	0	0	0	0
Loans	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserves	2,894	4,132	2,398	275	273	1,082	290	298	317	317	326
Total	20,273	42,320	15,866	709	273	2,173	290	298	317	317	326

Following a further review of the likely capital expenditure to be incurred this year, along with considering the probabilities of works commencing in the next few years, a revised capital expenditure forecast is as follows.

**Table Nine - Capital Expenditure - 2010/11 to 2020/21
(March Finance Committee) (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Expenditure	14,847	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389

As the capital expenditure program includes numerous projects it has not been reproduced in this section of the report. However the attachments, which are the revised financial models, provide complete details of the expenditure program. The funding sources have also not been included as the type of funding allocated represents a major part of the financial modelling options.

Cash Forecast

All of the information provided to date in this report is now available to be inserted into a financial model. The outcomes from that modelling are then effectively the cash forecasts for sewer, for the next ten years. The information submitted to the February Finance Committee resulted in the following cash forecasts.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table Ten - Sewer Operations - Cash Forecast - 2010/11 to 2020/21
February Finance Committee (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,629	12,869	14,216	15,879	17,887	18,572	19,388	20,272	21,215	22,221
Operating Exps	8,264	9,400	12,571	13,667	13,803	13,948	14,100	14,282	14,431	14,610	14,697
Operating Result	2,140	2,229	298	549	2,076	3,939	4,472	5,126	5,841	6,605	7,524
% Change Fees	15.00	15.00	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	633	708	793	889	995	1,025	1,056	1,088	1,120	1,154
Capital Expend	20,273	42,320	15,866	709	273	2,173	290	298	307	317	326
Loan Principal	1,185	1,258	2,105	2,483	2,613	2,743	2,873	3,003	3,133	3,263	2,510
Loan Funds	12,429	37,600	12,500	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	10,219	6,990	2,709	435	(187)	(185)	1,021	2,703	4,910	7,691	12,080
Section 64 Conts	1,004	1,145	933	1,267	1,801	1,566	2,435	3,369	4,376	5,458	6,620
Total Reserves	11,223	8,135	3,642	1,702	1,614	1,381	3,456	6,072	9,286	13,149	18,700

Key features of this cash forecast are:

- a) Operating Result - The operating result is good, however it needs to be, to finance the capital expenditure and loan repayments.
- b) Reserve Balances - The level of reserves remain relatively sound, albeit that they dip during the period 2014/15 and 2015/16.

Revised Cash Forecast

The assumptions applied can result in significant variations in long term financial models. The resolution that resulted in this report has asked for modelling based on increases of 9.5% for 2011/12.

In order to respond to this it is a matter of working through the assumptions to be applied in any revised model.

As a starting point, the assumptions that could be applied in the first revised model are as follows:

- a) Annual charge and consumption price increases of 9.5% for 2011/12 and then four years at 12%. This is essentially the same as the February Finance Committee with the only change being the 2011/12 increase is reduced from 15% to 9.5%
- b) Using a growth rate in residential connections of 0.9% per annum
- c) Assuming there is no growth in non-residential connections and consumption and multiplying the current income by the percentage increase in fees each year
- d) Developer contribution collections increasing from the traditional average of \$740,000 to \$800,000 in 2012/13
- e) Including a contribution from Rous Council of \$200,000 from 2012/13 onwards

4.3 Sewer Charges - Pricing Options - 2011/12

- f) Revised operating expenses based on the latest review of the current year and for 2011/12 as per Table Seven
- g) Revised capital expenditure as per Table Nine of this report
- h) Reducing existing reserves over more than one year to allow price increases to be implemented more gradually
- i) Using loan funds based on 20 year terms, at an interest rate of 8%. A longer loan term could be used, however from the analysis undertaken by staff, the difference between 20 and 25 years is minimal in respect to the annual cash flow, although the cumulative interest repayments are far higher.

The outcomes from this financial model are shown in the next table.

**Table 11 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option One - 9.5% Increase (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	12,174	13,508	15,183	17,099	17,795	18,548	19,475	20,462	21,370
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,033	13,168	13,304	13,441	13,573	13,700
Operating Result	2,710	3,144	332	895	2,367	4,067	4,627	5,243	6,035	6,889	7,669
% Change Fees	15.00	9.50	12.00	12.00	12.00	12.00	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	675	755	846	948	976	1,005	1,036	1,067	1,099
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,519	2,643	2,775	2,919	3,074	2,255
Loan Funds	4,000	45,000	7,000	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,434	756	352	797	1,112	3,726	6,802	7,984	9,184
Section 64 Conts	1,340	291	69	188	321	261	847	1,609	2,435	3,331	4,299
Total Reserves	9,061	4,489	1,503	944	672	1,058	1,959	5,335	9,237	11,315	13,483

Points of note from this analysis are:

- a) Based on the assumptions applied, it is financially feasible and there are more than adequate reserves held during the next ten years.
- b) The annual charge increases to \$1,099 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting. The difference in the annual charge for a standard residential property under this model for 2011/12, as compared to the February Committee meeting is \$602 compared to \$633.
- c) A total of \$56 million in funding has been used to finance the capital expenditure program, with all these loans being used during the period 2010/11 to 2012/13.

One issue with this model is that loans are only used in the first few years, and all the remaining major capital works are funded from reserves and section 64 contributions. If loan funds are used for some of the later capital works the model can be revised again, with particular reference to future year's increase.

4.3 Sewer Charges - Pricing Options - 2011/12

**Table 12 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Two - 9.5% Increase and Increased Loans (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,918	14,170	15,625	16,246	16,952	17,695	18,484	19,181
Operating Exps	7,695	7,964	11,842	12,613	12,817	13,129	13,366	13,658	13,785	13,910	14,027
Operating Result	2,710	3,144	75	305	1,354	2,496	2,880	3,294	3,910	4,575	5,154
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,301	2,407	2,545	2,699	2,879	3,033	3,195	2,386
Loan Funds	4,000	45,000	7,000	0	1,200	1,300	2,000	0	0	0	0
Reserve Balances											
Sewer Reserves	7,721	4,198	1,177	92	9	44	577	1,160	2,021	1,652	1,221
Section 64 Conts	1,340	291	69	4	14	86	661	1,412	2,226	2,250	2,268
Total Reserves	9,061	4,489	1,245	97	23	130	1,238	2,571	4,248	3,902	3,488

Key changes with this analysis are:

- a) Annual charge and consumption price increases of 9.5% applied for the five year period from 2011/12 to 2015/16
- b) The annual charge increases to \$1,009 over the ten year period compared to the figure of \$1,154 at the February Finance Committee meeting and \$1,099 in option one.
- c) Based on the assumptions applied, it is still financially feasible, although the reserve balances are very low during the period 2013/14 to 2015/16.
- d) A total of \$60.5 million (\$4.5 million more than option one) in funding has been used to finance the capital expenditure program.

Based on these outcomes this is a viable financial option, subject to whether Council feels comfortable with the assumptions applied.

In reviewing the assumptions, the one that has the highest risk is the Rous Council contribution from 2012/13 onwards, as this is outside Ballina Council's control.

The next table provides a revised cash forecast with that contribution removed.

**Table 13 - Sewer Operations - Revised Cash Forecast - 2010/11 to 2020/21
Option Three - 9.5% Increase and no Rous Contribution (\$'000)**

Description	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21
Operating Revs	10,404	11,108	11,916	12,966	14,202	15,640	16,243	16,929	17,651	18,418	19,093
Operating Exps	7,695	7,964	11,842	12,693	12,895	13,205	13,441	13,730	13,855	13,977	14,091
Operating Result	2,710	3,144	75	273	1,308	2,435	2,802	3,199	3,796	4,442	5,002
% Change Fees	15.00	9.50	9.50	9.50	9.50	9.50	3.00	3.00	3.00	3.00	3.00
Annual Charge	550	602	659	722	791	866	892	919	946	975	1,004
Capital Expend	14,848	53,016	10,093	1,063	2,195	3,179	3,164	1,200	1,336	3,873	5,389
Loan Principal	1,185	1,072	2,062	2,323	2,431	2,571	2,726	2,909	3,065	3,230	2,424
Loan Funds	4,000	45,000	8,000	0	1,200	1,300	2,000	0	0	0	0

4.3 Sewer Charges - Pricing Options - 2011/12

Reserve Balances											
Sewer Reserves	7,721	4,198	1,977	632	267	51	260	494	1,814	1,138	378
Section 64 Conts	1,340	291	69	4	14	31	604	1,350	1,326	1,295	1,256
Total Reserves	9,061	4,489	2,045	637	281	83	864	1,844	3,140	2,434	1,634

The results from this model are very similar to option two, with the main difference being that additional loan funds of \$1m are required in 2012/13 to ensure the reserves remain in the black.

Legal / Resource / Financial Implications

This report provides an overview of the various assumptions that can be applied in financial modelling for the water operations.

As per the report different assumptions can result in substantially different outcomes and ultimately it is matter of determining what balance of assumptions and what risk profile is to be adopted in our financial modelling.

Consultation

Council's proposed budget and fees and charges for sewer will be subject to public exhibition.

Options

The options revolve around the assumptions that Council wishes to include in its financial modelling. The key drivers in the financial model are:

1. Sewer Annual Charge - Percentage increase per annum
2. Residential Connections - Growth per annum
3. Sewer Usage Charge - Percentage increase per annum
4. Operating Expenses - Percentage increase per annum
5. Section 64 contribution collection rate
6. Capital Expenditure
7. Rous Contribution

In reviewing this report and remembering that the fees being proposed are for 2011/12 only the options available to Council are:

- a) Remain with the proposed 15% increase. This magnitude of increase has significant flow on benefits for future years and provides a large buffer for Council
- b) Implement a 9.5% increase for 2011/12. Based on the modelling undertaken this is considered to be the minimum increase required based on the extensive capital works and loan borrowing program Council is about to commence.
- c) Implement an increase somewhere between 9.5% and 15%.

All these options are viable. Ultimately it is now a matter for Council to determine our preferred risk approach for water pricing.

The 15% option is conservative and has long term flow on effects.

The 9.5% option is feasible and is still based on a number of conservative assumptions however this is a slightly riskier proposal as Council will not have the same level of buffer in our modelling.

The recommendations that follow provide both options with Council able to chose between either of these, along with any figure in between the 9.5% and 15% benchmarks.

Also attached to this report are the three financial models considered in this report being 9.5%, 9.5% with increased loans and 9.5% with no contribution from Rous options. The attachments are included in that order.

Each attachment has ten pages which provide the following information:

Page one - Cash Movements and Balances - This page details the cash result and reserve balances

Page two - Assumptions and Outcomes - The page outlines the changes in assumptions between the options

Page three - Operating Revenues and Expenses - This is a summary of the sewer operating budget

Page four - Sewer Management - This is more detailed information on the sewer operating budget. The information from this page is then linked to the summary

Page five - Sewer Operations - Similar to page four it provides more detailed information on items that make up the water operating budget

Pages six to eight - Sewer Capital - Summary of major capital expenditure and funding

Pages nine and ten - Loan Repayments and Repayment Schedule - Provides details of loan repayments

The attachments are provided to assist in reviewing the information provided as part of this report.

It is also recommended that Council adjust the current operating and capital budgets for the sewer program. Each of the three attachments has the updated figures for 2010/11 and these changes then result in significant flow on benefits in future years.

This is one of the major reasons that the 9.5% has been considered viable in this report in that a number of capital works planned for 2010/11 will now be deferred until 2011/12.

Finally, the minimum loan commitment that is considered viable is \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13. It is recommended that Council now call tenders for these funds.

Council has already engaged a specialist company to source call tenders for these loans and to review the responses. The outcomes from that tender process will then be submitted to Council for further evaluation.

The tender report will also allow Council to consider points three and four of the original resolution (i.e. debt reduction strategy etc) as that report will canvass the range of loan options available.

RECOMMENDATIONS

1. Option A

That Council endorses a 15% price increase for sewer annual and consumption charges, as presented to the February 2011 Finance Committee meeting, for the purposes of the draft 2011/12 Operational Plan.

OR

1. Option B

That Council, based on the information outlined in this report, endorses a 9.5% increase for sewer annual and consumption charges, for the purposes of the draft 2011/12 Operational Plan.

2. That Council approves variations to the 2010/11 operating and capital budget for sewer based on the latest figures included in the attachments to this report.
3. That Council approves the calling of expressions of interest / tenders for loan funds of \$4 million for 2010/11, \$45 million for 2011/12 and \$7 million for 2012/13 to assist with the financing of the sewer capital works program.

