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 **Tuesday 20 March 2012 commencing at 4.00 pm**

Business

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

Paul Hickey
General Manager

Table of Contents

1. Apologies

2. Declarations of Interest

3. Deputations

4. Committee Reports

4.1 Rating Structure - 2012/13

File Reference	Integrated Planning and Reporting – 2012/2013
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To provide information regarding new 2011 base date land valuations and to consider the ordinary rating structure for the 2012/2013 rating year

Background

The following report consists of two main sections.

The first section provides information regarding the new 2011 land valuations supplied recently by the Valuer General. This includes comparisons to the 2008 base date land valuations we have been using for ordinary rating purposes for the last three years.

The second section provides a proposed rating structure for the 2012/13 rating year based upon the same structure used to levy ordinary rates in the 2011/12 rating year.

Key Issues

- Land valuation movements between the 2008 and 2011 base dates
- The impact of new 2011 land valuations on the current rating structure

Information

Section One – New 2011 base date land valuations

Council receives updated unimproved land values (i.e. not considering any structures built on the property) for all properties within the shire every three years. They are used to calculate part of a property's ordinary rate when multiplied by a rate in the dollar. The other part of the ordinary rate is a flat amount known as the base amount. More information is provided later in this report regarding rate calculations.

The two principles of rating are provided below for the information of Council:

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

The mix between the rate in the dollar and the base amount is primarily determined by Council after consideration of certain restrictions contained in the Local Government Act 1993 (LGA).

It is important to note that Council's total ordinary rate revenue is capped by State Government legislation annually, so new land values do not result in an increase in total revenue to Council. New land values simply redistribute the ordinary rate burden across ratepayers (providing the rating structure is not changed).

The following land valuation information makes comparisons for total land values within our shire (i.e. includes rateable and non rateable land such as schools, churches, public reserves etc) rather than just rateable assessments.

Comparisons between 2008 and 2011 land valuations show 2008 values as they were originally received in 2008. The net movement is an increase of 0.75% over the three years. However it is important to note that the remainder of the report shows 2008 land values as they are now, which includes property growth and other changes since the values were received three years ago. The net movement from 2008 values on hand now to 2011 land valuations is in fact a decrease of 1.01%.

This is the reason why the figures in Table one will not correlate with those provided later in this report.

The number of properties reported in Table one will not correlate with rating data comparisons later in this report. The primary reason for this is that the Valuer General provides only one valuation for a strata complex, whereas we rate each individual strata lot separately.

Table One: History of Valuer General Revaluations - Total Land Values

Land Valuation Base Date (1 July)	Total Land Valuation ($)	Land Valuation Change (%)	Number of Properties	Property Number Change (%)
2011	5,438,581,840	0.75%	14,491	2.21%
2008	5,398,146,560	11.72%	14,178	1.71%
2005	4,831,846,180	79.72%	13,940	2.87%
2002	2,688,605,130	63.65%	13,551	3.78%
1999	1,642,898,463	N/A	13,057	N/A

It can be seen that there was almost no overall change in land valuations since 2008. This is obviously a reflection of the current economic climate.

Generally, assuming Council's rating structure remains unchanged and ignoring any total income increases to ordinary rate income that may apply, the 1% decrease in land valuations to be used from the 2012/13 rating year, provides the approximate benchmark as to whether or not individual properties will accept a greater or lesser share of the ordinary rate burden.

4.1 Rating Structure - 2012/13

The following tables contain more specific comparative data between the previous 2008 base date land values used for rating purposes in 2009/10, 2010/11 and 2011/12 and the new 2011 base date valuations to be used for the next three rating years commencing from 2012/13.

Table Two: Movement of Total Land Values within Rating Categories

Rating Category	Nos.	2011 LV	2008 LV	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
Residential	12,046	3,973,667,670	4,036,499,700	(62,832,030)	-1.56%
Business	909	529,957,340	538,972,000	(9,014,660)	-1.67%
Farmland	1,068	719,001,900	700,452,500	18,549,400	2.65%
Mining	0	0	0	0	0.00%
Non Rateable	468	215,954,930	218,286,660	(2,331,730)	-1.07%
TOTAL	**14,491**	**5,438,581,840**	**5,494,210,860**	**(55,629,020)**	**-1.01%**

The table shows a decrease of 1% between 2008 and 2011 land valuations on hand. It also shows that residential category, business category and non rateable property land valuations have slightly decreased, whilst farmland category valuations have slightly increased.