Attachment(s)

1. Financial Plan - Option One - 9.5% increase in 2011/12 (separate attachment)
2. Financial Plan - Option Two - 9.5% increase in 2011/12 with increased loans (separate attachment)
3. Financial Plan - Option Three - 9.5% increase and no Rous Council contributions (separate attachment)

4.4 Fees and Charges - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	This report summarises the proposed 2011/12 fees and charges. The objective of the report is to obtain Council approval to exhibit the draft fees for public comment.

Background

A key element of Council's activities is the raising of fees and charges to pay for the provision of works and services. A listing of all fees and charges is prepared annually and advertised for public comment as part of the draft Operational Plan.

A copy of the draft fees and charges document is included as an attachment to this business paper.

Council must establish pricing categories with the charging structure set to meet the nature of the service.

Council's adopted categories are:

- Business/Commercial - Fee set in accordance with the market
- Full cost recovery - Fees set to recover the full cost of the service
- Partial cost pricing - Fees set at what Council considers is a reasonable cost for the user to bear. The balance of the necessary funds is then sourced from general revenue
- Rate of return - The price is established to make a contribution towards the cost of providing the infrastructure
- Fixed by legislation - Fees set by legislation

The attached document is divided into the major functional areas of Council being the General Managers, Civil Services, Strategic Services and Regulatory Services Groups.

Key Issues

- Variations in fees
- Opportunities to recover the cost of Council services
- Affordability
- Reasonableness

Information

The fees document is extensive therefore the information provided relates only to fees where increases are well beyond CPI or new fees are proposed.

Commercial use of Council footpaths

At the August 2010 Ordinary meeting Council adopted a new policy for the management of the Commercial Use of Footpaths (i.e. alfresco dining, footpath displays).

A primary objective of this policy was to simplify the approval process and to encourage the use of the footpaths, subject to strict operating conditions.

In summary the policy ensured that a development consent process was no longer needed to obtain approval and the application is now based on operators seeking a Council approval under the Roads Act. The former development consent process required a number of application fees, along with the possibility that section 94 car parking contributions may be levied.

In adopting the revised policy Council also endorsed a pricing approach based on the value of the land multiplied by the square metres being used. This superseded the previous approach, which was based on a per chair price.

The square metre method improves compliance, as the approved area is clearly identified by the use of footpath markers. It is then a matter for the operators to determine how many chairs and seats are placed in that area.

The recommended pricing for the square metre rates, as per the August 2010 report, has been included in the draft fees and charges. The price was determined using an independent valuer providing a figure that aligned with a reasonable return on the land value. The actual fee proposed is 50% of the valuer's recommendation. Those prices are as follows

<u>Ballina:</u>	
Area A River St - Martin St to Cherry St	28.13/m ²
Area B River St - Cherry St to Moon St	43.13/m ²
Area C River St - Moon St to Grant St	24.38/m ²
Area D River St - Grant St to Kerr St	21.88/m ²
Area E Tamar St - Martin St to Cherry St	20.63/m ²
Area F Tamar St - Cherry St to Moon St	21.88/m ²
Area G Tamar St - Moon St to Grant St	19.38/m ²
Area H Tamar St - Grant St to Kerr St	16.88/m ²
Area I Cherry St - River St to Tamar St	28.13/m ²
Area J Moon St - Fawcett St to River St	30.63/m ²
Area K Moon St - River St to Tamar St	28.13/m ²
<u>Lennox Head:</u>	
North Precinct - 65-98 Byron St	55.63/m ²
South Precinct - 51-64 Byron St	38.13/m ²
<u>Alstonville:</u>	13.13/m ²
<u>All Other Areas</u>	Based on % of land value

4.4 Fees and Charges - 2011/12

The 2010/11 pricing is \$60 per chair.

Council's property staff have been having on-going discussions with existing operators regarding the new pricing structure and approval process and the feedback appears to be that operators accept that the approvals are more streamlined and the pricing is fair.

The only objections that have come to date are from some Lennox Head representatives who are of the opinion that all pricing should be the same.

Council has never enforced the commercial use of footpath licensing conditions in Lennox Head therefore any existing operators will now be required to obtain approval, comply with the conditions and pay the appropriate fees.

The lack of compliance in Lennox Head has effectively been a de facto policy of Council as under the previous development consent regime it was virtually impossible to obtain a planning approval, due to the narrow width of the footpath in many areas of Lennox Head.

The new policy has allowed operators to overcome many of those former planning constraints.

Refer to page 7 of the attachment for the fees and charges.

Airport fees and charges

Landing charges for airport based businesses are proposed to have a new scale.

Charge	2010/11	2011/12
Aircraft under 1,000kg	2,143	735/1000kg
Aircraft 1,000 to 2000kg	3,215	735/1000kg
Aircraft 2,000 to 5,000kg	8,255	735/1000kg
Aircraft greater than 5,000kg	12,200	735/1000kg

The 2010/11 charges allowed owners to have up to three planes. Hence owners with one plane paid the same fee as those with three planes. The new structure rationalises the approach.

Refer to page 8 of the attachment for further information.

Airport based private aircraft

New fee for aircraft parked in lease area which varies from \$40 per month to \$350 per annum

Fee to replace existing landing fee for airport based aircraft. This is a common practice in airports that is preferable to both parties over the current practice of charging per landing.

Refer to page 8 of the attachment.

Airport car parking

Fee for under 1 hour is unchanged, 1 to 2 hours increased from \$2 to \$4, day parking increased from \$6 to \$8 and overnight from \$12 to \$14.

New fees for long term parking ranging from \$14 per night to \$42 for three nights

Parking fees adjusted to meet the market. Also price changed to time of purchase.

Refer to page 8 of the attachment.

Trade waste usage charges

Increases to charges in excess of CPI

Fees increased to be closer to NSW Office of Water recommended levels. The Office of Water issues the best practice guidelines for the State which councils are encouraged to adopt. Ballina Council's charges have been well below recommended levels for some time and this was done to allow the program to be introduced and accepted.

The proposed fees are still only at the 2007/08 recommended level as it is considered that the best practice fees are overly onerous.

Refer to pages 10-11 of the attachment.

Construction and demolition waste

Construction and Demolition waste \$196/tonne to \$220/tonne.

Council considered charges for the Landfill centre at the February Finance Committee meeting and it was resolved, with certain exceptions, to increase most gate fees by 3%.

However, Construction and Demolition waste is trucked to Queensland for disposal. Queensland has introduced a new levy of \$35 per tonne for all buried waste which Council must pay. Hence it is proposed to pass some of this increase on to the public.

Refer to page 13 of the attachment.

Council has also recently resolved to review the structure of certain waste fees to encourage recycling. A more detailed report on that issue will be submitted to the April Finance Committee meeting by the Civil Services Group.

Road naming fee

New fee of \$300

Fee introduced to meet cost of advertising in local paper and government gazette.

Refer to page 15 of the attachment.

Bus shelter advertising

Increase to fees

- <i>Bus shelters 6 months</i>	<i>\$620 to \$750</i>
- <i>bus shelters 12 months</i>	<i>\$1,240 to \$1,500</i>
- <i>J poles 6 months</i>	<i>\$260 to \$350</i>
- <i>J poles 12 months</i>	<i>\$520 to \$630</i>

Fees increased to more correctly reflect market value. These fees only relate to those structures that are not included in the current advertising and maintenance contract.

Refer to page 16 of the attachment.

Ferry fees

Fees Increased by 4.7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 17 of the attachment.

Cemetery fees

Fees have been simplified and some new fees added. New fees such as 'present at time of placement of ashes' and 'transfer of right of burial' are as presented in the draft cemetery policy, which will be considered at the March Council meeting. Also a new section has been added to the fees and charges document that reflects existing practice in respect to War Grave Plaques.

Refer to page 19 of the attachment.

Building certificate - copy

New fee of \$10

New fee provided for by legislation. However the amount of the fee is up to Council.

Refer to page 23 of the attachment.

Amended construction certificate

New fee of \$50 for minor amendments and \$150 for more significant section 96 amendments.

Council has provided this service at no cost to the applicant. It can be a time consuming and complicated process and the fee reflects the cost of the work.

Refer to page 24 of the attachment.

Non complying development - dwelling

Fee increased from \$1,390 to \$1,450

Increase in costs reflects true cost of providing the service. Council must also be conscious of the fact that this is a competitive field and we must not subsidise the process.

Refer to page 24 of the attachment.

NSW Government SEPP charges

Fees increased by varying percentages up to 15%

Fee increases are to bring these charges into line with other council fees such as the development application fee. There is also a new regulation in respect to these approvals which has included some new fees such as bed and breakfast and demolition application/inspection fees.

Refer to page 25 and 26 of the attachment.

Rural fire service

New fee for depot assessment \$300

This is a new fee due to amended legislation that requires council staff or private certifiers to complete the assessment.

Refer to page 27 of the attachment.

Swimming pool compliance

Fees increased from \$50 to \$70 for compliance certificate and fencing exemption

Fee prescribed by new legislation.

Refer to page 27 of the attachment.

Septic tank (OSSM)

Fees increased by 7%

Fee increase more accurately reflects cost increases to provide the service.

Refer to page 29 of the attachment.

Food inspections / water carters

Fees increased by varying amounts from Nil to 20%

At this same meeting last year Council considered a report that advised that we had accepted responsibility to undertake, in lieu of the NSW Food Authority, its food surveillance role and to report on performance annually. Part of this agreement includes increasing the frequency of inspections to twice per year.

Council is currently performing one inspection and a strategy was put in place to increase Ballina's fees over several years that would generate sufficient return to enable the biannual inspection.

Refer to page 31 of the attachment.

Market inspections

Fees increased by 11%

Fee increase more accurately reflects cost to provide the service.

Refer to page 31 of the attachment.

Public pool water quality test

New fee of \$70 for 1- 2 pools or spas and \$115 for greater than 3

This service has been provided in the past at no charge. The fee reflects part of the cost of performing the service. It is proposed to graduate this fee up over the next few years.

Refer to page 31 of the attachment.

Micro-chipping of animals

New fee of \$40

Council rangers are to be trained to microchip animals as it is now required that impounded animals be micro chipped and registered prior to being returned to the owner. The new fee is to meet Council's costs for performing this service.

Refer to page 30 of the attachment.

Planning proposals

Revised fees to reflect new process to manage planning proposals;

Commencement fee \$2,500

Minor amendment \$2,500

Major amendment \$5,000

DCP amendment \$1,500

Fees charged at cost for studies and processing.

4.4 Fees and Charges - 2011/12

Council previously charged a fee of \$1,400 as an initial fee to cover the cost of processing rezoning fees and amendments to the development control plan. The new LEP means that terminology and processes have changed and accordingly a new fee structure is proposed.

Refer to page 39 of the attachment.

Lennox Head Community Centre

New fees for operation of the centre

Council considered these fees as part of the February Finance committee. The fees are currently on exhibition.

Refer to page 40 of the attachment.

Flat Rock Tent Park

Council's property section has also asked Council to consider amending the existing refund procedures for the tent park. The proposed procedures are as follows:

Refund

Refunds of deposits and fees paid are available from Flat Rock Tent Park under certain circumstances:

Peak Period Bookings

Where at least 28 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within 12 months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 28 days written notice has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

If site is rebooked then Options A and B are applicable.

If site is not rebooked, no refund is applicable.

Off Peak and Shoulder Period Bookings

Where at least 7 days written notice of cancellation has been given before being due to arrive, deposits or prepayments will be refunded with the following options:

Option A: Full credit of deposit or prepayment to a future booking. Future booking date(s) must be provided at the time of request. Future booking date(s) can only happen once with any booking and if the second booking cannot be kept the whole deposit is lost. Any future booking dates must be within twelve months of the original booking date.

Option B: Refund of deposit or prepayment less administration fee (\$10 for cash/Eftpos or credit card payments and \$30 for cheque payments).

Where less than 7 days written notice of cancellation has been given, a cancellation fee of the first nights accommodation will apply. Other amounts deposited above the first nights accommodation will be refunded either via cash, cheque or credit card upon a written application by the guest.

4.4 Fees and Charges - 2011/12

NOTIFICATION FOR BOOKINGS CANCELLED WITHIN 24 HOURS OF BEING DUE TO ARRIVE WILL FORFEIT FULL DEPOSIT

General

- *Should people vacate a site early due to weather conditions no refund is to be given.*
- *Tariffs and deposits are not refundable if your stay is cut short.*
- *Booked sites will only be held for 24 hours from booked time of arrival, unless otherwise arranged.*

Severe Weather

In the event of severe weather, if deemed so by Council, no refunds apply. Guests may apply, in writing, for the following option depending on which circumstances applies:

- *Full Cancellation Prior to Arrival - a full credit will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*
- *Remaining stay cancellation - a credit of the remaining amount of the guest's nights left on the reservation will be held for the period of three (3) months from when the booking was first made with the Park to be used during an Off Peak Period only.*

The proposed changes are marked in red.

The major difference with this is to better manage late cancellations due to unforeseen circumstances as the contractors are having difficulties managing credits and cancellations at the last moment.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. Council needs to be satisfied that the proposed fees and charges also meet the requirements, as per the established pricing categories.

Consultation

This report has been prepared following consultation with staff across Council's entire operations. Once approved the draft document will be exhibited for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or amend the proposed 2011/12 fees and charges.

RECOMMENDATIONS

1. That Council approves the draft schedule of fees and charges for inclusion in the draft 2011/12 Operational Plan, as attached to this report, including any adjustments resulting from this meeting.
2. That Council approves the amended Refund Procedures for the Flat Rock Tent Park, as outlined within this report.

Attachment(s)

1. Draft Fees and Charges – 2011/12 (separate attachment)

4.5 General Fund - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To obtain Council approval to advertise the draft operating budget for public comment.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's recurrent programs (eg parks, roads, planning etc) with any surplus on operations then financing Council's capital works program and loan debt.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 operating budget. The complete draft budget is included as a separate attachment to this business paper.

Key Issues

- Allocation of resources and services provided

Information

The Council structure provides for four groups (Strategic, Regulatory, Civil and General Manager) within which 30 main programs are delivered. The budget is structured around these programs. In preparing the draft budget the main assumptions applied have been:

- Rate pegging increase – 6.1%
- Financial Assistance Grant (FAG) increase – 2.5%
- Interest rate for investments – 5.8% and a declining portfolio
- Interest rate for loans – 8%
- CPI – 3%
- Salary movements – 2.15%

Whilst the budget assumes a CPI increase of 3%, in many instances expenditure budgets have been increased by an amount less than 3%. This is because our internal labour oncost rates have fallen by 1% due to reduced superannuation costs. The reduced superannuation is based on advice from the Local Government Superannuation Board confirming that Council's contribution for members in the defined benefits scheme will be reduced in 2011/12. Even though there is a reduction, this figure is still extremely high and well above historical trends.

4.5 General Fund - Operating Budget - 2011/12

The operating result is a primary financial benchmark for any entity. It determines whether you have, or have not, had a surplus of operating income over expense and if a cash operating deficit is recorded on a regular basis the entity is not sustainable in the long term.

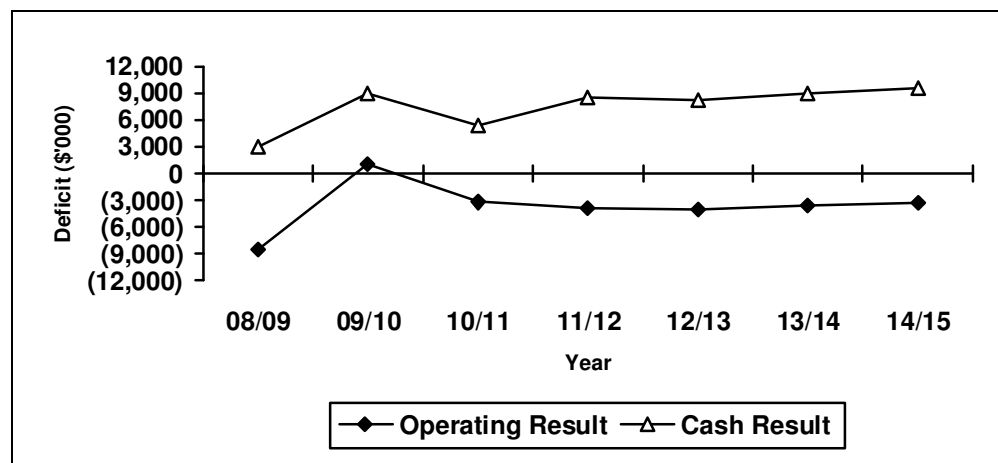
Council's General Fund aims to generate a significant cash surplus annually that enables an adequate level of capital investment (both new and replacement) to take place. Given that the General Fund is restricted by rate pegging it is a difficult task to achieve a surplus that enables all capital works desired by the community. Therefore Council must establish priorities between maintaining existing assets / services and providing new or extended services when formulating the budget.

The operating result must also include depreciation, which accounts for the fall in the service potential of an asset during the financial year. In an ideal world Council would be making sufficient surpluses to fund depreciation and then some, to pay for new assets and services.

The following chart summarises the net General Fund operating results (inclusive and exclusive of depreciation) for the period from 2008/09 to 2014/15. The first two years reflect actual results whilst the rest are forecast. The chart indicates that there was a strong improvement from 2008/09 to 2009/10 and this is partly to do with 'accounting' adjustments between the years relating to the value of investments. Nevertheless the 2009/10 result does reflect a much improved outcome in comparison to the previous year and to some extent reflects policies put in place under Council's "get well" strategy. This strategy included a number of increases to the ordinary rate that is in excess of the rate pegging maximum.

Looking forward the forecast is for operating losses inclusive of depreciation. The extent of the loss is significantly influenced by an increase of some \$3.7 million in depreciation between 2010/11 and 2011/12. This is due to the revaluation of stormwater and roads infrastructure. Exclusive of depreciation the forecast is for a gradual increase in the surplus with approximately \$8.5 to \$9 million being available in discretionary funds to replace existing assets and provide new works or services.

Table One - General Fund Operating Results – 2008/09 to 2014/15



Council has held strong cash reserves for a number of years which are now in the process of being converted into assets. This is a concern in the sense that we need to generate an even bigger surplus to fund maintenance and operation of these new assets. A prime example is the new Lennox Head Community Centre that is forecast to run at a deficit of approximately \$165,000, without providing for future refurbishment.

The reduction to cash on hand also inhibits our ability to cope with an unforeseen negative event.

General Fund – Summary

The draft General Fund budget is showing a working capital deficit of approximately \$198,000. This has, as usual, proven to be a very difficult budget to try and bring close to a break even point.

Contributing issues include:

- new assets to operate and maintain such as the Lennox Head Community Centre
- Regulatory Services legal expenses have been increased by \$75,000 to \$275,000 which is higher than would normally be the case at the start of the year. This figure may well prove too low, which means, as in recent years, the property reserves will be needed to balance the budget
- Additional staff expense with respect to the new ranger position which was funded for six months in the 2010/11 budget and now must be funded in full for 2011/12 onwards.
- Increased lease costs with respect to computers and other technology such as photocopiers estimated at \$60,000 extra.

On a positive note the superannuation expense in relation to the defined benefits scheme has fallen by approximately \$200,000 in comparison to last year.

Expenditure budgets of interest include:

- Salary/wage expenses are forecast to increase with an award based increment of 2.15%. The award increase has been adjusted such that it now applies from 1 July as opposed to 1 November. The total 52 week General Fund wages expense, exclusive of overtime, allowances and contract staff is estimated to be in the order of \$13.5 million.
- Workers compensation insurance is estimated to be \$620,000. This estimate is actually \$20,000 less than the current year however it is a substantial increase from recent years of \$393,000 in 2008/09 and \$436,000 in 2009/10.
- Public liability insurance is estimated to be \$530,000

4.5 General Fund - Operating Budget - 2011/12

- Superannuation expense is forecast to be approximately \$1.95 million. This includes expense for the current scheme of \$1,072,000 and the defined benefits scheme of \$878,000. The contribution rate in respect of the defined benefits scheme is still greater than the original scheme rates however it is substantially less than last year.
- The cash budget for employee leave entitlements has been set at \$1.8 million. This relates to long service leave, annual leave and sick leave. In addition there is a transfer to reserve of \$50,000 to provide for the accrued leave liability; i.e. leave accrued but not taken.

As at the start of this financial year the leave liability stood at \$7.3 million with a cash reserve to meet this debt of \$1.95 million. This means that, at that time, the liability was 27% funded, which is considered satisfactory.

Council also has in the order of 49 staff members who are at, or over, the retirement age. This means that over the next few years the reserve will be called on to pay out a significant amount of leave accrued.

Based on calculations on the growth in the leave liability the transfer to reserve should be more like \$150,000 rather than \$50,000. Given the working funds position this is not possible however it is a situation that must be closely watched and where possible Council should look to place cash into the reserve.

- Internal overheads distributed to various sections of the budget amount to \$3.9 million. This process distributes costs for insurances, leave entitlements and administration to various sections of the budget so that their expenses more accurately reflect true costs
- Total loan repayments are forecast to be \$3.5 million which is an increase of some \$500,000 on the 2010/11 financial year. Additional loans relate to the airport and the Wollongbar Link Road. These should be funded by airport reserves and Section 94 contributions.

Income budgets of interest include:

- Income from the investment portfolio that is applied to general revenue is estimated to return \$750,000. This assumes that the reserve balance will fall and the interest rate will remain reasonably steady. General Fund reserves are being applied to major projects such as the town centre upgrades, coastguard tower, surf club, Skennars Head sports fields, Wollongbar sports fields and coastal cycleway.
- The Financial Assistance Grant is estimated to provide 2.5% more than the current year, with total income estimated at \$3.4 million. This grant is not predictable, as at times the grant amount has actually reduced from one year to another. However an optimistic outlook has been taken.
- Income from rates, based on a 6.1% increase, is estimated at \$15.4 million. The 'additional income' beyond a cost of living increase is included in the budget as is the offsetting expenditure, which is as follows:

4.5 General Fund - Operating Budget - 2011/12

Description	Amount
Roads New works	300,000
Roads Reconstruction	50,000
Buildings and Facilities	65,000

This allocation is consistent with Council's Ministerial approval for the 6.1% increase.

The Roads New Works monies will be used to finance Section 94 related works.

The Roads Reconstruction monies form part of Council's total capital reconstruction works, whereas the buildings and facilities monies now provides a recurrent budget of \$200,000 that can be used on community buildings and facilities.

For further information on these items refer to the next report in this agenda, which details the recurrent capital works programs for 2011/12.

- Private works income is forecast to be \$825,000 with expense of \$750,000. This assumes an approximate 10% surplus. This budget is difficult to predict and varies considerably from year to year
- Tuckombil quarry royalties are estimated to return, net of expenses, \$268,000 with a dividend to the General Fund of \$100,000
- Rental returns from commercial properties are estimated at \$2.3 million with the property portfolio providing a dividend to Council of \$300,000

In summary this has been a typically difficult General Fund budget to try and achieve even a reasonably small deficit. Therefore it is imperative that caution is shown prior to approving new expenses that do not have their own funding source.

Alternatively, if new items are added existing works will need to be deleted.

General Fund - Cash Result

The 2011/12 budget, as presented, assumes that Council wishes to provide the same mix of services and programs as per the current year.

Based on these assumptions the cash result, on a working fund basis (i.e. working capital basis - net unrestricted cash), for 2011/12, as compared to the original estimated 2010/11 result, is as per table two.

The information is shown on a program by program basis as this highlights the cost (occasionally there is a program that generates a surplus) of these programs to the community.

Please note that the 2010/11 column shows the budget as at the commencement of the financial year, not as at the latest quarterly review (i.e. December).

This is considered to be a fairer comparison as it allows Council to assess the cash movements from the start of one financial year to another.