The percentage movement between rating categories and its impact on the rating structure is explained in the 2012/13 rating structure section of this report.

Each year Council performs a notional calculation to obtain the allowable general income limit for the following year. This limit is affected by the rate pegging limit now set by the Independent Pricing and Regulatory Tribunal (IPART) on behalf of the Division of Local Government (DLG), or special variation if Council has received approval to increase ordinary rate income above the statutory limit. There are also other factors that affect this calculation such as income lost as a result of land valuation objections and growth changes.

The notional allowable income calculation method acknowledges cost changes to Council from year to year as a result of changes in the number of properties and rateable land valuations. It is important to note that the decrease in total land valuations in Table 2 has no affect on the allowable notional income yield calculation for 2012/13 or 2013/14.

The growth calculation is based on property number changes and changes to land valuations of the same base date. The allowable growth for 2012/13 was determined using 2008 land valuations and the allowable growth formula to calculate 2013/14 allowable income next year will use 2011 land valuations. The growth is the difference of property numbers and land valuations between the time rates are set for a year and when rates are calculated for the following year.

Detailed information regarding rating implications as a result of land valuation movements is outlined in the rating structure part of this report.

Table Three: Movement of Total Land Values within Localities

Locality	Number of Properties	2011 Land Valuations	2008 Land Valuations	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
ALSTONVALE	157	60,055,620	59,665,500	390,120	0.65%
ALSTONVILLE	2,254	556,352,130	575,080,200	(18,728,070)	-3.26%
BAGOTVILLE	31	9,167,000	6,439,000	2,728,000	42.37%
BALLINA	2,764	1,003,738,680	1,082,537,260	(78,798,580)	-7.28%
BROKEN HEAD	12	13,056,770	8,481,500	4,575,270	53.94%
BROOKLET	110	62,350,320	56,321,500	6,028,820	10.70%
CABBAGE TREE ISLAND	4	1,253,820	1,183,000	70,820	5.99%
COOLGARDIE	48	17,697,000	18,134,000	(437,000)	-2.41%
CUMBALUM	467	139,923,200	131,473,000	8,450,200	6.43%
DALWOOD	85	43,998,000	45,821,000	(1,823,000)	-3.98%
EAST BALLINA	1,847	702,075,250	716,909,800	(14,834,550)	-2.07%
EAST WARDELL	156	47,723,800	42,193,800	5,530,000	13.11%
EMPIRE VALE	102	36,616,240	32,246,700	4,369,540	13.55%
FERNLEIGH	105	45,509,200	46,626,000	(1,116,800)	-2.40%
GOAT ISLAND	1	325,000	325,000	0	0.00%
KEITH HALL	62	26,899,000	23,766,000	3,133,000	13.18%
KNOCKROW	83	49,909,000	45,646,000	4,263,000	9.34%
LENNOX HEAD	2,111	1,149,145,480	1,165,037,000	(15,891,520)	-1.36%
LYNWOOD	81	36,497,000	37,560,000	(1,063,000)	-2.83%
MAROM CREEK	12	3,271,500	3,143,000	128,500	4.09%
MCLEANS RIDGES	36	19,969,000	21,228,000	(1,259,000)	-5.93%
MEERSCHAUM VALE	141	43,473,480	39,751,900	3,721,580	9.36%
NEWRYBAR	215	128,959,800	110,343,500	18,616,300	16.87%
PATCHS BEACH	31	11,714,000	10,760,000	954,000	8.87%
PEARCES CREEK	39	14,133,000	14,558,000	(425,000)	-2.92%
PIMLICO	140	52,236,500	45,238,500	6,998,000	15.47%
PIMLICO ISLAND	1	317,000	292,000	25,000	8.56%
ROUS	89	49,376,200	51,822,000	(2,445,800)	-4.72%
ROUS MILL	79	34,453,000	35,258,000	(805,000)	-2.28%
SKENNARS HEAD	315	161,116,700	161,278,000	(161,300)	-0.10%
SOUTH BALLINA	17	6,534,000	6,150,000	384,000	6.24%
TEVEN	123	49,374,980	47,855,400	1,519,580	3.18%
TINTENBAR	305	130,065,740	119,658,600	10,407,140	8.70%
TUCKOMBIL	103	41,684,000	42,504,000	(820,000)	-1.93%
URALBA	96	36,391,200	34,840,000	1,551,200	4.45%
WARDELL	320	82,672,900	77,226,700	5,446,200	7.05%
WEST BALLINA	1,039	329,120,830	345,267,600	(16,146,770)	-4.68%
WOLLONGBAR	910	241,425,500	231,589,400	9,836,100	4.25%
Totals:	**14,491**	**5,438,581,840**	**5,494,210,860**	**-55,629,020**	**-1.01%**