Table Two - Net Working Capital Result by Program

Description	2010/11 Budget Surplus / (Deficit)	2011/12 Budget Surplus / (Deficit)	Variation Improve / (Worsen)	Variation %
Strategic and Community Services Group				
Strategic Planning	(877)	(937)	(60)	7
Community Services	(351)	(624)	(273)	78
Sub Total	(1,228)	(1,561)	(333)	27
Regulatory Services Group				
Development Services	(856)	(1,089)	(233)	27
Building Services	58	77	19	33
Environmental Health	(479)	(489)	(10)	2
Administration & Public Order	(863)	(943)	(80)	9
Sub Total	(2,140)	(2,444)	(304)	14
Civil Services Group				
Engineering Management	(2,470)	(2,482)	(12)	0
Stormwater/Environmental	(674)	(686)	(12)	2
Roads and Bridges	(4,663)	(4,907)	(244)	5
Ancillary Transport	(1,711)	(1,466)	245	14
RTA	0	0	0	0
Open Spaces and Reserves	(3,165)	(3,015)	150	5
Fleet Management	0	0	0	0
Rural Fire Service	(192)	(187)	5	3
Quarries and Sandpit	100	100	0	0
Swimming Pools	(402)	(393)	9	2
Landfill & Resource Recovery	0	0	0	0
Waste - Domestic	0	0	0	0
Water Services	0	0	0	0
Sewer Supplies	0	0	0	0
Sub total	(13,177)	(13,036)	141	1
General Manager's Group				
Governance	(904)	(968)	(64)	7
Administrative Services	(853)	(879)	(26)	3
Financial Services	20,881	22,317	1,436	7
Library Services	(1,141)	(1,177)	(36)	3
Information Services	(1,191)	(1,317)	(126)	11
Human Resources and Risk	(522)	(770)	(248)	48
Communication and Tourism	(535)	(663)	(128)	24
Property Management	406	300	(106)	26
Caravan Parks	236	0	(236)	100
Airport	0	0	0	0
Sub Total	16,377	16,843	466	3
Total	(168)	(198)	(30)	18

It is important to note that the self funded programs are shown as a nil cost, as income and expenses are matched against reserve movements.

Brief comments on the programs are as follows.

Strategic and Community Services Group

Strategic Services

The Strategic Services budget represents a continuation of existing services with staff levels and recurrent expense forecast to be similar to 2010/11. The budget makes provision for a continuation of funding to complete the LEP revision, additional planning studies and heritage programs.

The increased deficit, above CPI, from 2010/11 to 2011/12 relates to the transfer of funding for economic development programs from the Commercial Services Unit, as per a report to Council during 2010/11.

Community Services

The Community Services program incorporates the Wardell Community Space, Ballina Community Services Centre, Lennox Head Community Centre (LHCC), Alstonville Leisure and Entertainment Centre (ALEC), Richmond Room, the Community Gallery and other community services.

Similar to Strategic Services this program shows a far higher deficit as items such as ALEC, LHCC and the Richmond Room were not part of this budget at the start of 2010/11. With the employment of a dedicated centre manager for the Ballina Community Services and Wardell Community Centres all of these properties are now located in the one program.

Regulatory Services Group

Development Services

Income is forecast to fall by \$65,000 in comparison to last year which is on the back of poor returns this financial year. Legal costs have been increased by \$75,000, again due to experiences in recent years.

Building Services

No significant changes forecast. A small incline in income has been anticipated which would continue trends over recent years. Most areas of building services are subject to competition with private certifiers and it is important that fees are not artificially low through subsidisation. Hence a pro active approach has been taken to fees which have again been increased to meet the market.

Environmental Health

The budget proposes a continuation of services such as the on site sewerage management program, water testing and inspection of commercial premises. There are only incremental changes in comparison to the previous year.

Administration and Public Order

Income is forecast to be quite similar to the current year. Expenses have risen due to increased staff costs with the inclusion of one full time ranger, as compared to only six months being provided during 2010/11.

Civil Services Group

Asset Management

This section of the budget includes Civil Services internal staff. The budget movement is slightly distorted as one staff member has been transferred from Civil to Human resources to better co-ordinate risk management tasks

Roads and Bridges

The comparison shown in table two highlights growth in the net cost of services provided. This is primarily due to the additional resources being applied to this area funded by the special rate variation.

Ancillary Transport

The net decrease to cost in this area is due to the fact that at the start of the 2010/11 year loan repayments relating to previous upgrades of the Ballina town centre were shown as an expense in ancillary services. However the transfer from reserve (income relevant to the repayments) was shown in property services. Hence the original 2010/11 budget showed a distorted position in that income was in one area and expense in another. This situation has been corrected and therefore the 2011/12 position 'appears' to be better in comparison.

Open Spaces and Reserves

Despite the reduction to forecast expense shown in table two all services will remain similar to the current year. Reduced costs are attributable to a relocation of income paid by the crown in respect to crown parks of \$205,000. This income was previously located in property services however given the disposal of the crown parks the expenditure to which the income relates now resides in open spaces.

Rural Fire Service (RFS)

It is estimated that the 2011/12 expense will be less than 2010/11, as the current year includes Council's share of a new fire station. However the 2011/12 year is still elevated in comparison to earlier years in that the RFS is proposing to purchase a new fire truck in 2011/12.

Quarries and Sandpits

The budget proposes a dividend from this business to assist the bottom line of the budget of \$100,000. Whilst it is still forecast that there will be a net transfer to reserve it is a considerable sum to take as a dividend. The budget also proposes capital expense of \$50,000 to pay for a post closure options report. This report will provide a better idea of funds required for post closure remediation.

Swimming Pools

Pools are forecast to run at a net cost of \$392,000. This represents a forecast reduction in comparison to 2010/11, which is due to additional expense being applied in 2010/11 to repair tiles and fencing.

General Manager's Group

Governance and Corporate Management

The majority of the increase to forecast expense relates to an increase in the donations budget. This is for general donations as well as the scholarship funding. There have also been increments to salaries, councillor's expenses and subscriptions.

Council has resolved to include \$100,000 in the miscellaneous donations budget for 2011/12 and in response to this the total donations budget is as follows, as compared to the original 2010/11 budget,

Description	2010/11	2011/12
Rates and Charges	19,000	20,000
SCU Scholarship	0	15,000
Donations - General	52,000	65,000
Public Halls and Buildings	33,000	35,000
Donations - Planning Fees	2,000	2,000
Total	106,000	137,000

The Public Halls and Buildings and Donations - General figures total \$100,000. If Council wishes to achieve a figure of \$100,000 for Donations - General, the overall deficit will need to be increased or expenses reduced elsewhere.

Financial Services

Income from ordinary rates is forecast to be approximately \$15.4 million which is an increase of approximately \$900,000 in comparison to last year. The 6.1% rate increase accounts for the majority of this movement. There are also forecast increases to the Financial Assistance Grant and internal overheads.

Information Services

As mentioned previously hardware lease costs have risen significantly and an additional \$60,000 has been added to this area. There have also been incremental adjustments to all expenses. Many of these costs have been re-distributed across the organisation to self funded areas such as water, sewer and waste, however the credit from that redistribution is included in the governance and corporate management program.

Human Resources and Risk Management

This section of the budget includes overhead expenses such as insurances; superannuation and employee leave entitlements together with the on cost credit that is generated from charging out this expense to other areas of the budget.

Estimating the interaction of these transactions is not an exact science and the outcomes are influenced by various factors such as leave taken, engagement of casual staff, use of contractors etc. The 2011/12 budget forecasts substantial increases in relation to workers compensation insurance with more modest increases forecast for staff leaves and training /recruitment costs.

Salaries for this section have also increased due to the relocation of a staff member from Civil to this area.

Corporate Communications and Tourism

This section of the budget has acquired the Community Event budget, along with an additional two days for the grants officer position. This change was reported to Council during 2010/11 when Council resolved to reallocate part of the former economic development budget to the Strategic and Community Services Group, for economic development related research, and the balance was transferred to this program to allow a current three day per week position, to be expanded to full time. The extra days are allocated to grant related activities (i.e. seeking funding, completing applications etc).

Property Management

This section of the budget includes an array of commercial and community properties. The net outcome is that a contribution is made to support General Fund activities with the 2011/12 figure less than the 2010/11. As mentioned previously there have been a number of movements from this area of the budget to Strategic services including the Richmond Room, ALEC and economic development.

These adjustments have contributed to make comparisons from one year to another difficult. There have been no staff increases or additional resources added to this area.

During 2010/11 this program has also allocated approximately \$280,000 from reserves to assist with financing over-expenditures in Council's legal budget.

Property Management continually contributes a dividend to General Fund and in 2011/12 it is proposed to be \$300,000. This has traditionally been the case over many years with the Wigmore Arcade surplus being applied to general revenues as opposed to going in to a reserve.

The current position of property reserves is such that future incomes are committed to financing debt raised to construct community infrastructure. It may become difficult for this dividend to continue into the future.

Camping Ground (Flat Rock Tent Park)

The deficit movement of \$236,000 shown in table two relates to the fact that income received from the crown has been relocated to Open Spaces.

The tent park is forecast to make a cash loss of \$6,000. Add to this proposed capital expense of \$10,000 and the forecast is for a negative cash result of \$16,000.

4.5 General Fund - Operating Budget - 2011/12

The reserve is currently negative \$19,000 so the forecast to 30 June 2012 is negative \$35,000.

This is not a sustainable position and the enterprise needs to be looked at closely in terms of future strategies.

Airport

Forecast income has been increased substantially (by \$1 million to \$4 million) in anticipation of new tariffs for major commercial airlines. Based on this income the budget includes capital works of some \$1.1 million that will almost consume the forecast surplus.

At the start of this financial year the airport reserve was a negative \$444,000 due to successive years where we have spent more than we have received. The 2011/12 budget is premised on very optimistic income figures and it will be important to hold off on proposed capital works until such time as the income forecast becomes a reality.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included are as follows.

Description	Recurrent Budget
Ballina Pool Maintenance – inadequate vote	20,000
Boat Ramps – contract cleaning	17,000
Depot Building Maintenance – inadequate vote	34,000
Depot Yard Maintenance – inadequate vote	14,000
Environmental Health - Special projects	5,000
Environmental Health Officer - Increased Hours	16,000
Open Spaces - Team Leader	102,000
Plumbing Inspector - Additional	60,000
Regular cleaning of Ballina and Alstonville CBD pavers	38,000
RSL Boardwalk – handover to Council and annual maintenance	3,000
Rural road resealing program - improvements	100,000
Senior Planner Job Share - Additional Day	16,000
Street Tree Planting Program	10,000
Street Tree Planting as per adopted policy	3,000

From a Councillor viewpoint the one item that has been consistently raised with Council staff is the need to increase the number of street trees being planted. If this is a priority of Council then the recommendation from this report should include a direction to staff to find funding to allocate monies to that program. A sample recommendation could be:

That the General Manager review the draft Council budget to identify savings of approximately \$10,000 to \$15,000 with this funding to be allocated to an on-going street tree planting program.

Late items for consideration

TRIM Electronic Document Management System (EDMS)

The following information has been provided by Council's Information Services section.

It is proposed that the TRIM software product will replace the EDMS currently in use by Council since 2000 (i.e. Dataworks). This is the next stage in the implementation of an enterprise-class information system that commenced in 2009 with the installation of the Civica Authority product. This stage sees the implementation of the Authority Customer Service Requests module, and, in order to derive the greatest ongoing benefit from this implementation, replacing the currently installed Dataworks product with TRIM is required.

This implementation will result in significantly improved integration over and above what can be achieved by retaining the Dataworks product, increased productivity by way of improved document management, and better customer service.

Implementations of this nature are typically made with a view to a minimum ten-year life. With this in mind, the annual costs associated with TRIM are significantly less than those associated with Dataworks, and will realise a net saving to Council over the life of the product. Total cost of the project is \$320,000. This includes software licenses, implementation costs, and the appointment of a project manager for a fixed-term to oversee the implementation.

A budget of \$137,000 is already in place in the 2010/11 financial year for the management of the Authority Name and Address Register (NAR) and the implementation of the TRIM document management system (see Quarterly Review report – February 2011 meeting). Of this, \$37,000 will be required for the NAR project, leaving \$100,000 already allocated to the upgrade of the current document management system and the introduction of customer service requests.

If Council were to approve the implementation of TRIM the balance of the project cost, \$220,000, will be spent in the 2011/12 financial year. TRIM, along with Authority, is a product that will be used organisationally, and therefore the Water, Sewer and Waste funds must contribute to the cost. The allocation of costs to these funds is as follows:

*General - 29% - \$63,000
Water - 24% - \$53,000
Sewer - 21% - \$47,000
Waste - 26% - \$57,000*

The General Fund contribution will comprise \$15,000 gained from savings made by not renewing the annual Dataworks licence, \$20,000 will be funded from the IT/Legal / Audit reserve and \$28,000 from either IT capital and operational expenditure or from savings generated in the ALEC operations this year (i.e. \$28,000 saving in matting and floor resurfacing).

If TRIM is not implemented, it will still be necessary to upgrade Dataworks to achieve a rudimentary level of integration with Authority. This cost will be in the order of \$125,000 for 2011/2012, with a corresponding increase in annual costs after that of approximately \$10,000 over and above current recurrent costs for the product.

Further, the level of product integration will not provide the functionality required to achieve the best available productivity gains and maximise customer service improvements. Further, it is likely that Council may still be faced with a TRIM implementation down the track as more Civica customers move towards implementing this product.

In summary the TRIM product is considered critical to the on-going efficiency and responsiveness of the organisation and can be funded without impacting on the General Fund recurrent budget.

Occupational Health and Safety (OH&S) Resources

The following information has been provided by Council's Human Resources section.

Council has recently been recruiting for a replacement OH&S officer following the resignation of an incumbent staff member. Following the recruitment process two very strong candidates have been identified for the position. The skills / experience of these candidates are as follows:

Candidate One

Candidate one has over 20 years experience in safety in Local Government context and is currently an OHS Coordinator for a large Council. This candidate has excellent skills and experience in OHS policy and program development, site safety management plans, OHS incident / accident investigation, injury management and prevention and provision of general OHS specialist technical advice and support.

Candidate Two

Candidate two has strong OHS background and is a qualified external auditor and WorkCover Accredited Trainer. This candidate also has excellence skills and experience in developing and reviewing OHS management systems, auditing and delivery of training. Currently this candidate develops contractor safety management systems for contractors in the south coast of NSW and delivers a range of WorkCover accredited plant assessment and OHS general induction and consultation training.

The interview panel identified that candidate one would be very suitable to the current OHS Officer position however has identified that candidate two can not only support and complement the skills of candidate one but provides an excellent opportunity for Council to enhance the OHS skills and competency of our employees.

Candidate two has the skills and expertise to not only deliver a range of OHS specialist services currently engaged through external auditing and training organisations but also provides a range of other essential OHS training that needs to be provided to our employees on an ongoing basis to meet WorkCover and legislative requirements (eg competency assessments).

From a review of the costs paid to external workcover accredited and other OHS trainers over the past 12 months, Council has paid \$102,000, the majority of which could have been undertaken in house should Council have had the skills and qualifications of candidate two.

Furthermore the engagement of external trainers provides less flexibility in how training is delivered and the engagement of candidate two will provide the additional benefit of having an in house trainer who can tailor training specific to Council needs and deliver training at short notice and during wet weather and other down time periods therefore increasing efficiency in such delivery. Council's insurer provides Council with approximately \$30,000 to \$40,000 each year to utilise on OHS project improvements. Currently these funds pay for external providers to implement such projects. The employment of both candidates will enable these projects to be undertaken in house.

WorkCover has identified that Council needs to undertake competency assessments of all employees and to ensure that Council is adequately auditing our systems. This expectation cannot be performed by one OHS Officer. The changes in national OHS laws will also require a large amount of resources to review our existing OHS programs and to assist our employees, volunteers and contractors in understanding their OHS requirements.

Therefore, the interview panel have recommended the appointment of both individuals to the role of OHS Officer with the funding of the second position from the existing training and development and OHS project funding therefore having no financial impact to Council.

The opportunity exists with respect to OH&S to employ a dedicated trainer, the cost of which will be totally offset by current payments being made to external trainers.

Street Lighting

The following information has been provided by the Civil Services Group.

Ballina Council in partnership with other councils in the region has negotiated with Country Energy (now Essential Energy) to establish a new street lighting maintenance agreement.

The emphasis of the negotiations was for Country Energy to upgrade the Council street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards.

The outcome of the negotiations was a series of offers made by Essential Energy to the various councils to enter into a new Streetlighting Use Of System (SLUOS) agreement.

The offer presented to Ballina Council will in affect reduce Council's annual SLUOS charge by \$41,543 per annum and under the new lighting model there is an estimated total yearly savings of \$187,000.

It is necessary however for Council to make a capital contribution at the commencement of the project and this is estimated to be \$162,000.

These funds are required to compensate Essential Energy for the unrecovered capital on the existing network.

The payback period for this is less than 12 months and on that basis it is recommended that Council approve the funding with the monies sourced from one of Council's property reserves.

Water and Sewer Operating Budgets

Reports on the current state of the Water and Sewer budgets form separate reports to this meeting.

Legal / Resource / Financial Implications

There are financial and resource issues associated with all aspects of this report. The programs included in this report look to meet the mandatory and essential functions of Council as well as applying resources to discretionary activities.

Consultation

The operating budget has received input from every manager. Council's draft Operational Plan will be advertised for a minimum period of 28 days for public comment.

Options

Council may approve the contents of this report or resolve to add, delete or change the proposed budget/s.

The draft budget reflects the difficulties in providing a wide range of services to the community, with limited resources and it is recommended that Council approve the exhibition of the draft operating budget as presented.

RECOMMENDATIONS

1. That Council endorses the draft operating budget, as attached, for inclusion in the draft 2010/11 Operational Plan, including any adjustments resulting from this meeting.
2. That Council approves the inclusion of the TRIM document Management System in the draft operating budget, as per the information outlined in this report.
3. That Council approves the employment of an additional Workcover Accredited Occupational Health and Safety Trainer, with the cost of this position to be totally offset by savings in monies currently paid to external trainers.
4. That Council approves funding of approximately \$162,000, sourced from Council's property reserves, to upgrade Council's street lighting network with the most energy efficient lighting that is currently available and which is compliant with relevant standards. The savings from this changeover are to be immediately reimbursed to the property reserves and this is expected to occur in less than one year.

Attachment(s)

1. Draft Budget – 2011/12 to 2014/15 (separate attachment)

4.6 **Capital Works - Recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the draft capital recurrent capital works program for 2011/12 onwards.

Background

The Council budget is split into two main sections being the operating budget and the capital works program. The operating budget includes all Council's day to day programs (i.e. open spaces, roads, planning etc) with the cash surplus on operations then assisting in financing Council's capital works program.

The purpose of this report is to provide an overview of the items included in the draft 2011/12 capital works program and onwards, with the focus primarily on works that are recurrent or self funded.

Key Issues

- Funding available
- Priorities

Information

Capital works for Council projects are typically funded from one or more of the following sources:

- General revenue - represents any surplus revenue after day to day activities are funded
- Loans (the loan repayments must then be funded)
- Developer contributions (Section 94 for General Fund and Section 64 for Water and Sewer)
- Grants
- Reserves
- Asset Sales

The format of the Council budget, as included in Part C of the separate budget document, provides a forward works program for the next four years; i.e. 2011/12 to 2014/15.

Details of how the projects are funded are also included on the right hand side page of the document.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The capital works included in the Council budget can be categorised into three broad groups.

1. General Fund Revenue - Recurrent works

The typical Council budget includes revenue funding for major recurrent programs such as urban and rural roads, footpaths / shared paths, open space, sporting grounds and stormwater / drainage works.

On-going general revenue is needed for these items as they represent a major component of Council's infrastructure base. The funding of the replacement and renewal of this infrastructure can, at times, be under funded, as the liability is often in the millions of dollars.

The recent development of Council's Asset Management Plans has helped to quantify this information and a large part of Council's strategy to increase its rate base requires that the additional funds are allocated to the replacement and maintenance of existing infrastructure.

2. Self-funded Programs

Programs such as water, sewer, airport, waste, fleet and plant should generate adequate revenues from their own operations to fund their own capital works programs.

3. Non-recurrent projects

There are numerous capital projects, that may not be recurrent in nature, but are considered desirable by the community and to finance these projects a funding source(s) must be identified.

This third category is dealt with by the following report in this agenda.

The next section of this report deals with the remaining two categories of capital works in detail; general revenue funded recurrent works and self funded programs.

1. General Fund Revenue - Recurrent Works

A review of Part C of the draft budget highlights that the following capital works are sourced, either in full, or in part, from General Fund revenue (i.e. refer to column titled General Revenue in the Funding Sources of the capital works pages).

Table One - General Revenue Funded Programs

Description	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900
Community Infrastructure	200,000	206,000	212,000	218,600
Stormwater / Drainage	398,500	411,800	424,100	436,900
Urban and Rural Roads	3,371,000	20,294,000	3,726,000	3,810,000
Footpaths / Shared Paths	794,000	1,035,000	641,500	625,800
Street Lighting	41,000	42,000	44,000	45,000
Parks and Reserves	161,000	166,000	172,000	177,000
Sporting Fields	141,000	145,200	149,600	154,100
Total	5,137,500	22,331,900	5,402,100	5,501,300

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

The current priorities for the expenditure of these funds for the next four years are as follows.

Information Services – Manager – Stewart Littleford

Item	2011/12	2012/13	2013/14	2014/15
Computer Equipment	31,000	31,900	32,900	33,900

Provision for on-going replacement of miscellaneous computer equipment.

Property Manager – Paul Tsikleas

The funding allocated for this program is as follows:

Community Infrastructure	200,000	206,000	212,200	218,600
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When Council adopted the 2010/11 budget the works planned were as follows for **2010/11 to 2013/14**

Item	2010/11	2011/12	2012/13	2013/14
Building Lifecycle Contracts	60,000	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	42,000	0	0	0
Pat Morton Lookout - Toilet	0	115,000	85,000	0
Alstonville Pool - Improvements	0	0	36,000	127,200
Alstonville Pool - Plant Room	10,000	0	0	0
Ballina Pool - Fence Repairs	10,000	0	0	0
Ballina Pool - Pool Tiles	10,000	0	0	0
Total Expenditure	132,000	200,000	206,000	212,200

During 2010/11 Council reallocated \$25,000 of the funding for the building lifecycle contracts to allow the purchase of seats for the Richmond Room and to assist with the solar panel projects at facilities such as the Ballina Community Services Centre, Ballina library, Waste Centre, ALEC and 71 Tamar Street.

Also in respect to the 2010/11 budget Council has funding allocated of \$140,000 to construct stairs for Pat Morton Lookout. This is funded through Federal Government grants and Council revenue through the Open Spaces section. In order to complete the Pat Morton steps in 2010/11 an additional \$80,000 in funding is now needed. Alternatively the stairs will only be constructed two thirds of the way to the top.

In order to allow that project to be completed this year it is recommended that the \$42,000 for the Players Theatre - Re-roof and the remaining \$35,000 from the lifecycle contracts, be reallocated to this project. This would then leave a \$3,000 shortfall which can be funded from the Open Spaces budget.

The current status of the Players Theatre re-roof project is that closer analysis has identified that there are other structural issues with the building and the total cost of the project is now closer to \$80,000.

It has also been suggested that the Players Theatre should be making a contribution to this project.

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

On that basis it is recommended that the priorities for the community infrastructure funding for the next few years should be as follows:

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Building Lifecycle Contracts	0	60,000	60,000	60,000
Asbestos Removal Program	0	25,000	25,000	25,000
Players Theatre - Re-roof	40,000	0	0	0
Pat Morton Lookout - Toilet	160,000	0	0	0
Alstonville Pool - Improvements	0	50,000	52,000	54,000
Ballina Pool - Improvements	0	50,000	52,000	54,000
Other Community Infrastructure	0	21,000	23,200	25,600
Total Expenditure	200,000	206,000	212,200	218,600

For 2011/12 the major change is providing sufficient funding to allow the Pat Morton Lookout toilets to be completed and also providing a 50 / 50 contribution to the Players Theatre re-roof. The assumption being that the Players Theatre will only proceed based on matching fund from the tenants.

The Pat Morton estimate is based on an allowance of \$55,000 for the building, \$12,000 for lighting and \$93,000 for connection to sewer, water and electricity. A composting toilet was considered however the professional advice from the RTA and National Parks, who use composting toilets extensively, is that the frequency of use for Pat Morton is not conducive to composting.

Discussions were also held with a manufacturer of composting toilets and their verbal advice also confirmed that based on use levels composting was not appropriate.

In respect to figures for 2012/13 onwards, the allocations are nominal only and the expenditure on swimming pools will be dependent on the infrastructure plan for the swimming pools that is subject to a further report to Council.

This has been requested by resolution and that report, from the Civil Services Group, is scheduled for the April Finance Committee meeting.