Noticeable changes in Table three include:

- The largest average increases based on locality were some rural regions to the north and south of the shire, even though this didn't affect a large number of properties
- For urban intensive localities, Ballina and West Ballina decreased on average noticeably more than the shire average
- Lennox Head decreased slightly more than the average shire decrease
- Wollongbar was the only primarily urban intensive area to increase

The next table provides locality movements based on rating categories and properties that are not rateable. The table drills down further than table three to show that within localities there have been different land value movements between categories. For example in Alstonvale the farmland category went down by 4.5% where as the residential category went up by 5%.

Table Four: Land value movements in localities for rating categories

Locality and Rating Category	Number of Properties	2011 Land valuations	2008 Land valuations	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
ALSTONVALE Farmland	45	25,825,000	27,057,000	(1,232,000)	-4.55%
ALSTONVALE Non Rateable	1	8,620	7,500	1,120	14.93%
ALSTONVALE Residential	111	34,222,000	32,601,000	1,621,000	4.97%
ALSTONVILLE Business	188	53,769,900	49,550,500	4,219,400	8.52%
ALSTONVILLE Farmland	93	64,942,000	68,558,000	(3,616,000)	-5.27%
ALSTONVILLE Non Rateable	72	19,805,630	19,052,200	753,430	3.95%
ALSTONVILLE Residential	1,901	417,834,600	437,919,500	(20,084,900)	-4.59%
BAGOTVILLE Business	1	515,000	450,000	65,000	14.44%
BAGOTVILLE Farmland	12	4,643,000	3,120,000	1,523,000	48.81%
BAGOTVILLE Residential	18	4,009,000	2,869,000	1,140,000	39.74%
BALLINA Business	485	303,151,020	326,691,000	(23,539,980)	-7.21%
BALLINA Farmland	9	9,221,000	9,385,000	(164,0000	-1.75%
BALLINA Non Rateable	115	83,197,540	88,424,760	(5,227,220)	-5.91%
BALLINA Residential	2,155	608,169,120	658,036,500	(49,867,380)	-7.58%
BROKEN HEAD Farmland	7	10,952,000	6,838,000	4,114,000	60.16%
BROKEN HEAD Residential	5	2,104,770	1,643,500	461,270	28.07%
BROOKLET Business	2	785,000	676,000	109,000	16.12%
BROOKLET Farmland	44	29,938,000	30,831,000	(893,000)	-2.90%
BROOKLET Non Rateable	2	211,620	168,500	43,120	25.59%
BROOKLET Residential	62	31,415,700	24,646,000	6,769,700	27.47%