Stormwater - Manager - Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Stormwater	398,500	411,800	424,100	436,900
Urban Lane Improvements	23,500	24,400	74,100	25,900
Coogee St Pump Station	150,000			
Tweed St / Tamar Street	100,000			
Rous Mill Road	50,000			
Gibbon Street		137,000		
Canal Road		100,000		
Williams Reserve		50,000	50,000	
Foster Street			150,000	
Moon Street			150,000	
Grant Street				151,000
West Ballina				260,000
Floodgate Investigation	25,000			
Stormwater Asset Data	50,000	100,400		

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Roads and Bridges - Manager - Paul Busmanis

Item	2011/12	2012/13	2013/14	2014/15
Fawcett Lane			60,000	
Wilson Street			100,000	
Grant Street	250,000			
River Street		100,000		
Henry Philp Avenue				105,000
Fenwick Drive	190,000			
Canal Road		80,000	290,000	
Cherry Street			290,000	
Norton Street				90,000
Moon Street				80,000
Heavy Patching	345,000	276,000	284,000	293,000
Boatharbour Road	83,000			
Chickiba Drive		200,000		
Banksia Lane				90,000
Byron Street	225,000			
The Serpentine			100,000	
Crane Street				170,000
Brunswick Street		60,000		
Burnet Street			152,000	
Fox Street		284,000		
Grant Street		140,000	106,000	
Cedar Street			100,000	
Fernleigh Road			100,000	60,000
Nashua Road			85,000	
Rifle Range Rd (seg 220 & 223)	137,000			
The Coast Road, Lennox Head	563,000			
Marom Creek Road				107,000
Midgen Flat Road	250,000	250,000		
Bagotville Road			200,000	330,000
Pimlico Road	150,000	150,000		
Teven Road				200,000
Uralba Road	150,000	150,000		
Tuckombil Road		151,300	218,200	
Maguires Creek Bridge				622,000
River Street Roundabouts - Section 94	1,028,000			
Hutley Drive - Section 94		13,970,000		
Cumbalum Interchange - Section 94		2,883,000		
McLeary Culvert		1,600,000		
Links Avenue Intersection - Section 94			1,031,000	
Tamar / Cherry Street Roundabout - Section 94			610,000	
Skennars Hd / Coast Roads Roundabout - Section 94				1,663,000
Street Lighting	41,000	42,000	44,000	45,000
Kalinga St West Ballina	41,000			
Sunnybank Dve West Ballina		4,000		
Riverside Dve West Ballina		15,000		
Melaleuca Pl East Ballina		7,000		
Casey Pl West Ballina		7,000		
Carrington Street		4,000		
Main Street		5,000		
Bruxner Highway, Wollongbar			10,000	
Pearces Creek Road			34,000	
Unallocated				45,000

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Ancillary Transport Services and Town Beautification - Manager – Paul Busmanis

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Footpaths and Shared Paths	794,000	1,034,400	641,500	625,800
Moon St - Bangalow Rd to Fox Street	20,000			
Headlands Drive - opposite school	10,000			
Skennars Head Rd - adjacent to Leisure Park	10,000			
Rifle Range Rd/Simpson Avenue	60,000			
Hill St Easton Park complete Hill St to Refuge	4,000			
The Avenue	10,000			
Beachfront Pd - west side	30,000			
Wardell Rd - Robertson St to Newbon St	10,000	5,000		
Wardell Rd - opposite Plaza		10,000		
Bruxner Highway - Sneaths Road to Rifle Range Road		60,000		
Byron St - service station to Coast Road		75,000		
Links Av - at Chickiba Drive		10,000		
Green St - highway to Robertson Street		20,000		
Fawcett Lane		5,000		
Grant St - connect existing Fox Street		19,400	100,000	
Fox St - connect Cherry St to Kerr Street			30,000	
Simpson Av - Smith Lane to shops			16,500	55,000
Owen St - King Smith Dv to Bentinck St and North Ck				100,000
Commercial Rd - Bugden Lane to South Street				15,000
The Avenue				15,800
North Ck Rd/Skennars Hd Rd - Tara Downs to Henderson Dr		450,000	400,000	
Skennars Hd Rd - Henderson Dr to Headlands Dr		90,000	95,000	
Headlands Dr - Skennars Hd Rd to Sharpes Bch (800m exist)				440,000
Coast Rd - Nth Angels Beach to Sharpes Beach	640,000			
Angels Beach - overpass to North Angels Beach		40,000		
Angels Beach - Angels Beach south to overpass		250,000		

Open Spaces - Manager - Jillian Pratten

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
Playgrounds	141,000	145,200	149,600	154,100
Chickiba Sports Fields Play Equipment	81,000			
Commemoration Park Shade Structure	20,000			
Kellie Ann Cr Play Equipment	20,000			
Campbell Park Softfall	20,000			
Tanamera Drive Park, Alstonville		80,000		
Victor Place, Lennox Head		65,200		
McDougal Reserve, East Ballina			60,000	
Jan Moon Park East Ballina			60,000	
Softfall upgrades Meagan Cres Park, Lilly Pilly Place			29,600	
Unallocated				154,100
Sporting Fields	141,000	145,200	149,600	154,100
Kingsford Smith Lighting Upgrade	80,000			
Skennars Head Lights	61,000			
Unallocated		145,200	149,600	154,100

All of the works listed reflect either adopted programs or engineering assessments of priorities.

2. Self Funded Programs

Self funded programs should aim to generate sufficient revenues to finance their own capital works. The major works included in the draft budget are as follows, with all of these works funded from the reserves created within those programs.

<i>Item</i>	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>
<i>Camping Ground</i>				
Flat Rock - Minor works	10,000	10,000	10,000	10,300
Provision for minor works				
<i>Ballina Airport</i>				
Various improvements	1,135,000	0	400,000	0
Improvement works as per Council's Airport Business Plan.				
<i>Fleet and Plant</i>	<i>907,000</i>	<i>894,000</i>	<i>1,155,000</i>	<i>963,000</i>
Council has an adopted fleet and plant replacement program.				
<i>Domestic Waste</i>				
Waste - Domestic	0	300,000	309,000	318,000
This is a provision for the annual replacement of collection vehicles. The program may vary dependent upon the final waste strategy adopted by Council.				
<i>Landfill and Resource Management</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>	<i>20,000</i>
Nominal allocation				

Outstanding resolutions

Council has specifically resolved to receive reports on improvements to the Smith Drive area of Ballina along with the town entrances to Ballina.

The Civil Services Group will provide those reports to the Finance Committee meeting scheduled for 7 April 2011.

If changes are required to the draft budget, recommendations for those changes will be included in those reports.

Items considered but not currently included in draft Budget

As with any Council budget there is a lengthy list of items not included. Some of the major items, considered, but not yet included, are as follows.

Some of these could be assessed as non-capital however as a general rule they are one off expenditures

4.6 Capital Works - Recurrent - 2011/12 to 2014/15

Description	Estimated Budget
Abandoned Vehicle Compound	15,000
Animal Shelter	400,000
Ballina Floodplan Risk Management Plan - Actions	40,000
Ballina Yacht Club – car and trailer parking	17,000
Bus stops - upgrade to be compliant as per 'Disability Standards for Accessible Public Transport 2002'	10,000 pa for three years
Coastline Management Plan – Actions	50,000
Crane Street - tree planting project - Stage Two	60,000
Depot Facilities - improvements and expansion	300,000 pa for five years
Emigrant Creek Boat Ramp - Stage Two	116,000
Ferry Cabin – Air conditioning unit	10,000
Ferry Ramp Refurbishment	50,000
Gateway Signage Project	100,000
Lake Ainsworth Management Plan - Matching funds in the event of a successful grant application for the new road	350,000
Lake Compressor - Replacement	10,000
Newrybar Toilet – Construction of a new toilet and upgrade septic	55,000
On-Site Sewer Management	120,000
Pine and Hills Streets - Replace, replant and maintain vegetation	30,000
Richmond River Estuary Management Actions	Unspecified
Shaws Bay Management Plan - Matching funds in the event of a successful grant application to prevent movement of sand at Shaws Bay	85,000
Stormwater Management – North Lakes Estate	5,000 pa for three years
Surveyor's total station - replacement	15,000 pa for three years

If Councillors wish to pursue these or any other projects, they will need to be identified as part of the recommendations for this report and information will then be provided on those matters to the April Finance Committee meeting.

Water and Sewer Capital works

The Water and Sewer capital works are based on individual business plans and for further details refer to the two separate reports in this agenda that relate to water and sewer pricing models.

Legal / Resource / Financial Implications

Recurrent capital works represent a major component of Council's budget.

Consultation

Once approved the draft works program will be exhibited for public comment.

Options

The options are to approve or amend the proposed works program. The recommendation that follows is to approve the program, for exhibition purposes, as the recurrent works listed relate to many on-going programs that are based on engineering and other technical assessments.

RECOMMENDATIONS

That Council approves the draft Capital Works - Forward Plans, as outlined in this report, for inclusion in the draft 2011/12 Operational Plan, including any adjustments resulting from this meeting:

Attachments

Nil - Refer to separate budget document

4.7 **Capital Works - Non-recurrent - 2011/12 to 2014/15**

File Reference	Integrated Planning and Reporting - 2011/11
CSP Linkage	Resilient and adaptable communities
Delivery Program	Financial Management
Objective	To review Council's priorities for the future planning of major non-recurrent capital projects.

Background

During the past 12 to 18 months Council has considered a number of reports in respect to how the funding from Council's main property reserves is being allocated for major projects.

Essentially the property reserves are the number one source of funding for projects that are non-recurrent. These are projects that do not occur every year, as do road works, footpaths drainage, parks etc and typically they are of a size and scale that external funding is needed to ensure the projects are delivered.

The last report on the property reserves was presented to the September 2010 Ordinary meeting, where Council resolved to hold a workshop on the reserves. That workshop was held in November 2010 and a number of funding options for projects was considered.

This report now revisits that information and reviews our non-recurrent capital works priorities for the next few years.

Key Issues

- Project priorities
- Availability of funding
- Funding sources
- Risk
- Maintenance costs

Information

The major projects that have been identified as part of Council's current forward financial planning and their current status are as per the next table.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Table One - Major Project Overview

Project Title	Estimate (\$)	Status
Ballina Library Expansion	\$100,000 +	Deferred due to uncertainty over Richmond Room
Coastal Shared Path / Walk	\$3m - \$4m	Construction underway for Fishery Creek Bridge to Kerr Street. Approvals being sought for preferred route from Flat Rock to Pat Morton. Lennox Head to Pat Morton under construction. Lennox Head town centre, design options being considered
Coastguard Tower	\$1.7 million	Concept designs being prepared
Cumalum Link Road	\$5 million	Project budget has increased from \$4m. Discussions on-going with developers to determine whether they wish to finance the shortfall
Hockey - All weather field	\$1.1 million	Due for completion May 2011
Hutley Drive	\$14 million	Largely funded from Section 94 contributions. Project not due to commence until Section 94 contributions available
Lake Ainsworth Caravan Park Road	\$800,000	Project possibly now lies with Department of Lands due to resignation of Council as Reserve Trust Manager
Lennox Hd Community Centre	\$9.9 million	Due for completion April 2011
Main St Upgrade - Alstonville	\$2.7 million	Fully funded and due for completion during 2011
Main St Upgrade - Ballina	\$5m - \$8m	Designs available - works dependent on cash flow
Main St - Ballina - Cap Cook Pk	\$60,000	Funding for concept designs allocated in 2011/12
Main St Upgrade - Lennox Head	Unknown	No costing available
Main St Upgrade - Wardell	\$1.5 million	Fully funded and due for completion during 2011
Reg Entertainment / Sports Ctre	\$450,000	Funding allocated for design and approvals only
Roundabout - Tamar / Cherry	\$1.1million	Dependent on Section 94 funding
Sports fields - Skennars Hd	Unknown	Land purchased - no funding for improvements
Sports fields - Wollongbar	\$3 million	Land under contract
Surf Club - Ballina	\$5.8 million	Development consent obtained. Revised design being prepared
Surf Club - Lennox Head	Unknown	\$40,000 allocated for initial concept designs
Teven Bridges		Project expected to be completed by April 2011
Wollongbar - Link Road	\$3.2 million	Fully funded and due for completion by June 2011

The next table provides a summary of the funding allocated for these projects in the 2010/11 budget, along with the monies expended to 28 February 2011.

Table Two - Status of 2010/11 Budget Allocations

Project	Budget 2010/11	Expended
Coastal Shared Path / Walk	1,163,000	260,000
Cumalum Link Road	4,257,000	161,000
Hockey - All weather field	750,000	552,000
Hutley Drive	119,000	61,000
Lennox Hd Community Centre	6,087,000	4,378,000
Main St Upgrade - Alstonville	2,471,000	1,151,200
Main St Upgrade - Ballina	4,000,000	0
Main St Upgrade - Wardell	1,055,400	274,000
Reg Entertainment / Sports Ctre	450,000	4,800
Sports fields - Skennars Hd	1,271,000	1,271,000
Sports fields - Wollongbar	1,666,000	211,000
Surf Club - Ballina	1,600,000	23,000
Surf Club - Lennox Head	40,000	5,000
Teven Bridges	3,855,300	2,186,000
Wollongbar - Link Road	3,065,500	307,000

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

It is important to acknowledge that the 2010/11 budget figure will often only represent part of the expenditure for a project. Typically the types of projects listed as non-recurrent are reasonably complex and will often be spread over more than one financial year.

The next section of this report deals with how Council's property reserves can be used to allow these major projects to progress.

Property Reserve Movements

This section deals with the three property reserves held by Council. The first reserve under consideration is the Community Infrastructure Reserve.

Table Three - Community Infrastructure Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	6,751,600	5,904,100	2,879,900	291,300	83,900	521,600
Add: Revenues						
Interest Accrued	333,000	178,000	72,000	7,300	2,100	13,000
Rental - 89 Tamar Street (100%)	648,400	658,000	675,500	695,600	716,300	737,700
Rental - ARC (50%)	0	128,000	157,000	161,700	166,600	171,600
Rental - Fawcett Café (100%)	75,000	79,000	83,500	86,000	88,600	91,300
Loan Income - 89 Tamar Street	0	0	1,500,000	0	0	0
Loan Income - ARC	0	0	0	0	0	0
Loan Income - Fawcett Park Café	0	0	500,000	0	0	0
Internal Loan - Commercial Opps	0	0	2,500,000	0	0	0
Sales - Harvey Norman Dividend	0	2,158,000	0	0	0	0
Sales - Southern Cross	0	730,000	580,000	580,000	0	0
Sales - Adjoining BP (50%)	0	0	0	582,400	0	0
Sales - Balance ARC Site (50%)	0	0	0	1,081,500	0	0
Insurance Claim - L.H.C.C.	0	0	0	800,000	0	0
Rate Cont to Roundabout (30%)	0	0	308,000	0	0	0
Sec 94 Road - Roundabouts (70%)	0	0	0	1,344,000	0	0
Sec 94 Recouped - Comm Fac	0	940,000	325,000	334,800	344,800	355,100
Sub Total	1,056,400	4,871,000	6,701,000	5,673,300	1,318,400	1,368,700
Less: Expenditure						
Loans Repaid (existing) - 89 Tamar	429,700	429,700	429,700	429,700	429,700	429,700
Loan Repaid (new) - 89 Tamar	0	0	0	224,000	224,000	224,000
Loan Repaid (new) - ARC	0	0	0	152,000	152,000	152,000
Loan Repaid (new) - Fawcett Pk	0	0	0	75,000	75,000	75,000
Loan Repaid- Commercial Opps	0	0	0	2,500,000	0	0
Legals	22,500	0	0	0	0	0
Capital - Lennox Hd Comm Cent	0	5,446,000	0	0	0	0
Capital - Tintenbar Hall	25,000	0	0	0	0	0
Capital - Coastal Shared Path	0	200,000	83,500	236,900	0	0
Capital - Coastal Walk	0	0	216,400	563,100	0	0
Capital - Coastguard Tower	26,700	0	0	1,700,000	0	0
Capital - Hockey	400,000	0	0	0	0	0
Capital - Main Street - Alstonville	0	1,300,000	0	0	0	0
Capital - Main Street - Ballina	0	0	5,300,000	0	0	0
Capital - Main St - Cap Cook Pk	0	0	60,000	0	0	0
Capital - Main Street - Wardell	1,000,000	0	0	0	0	0
Capital - Regional Sports Centre	0	450,000	0	0	0	0
Capital - Surf Club - Ballina	0	0	3,200,000	0	0	0
Capital - Surf Club - Lennox	0	30,000	0	0	0	0
Capital - Ballina Library Expand	0	0	0	0	0	0
Capital - Other Projects	0	39,500	0	0	0	0
Sub Total	1,903,900	7,895,200	9,289,600	5,880,700	880,700	880,700
Closing Balance	5,904,100	2,879,900	291,300	83,900	521,600	1,009,600

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

Key points in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are considered conservative and achievable. Any riskier income items have been pushed out to future years
- b) Loan income has had to be used in 2011/12 to finance the capital expenditure. This loan income is funded through rental property income. For example the current net rental for the Fawcett Park Café is \$83,500 per annum. Based on a 10 year term, at an interest rate of 8%, Council can borrow \$500,000 against that revenue and result in there being no impact on Council's recurrent funding sources such as rates.

Even though loan funds have been included, they will be considered only as a last resort option, and will only be used if alternative funding sources do not eventuate. No projects funded by loans would proceed without a report to Council approving commencement.

- c) Funding for the coastal shared path and coastal walk are included. When Council adopted the preferred route for these two items in September 2010 a recommended funding program was also endorsed. That funding was as per the following table.

Table Four - Coastal Shared Path/Coastal Walk Funding - 2010 to 2014/15

Item	2010/11	2011/12	2012/13	2013/14	2014/15
Coastal Shared Path					
Council Recurrent Budget	165,000	236,400	178,100	247,500	220,000
Community Infrastructure Res	0	83,600	236,900	0	0
Council Footpath Reserves (c/f)	250,000	0	0	0	0
Council Reserves (Park Lane)	130,000	0	0	0	0
DOP Grants Approved	250,000	0	0	0	0
DOP Grant Applications	0	320,000	415,000	247,500	220,000
Totals	795,000	640,000	830,000	495,000	440,000
Coastal Walk					
Council Recurrent Budget	91,000	0	27,900	0	0
Community Infrastructure Res	200,000	216,400	563,100	0	0
Council Reserves (SIC)	100,000	74,600	100,000	0	0
Regional Local Com Infra Prog	309,000	309,000	309,000	250,000	250,000
Totals	700,000	600,000	1,000,000	250,000	250,000

This recommended funding from the Community Infrastructure reserve has been included in Table Three.

- d) Council's Civil Services Group has advised that they are in a position to finalise the majority of the Ballina Main Street Upgrade for an estimate of \$5.3 million. The one attachment to this report provides a map indicating the estimated cost for each of the major segments of this work and Council's Group Manager - Civil Services will be able to provide an overview of this work at the meeting.
- e) The Ballina Surf Club has been pushed back to be fully funded during 2011/12. With the existing design currently being reviewed construction on this project will not commence this financial year.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- f) It is necessary to take out an internal loan from the Commercial Opportunities reserve during 2011/12 to allow this work to proceed, with that loan being paid back in 2012/13 from other land sales.

In summary it is feasible to carry out the works listed in this cash flow, however to do that loan funding is needed. Importantly this table has not recognised any grant funding. For example, the Federal Government has recently released guidelines for the Regional Development Australia Fund. It is anticipated that projects such as the Ballina Main Street upgrade would be eligible under this program and if significant grant funding can be obtained the need for loans will be significantly reduced.

The second reserve under consideration is the Commercial Opportunities Reserve.

Table Five - Commercial Opportunities Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	11,355,600	10,584,200	8,399,400	2,146,900	683,900	3,283,900
Add: Revenues						
Interest Accrued	502,000	400,000	640,000	54,000	17,000	82,000
Sales - Balance Skennars Head	0	0	0	400,000	0	0
Sale - Russellton Tennis Courts	0	0	0	0	2,000,000	0
Sales - WUEA	0	0	0	0	2,000,000	2,000,000
Sales - Lennox Head	0	0	0	0	2,000,000	2,000,000
Internal Loans Repaid - Comm Inf	0	0	0	2,500,000	0	0
Internal Loans Repaid - Airport	0	268,900	24,500	0	0	0
Internal Loans Repaid - Plant	33,800	33,800	33,500	33,500	33,500	0
Internal Loans Repaid - Flat Rock	0	49,500	49,500	49,500	49,500	49,500
Sub Total	535,800	752,200	747,500	3,037,000	6,100,000	4,131,500
Less: Expenditure						
Purchase - North Ballina Property	403,000	0	0	0	0	0
Dividends - General Fund (Other)	159,200	0	0	0	0	0
Loan Funding - Flat Rock	92,000	0	0	0	0	0
Sports Fields - Wollongbar	0	1,666,000	500,000	1,000,000	0	0
Sports Fields - Skennars Head	145,000	1,271,000	0	0	0	0
Land Purchase - Lennox Head	0	0	4,000,000	0	0	0
Internal Loan - Airport	254,000	0	0	0	0	0
Internal Loan - Community Infrs	254,000	0	2,500,000	0	0	0
Development - WUEA	0	0	0	2,000,000	2,000,000	1,000,000
Development - Lennox Head	0	0	0	1,500,000	1,500,000	1,500,000
Sub Total	1,307,200	2,937,000	7,000,000	4,500,000	3,500,000	2,500,000
Closing Balance	10,584,200	8,399,400	2,146,900	683,900	3,283,900	4,915,400

Key items in this table are:

- a) The revenue figures for 2010/11 and 2011/12 are conservative and achievable. As per Table Three, any riskier income items have been pushed out to future years.
- b) Funding is provided to complete the Wollongbar Sports field purchase and development. Income is then recouped, in part, from the sale of the Russellton Tennis Courts land.

4.7 Capital Works - Non-recurrent - 2011/12 to 2014/15

- c) Major property development works are pushed out to 2012/13 which will allow planning for the Wollongbar Urban Expansion Area to proceed, along with confirming whether or not Council will be purchasing land at Lennox Head.
- d) If Council is able to proceed quicker with land development activities, any income generated from those activities will then be able to be applied to other community infrastructure, as required. This is typically carried out on a 50% split between the community infrastructure and commercial opportunities reserve.

In summary there is minimal movement in the reserve for 2011/12, with the major focus on the Wollongbar Sporting Fields.

The final reserve under consideration is the Land Development Reserve.

Table Six - Industrial Land Development Reserve - 2009/10 to 2014/15

Item	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Opening Balance	2,255,500	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300
Add: Revenues						
Interest Accrued	0	0	0	2,000	65,000	95,000
Rental - Norfolk Homes	98,000	101,000	133,000	137,000	141,200	145,500
Rental Income - ARC (50%)		128,000	155,500	161,700	166,600	171,600
Internal Loans Repaid - Waste	335,900	288,400	288,400	0	0	0
Sale - Harvey Norman	0	3,842,000	0	0	0	0
Sales - Southern Cross	0	0	2,000,000	1,500,000	1,500,000	0
Sales - Russellton	0	0	0	0	0	0
Sales - Land Adjoin BP (50%)	0	0	0	582,400	0	0
Sales - Bal ARC Site (50%)	0	0	0	1,081,500	0	0
Sub Total	433,900	4,359,400	2,576,900	3,464,600	1,878,800	418,100
Less: Expenditure						
WUEA - Operating Expenses	0	10,000	10,000	10,800	11,100	11,400
Southern Cross - Op Exps	14,000	31,500	32,600	33,900	34,900	35,900
Overheads - Southern Cross	137,000	128,000	150,400	136,900	141,000	145,200
Russellton - Operating Exps	18,000	7,500	7,800	8,100	8,300	8,500
Overheads - Russellton	61,000	60,000	105,700	62,000	63,900	65,800
Property Investigations	15,000	26,000	0	0	0	0
General Fund - Dividends	90,900	273,100	250,000	161,400	402,000	409,400
Sthn Cross - Cessna Drive	640,000	560,000	0	0	0	0
Sthn Cross - ARC	1,611,000	770,000	0	0	0	0
Sthn Cross - Harvey Norman	1,642,000	2,200,000	0	0	0	0
Sthn Cross - Residue (APN)	284,000	100,000	0	0	0	0
Russellton - Capital	0	0	200,000	300,000	0	0
Legals	110,000	0	0	0	0	0
Sub Total	4,622,900	4,166,100	756,500	713,100	661,200	676,200
Closing Balance	(1,933,500)	(1,740,200)	80,200	2,831,700	4,049,300	3,791,200

Key items in this table are:

- a) This reserve has been under financial pressure in recent times due to a significant amount of work being undertaken at the Southern Cross Industrial Estate. The majority of that work is now complete and the focus for the next 12 months will be on the sale of land.

- b) Funding is set aside in 2011/12 to advance the next release at the Russellton Estate. With the Alstonville By-pass opening shortly, it is anticipated that demand for this land will increase significantly.

In summary the three tables provide an overview of how revenues and expenses may transpire over the next few years, however as these forecasts are difficult to predict there will be regular updates to Council on the reserve movements.

Legal / Resource / Financial Implications

This report provides the financial outcomes from a range of possible funding scenarios.

Consultation

The endorsed program will be exhibited as part of Council's 2011/12 budget.

Options

The financial information outlined in tables three, five and six provide funding options for the major projects Council wishes to see completed within the next two to three years.

All major projects are funded excluding the Lennox Head Surf Club, Lennox Main Street Development and Skennars Head sporting field expansion. These three projects are all considered to still be a number of years away and additional funding from increased land sales, or external grants, will be needed to allow these projects to eventuate.

The options available for this report revolve around deferring projects and reallocating funding. The purpose of this report is to generate debate that allows a range options to be considered. Further analysis can be conducted, if required, and reported back to the April Finance Committee meeting.

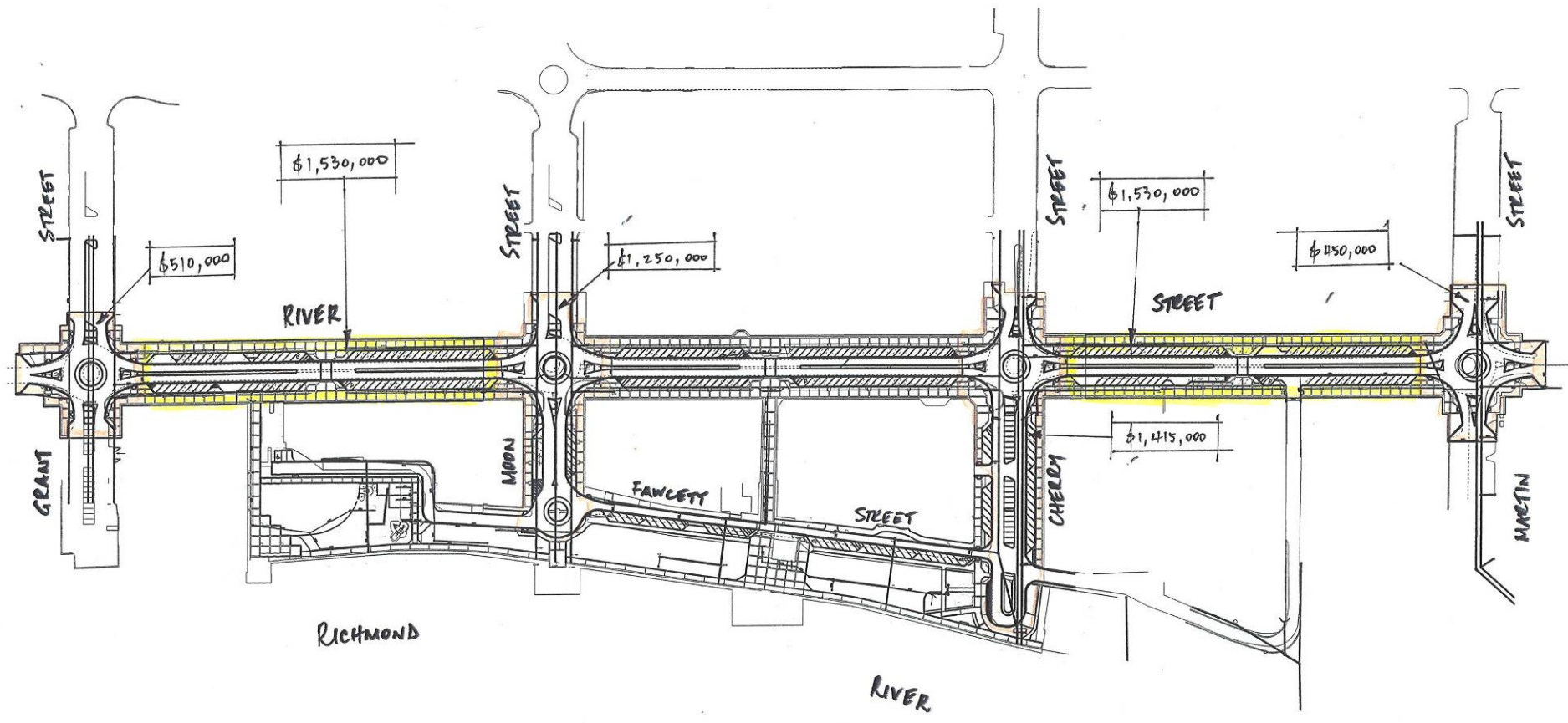
In summary the financial information provided in tables three, five and six is considered achievable and on that basis it is recommended that the tables be included in Council's 2011/12 budget for community consultation. It is also recommended that the 2010/11 budgets be amended to reflect the latest available information as outlined in those tables.

RECOMMENDATIONS

1. That Council approves the inclusion of the forward financial plans for Council's property reserves, as per Tables Three, Five and Six of this report, in the Draft 2011/12 Operational Plan.
2. That Council approves amendments to the 2010/11 budget to reflect the latest financial information as per Tables Three, Five and Six of this report.

Attachment(s)

1. Concept Plan and Preliminary Estimates - Ballina Main Street Upgrade





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 March 2011 commencing at 4.00 pm**

Business

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

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

Paul Hickey
General Manager

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

- 1. Apologies**

An apology has been received from Cr Brown.

- 2. Declarations of Interest**

- 3. Deputations**

4. Committee Reports

4.1 Newlog - Operating Budget - 2011/12

File Reference	Integrated Planning and Reporting – 2011/12
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	The objective of the report is to inform Council of the operations of Newlog.

Background

The North East Weight of Loads Group (Newlog) is a joint venture between Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley, Tenterfield and Tweed councils.

Ballina Shire Council provides the administrative services for the joint venture and the report that follows provides an overview of the Newlog operations.

Key Issues

- Budget

Information

Newlog activities are funded by contributions from the constituent councils – 36%, Roads and Traffic Authority – 33% and fines and other Income – 31%.

Total annual operating expenses are approximately \$480,000. Cash reserves of \$280,000 are held to cover equipment change-overs, staff leave liabilities and possible shortfalls in fines and other income.

Newlog own and operate two vehicles with mobile weighing scales and have four full time employees. Ballina Shire Council is responsible for all management services including building space, computers, human resources, finance and supervision.

Ballina Shire Council's contribution to Newlog for 2011/12 is budgeted at \$22,000.

Council also charges Newlog a fee for management services and this is budgeted at \$89,000 for 2011/12.

4.1 Newlog - Operating Budget - 2011/12

Newlog - Operating Result

The draft Newlog budget for 2011/12 (copy attached) is showing an operating loss of \$149,500 (after deducting the non-cash expenses of depreciation and loss on sale of plant). This cash loss is then financed by member contributions of \$175,500. The surplus contributions are transferred to reserves and used to fund vehicle and other plant replacements.

The next table provides a summary of actual results for 2009/10, estimated results for 2010/11 and the budget for 2011/12.

Newlog Budget Summary

Description	2009/10 (Actual)	2010/11 (Estimate)	2011/12 (Estimate)
Operating Movements			
Operating Revenue	313,900	305,500	319,000
Operating Expenses	(480,700)	(469,700)	(496,500)
Operating Result – Surplus/(Deficit)	(166,800)	(164,200)	(177,500)
Add Back Depreciation & Loss on Sale	37,900	16,000	28,000
Cash Result – Surplus/(Deficit)	(128,900)	(148,200)	(149,500)
Capital Movements			
Member Contributions	165,800	170,200	175,500
Capital Purchases	(31,100)	0	(55,000)
Net Reserve Transfer – From/(To)	(5,800)	(22,000)	29,000

Legal / Resource / Financial Implications

Council is committed to Newlog and the provision of both a contribution in cash and the provision of management services at cost.

Consultation

The operating budget is circulated to the RTA and constituent councils for comment and approval.

Options

The Newlog budget must be approved by all constituent councils and often this is carried out at an officer level.

The purpose of this report has to provide Council with an overview of the Newlog operations and the recommendation is to note the contents of the report and approve the budget. This budget does not form part of Council's overall budget and is treated as a separate entity.

RECOMMENDATIONS

That Council notes the contents of the report and endorses the North East Weight of Loads draft operating budget, as attached.

Attachment(s)

1. Newlog Draft Budget – 2011/12 to 2013/14

4.1 Newlog - Operating Budget - 2011/12

Newlog Budget Estimates							
ESTIMATE 2010/11	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED				
			2011/12	%	2012/13	2013/14	2014/15
		OPERATING REVENUES					
		Fees and Charges					
8,600	10500.8901.0228	Legal Costs Recovered	9,000	5	9,300	9,600	9,900
127,400	10500.8902.0222	Fines	131,000	3	135,000	139,100	143,300
		Contributions					
159,200	10500.8900.0165	RTA Contribution	164,000	3	169,000	174,100	179,400
0	10500.0190.0800	Profit on Sale Assets	0	0	0	0	0
		Other Revenues					
0	10500.8901.0236	Profit on Sale of Assets	0	0	0	0	0
10,300	10500.0120.0190	Interest on Investments	15,000	46	15,500	16,000	16,500
0		State Conference	0	0	0	0	0
305,500		Total Operating Revenues	319,000	4	328,800	338,800	349,100
		OPERATING EXPENSES					
		Administration					
228,200	54000.0300.0300	Salaries	235,000	3	242,100	249,400	256,900
13,900	54000.8922.0322	Annual Leave	14,500	4	15,000	15,500	16,000
6,400	54000.8922.0326	Other Leave	6,500	2	6,700	7,000	7,300
5,400	54000.8922.0323	Sick Leave	5,500	2	5,700	5,900	6,100
6,200	54000.8922.0324	Long Service Leave	6,500	5	6,700	7,000	7,300
2,700	54000.0300.0343	State Conference Costs	2,500	(7)	2,600	2,700	2,800
8,900	54000.0300.0345	Workers Compensation	9,500	7	9,800	10,100	10,500
19,500	54000.0300.0334	Superannuation	20,000	3	20,600	21,300	22,000
1,200	54000.0300.0340	Uniforms	1,000	(17)	1,100	1,200	1,300
38,300	54000.8923.0401	Vehicle Running Costs	39,500	3	40,700	42,000	43,300
85,000	54000.8924.0980	Overheads to Newlog	89,000	5	91,700	94,500	97,300
		Operation Costs					
13,400	54002.0365.0422	Legal Costs	14,000	4	14,500	15,000	15,500
4,200	54002.8944.0422	IPB Processing Fees	4,500	7	4,700	4,900	5,100
2,000	54002.0350.0401	Admin Costs	2,000	0	2,100	2,200	2,300
0	54002.0350.0612	Bad & Doubtful Debts	0	0	0	0	0
1,900	54002.0350.0419	Audit Costs	2,000	5	2,100	2,200	2,300
5,400	54002.8945.0635	Insurance	5,500	2	5,700	5,900	6,100
1,700	54002.0450.0401	Sundry Expenses	1,500	(12)	1,600	1,700	1,800
1,100	54002.0350.0640	Telephone	1,000	(9)	1,100	1,200	1,300
8,300	54002.8946.0401	Maintenance of Scales	8,500	2	8,800	9,100	9,400
		Non-cash Expenses					
0	54002.0350.0690	Loss on Sale of Plant	12,000	100	12,000	12,000	12,500
16,000	54002.0350.0740	Depreciation	16,000	0	16,000	16,000	16,500
469,700		Total Operating Expenses	496,500	3	511,300	526,800	543,600
(164,200)		Operating Result - Surplus / (Deficit)	(177,500)	6	(182,500)	(188,000)	(194,500)
16,000		Add Back Depreciation & Loss on Sale	28,000		28,000	28,000	29,000
(148,200)		Cash Result - Surplus / (Deficit)	(149,500)	16	(154,500)	(160,000)	(165,500)
		Capital Movements					
170,200	10505.8966.0169	Add Capital Income (Members Contribut	175,500	3	180,800	186,300	191,900
22,000	4650.8997.0961	Less Transfer to Reserves	26,000	18	26,300	26,300	26,400
0	4150.8987.0960	Add Transfer from Reserves	55,000		0	56,000	0
0		Less Capital Purchases:					
0	3900.8976.0401	Replacement Scales	55,000		0	56,000	0
0		Replacement Vehicle					
0		Cash Result after Capital Movements	0	0	0	0	0
22,000		Net Change to Cash Reserves	(29,000)		26,300	(29,700)	26,400
283,710		Plus Opening Cash Reserve (incl ELE R	305,710		276,710	303,010	273,310
305,710		Closing Cash Reserve (Incl ELE)	276,710		303,010	273,310	299,710

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