4.1 Rating Structure - 2012/13

Locality and Rating Category	Number of Properties	2011 Land valuations	2008 Land valuations	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
CABBAGE TREE ISLAND Farmland	1	429,000	363,000	66,000	18.18%
CABBAGE TREE ISLAND Non Rateable	1	41,200	37,500	3,700	9.87%
CABBAGE TREE ISLAND Residential	2	783,620	782,500	1,120	0.14%
COOLGARDIE Business	1	236,000	236,000	0	0.00%
COOLGARDIE Farmland	13	6,734,000	6,553,000	181,000	2.76%
COOLGARDIE Residential	34	10,727,000	11,345,000	(618,000)	-5.45%
CUMBALUM Business	3	348,000	377,000	(29,000)	-7.69%
CUMBALUM Farmland	18	11,801,000	11,655,000	146,000	1.25%
CUMBALUM Non Rateable	16	2,468,600	2,399,500	69,100	2.88%
CUMBALUM Residential	430	125,305,600	117,041,500	8,264,100	7.06%
DALWOOD Business	1	400,000	466,000	(66,000)	-14.16%
DALWOOD Farmland	51	32,034,000	33,886,000	(1,852,000)	-5.47%
DALWOOD Non Rateable	1	11,500	10,000	1,500	15.00%
DALWOOD Residential	32	11,552,500	11,459,000	93,500	0.82%
EAST BALLINA Business	16	17,055,300	17,602,000	(546,700)	-3.11%
EAST BALLINA Non Rateable	67	21,356,750	21,670,300	(313,550)	-1.45%
EAST BALLINA Residential	1,764	663,663,200	677,637,500	(13,974,300)	-2.06%
EAST WARDELL Business	1	266,000	232,000	34,000	14.66%
EAST WARDELL Farmland	48	26,982,000	23,521,000	3,461,000	14.71%
EAST WARDELL Non Rateable	5	640,000	567,800	72,200	12.72%
EAST WARDELL Residential	102	19,835,800	17,873,000	1,962,800	10.98%
EMPIRE VALE Business	2	109,000	94,700	14,300	15.10%
EMPIRE VALE Farmland	30	14,873,000	12,563,000	2,310,000	18.39%
EMPIRE VALE Non Rateable	1	170,000	150,000	20,000	13.33%
EMPIRE VALE Residential	69	21,464,240	19,439,000	2,025,240	10.42%
FERNLEIGH Business	1	85,000	100,000	(15,000)	-15.00%
FERNLEIGH Farmland	48	27,275,000	29,350,000	(2,075,000)	-7.07%
FERNLEIGH Non Rateable	3	620,000	581,000	39,000	6.71%
FERNLEIGH Residential	53	17,529,200	16,595,000	934,200	5.63%
GOAT ISLAND Residential	1	325,000	325,000	0	0.00%
KEITH HALL Business	2	1,033,000	1,030,000	3,000	0.29%
KEITH HALL Farmland	17	12,946,000	11,140,000	1,806,000	16.21%

4.1 Rating Structure - 2012/13

Locality and Rating Category	Number of Properties	2011 Land valuations	2008 Land valuations	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
KEITH HALL Residential	43	12,920,000	11,596,000	1,324,000	11.42%
KNOCKROW Business	3	455,000	432,000	23,000	5.32%
KNOCKROW Farmland	31	27,376,000	23,678,000	3,698,000	15.62%
KNOCKROW Non Rateable	4	1,451,000	1,505,000	(54,000)	-3.59%
KNOCKROW Residential	45	20,627,000	20,031,000	596,000	2.98%
LENNOX HEAD Business	35	61,357,700	63,246,000	(1,888,300)	-2.99%
LENNOX HEAD Farmland	16	31,721,000	32,145,000	(424,000)	-1.32%
LENNOX HEAD Non Rateable	68	36,084,780	35,149,000	935,780	2.66%
LENNOX HEAD Residential	1,992	1,019,982,000	1,034,497,000	(14,515,000)	-1.40%
LYNWOOD Business	3	493,000	483,000	10,000	2.07%
LYNWOOD Farmland	36	21,059,000	22,246,000	(1,187,000)	-5.34%
LYNWOOD Non Rateable	2	1,755,000	1,775,000	(20,000)	-1.13%
LYNWOOD Residential	40	13,190,000	13,056,000	134,000	1.03%
MAROM CREEK Farmland	5	2,160,000	2,103,000	57,000	2.71%
MAROM CREEK Non Rateable	1	11,500	10,000	1,500	15.00%
MAROM CREEK Residential	6	1,100,000	1,030,000	70,000	6.80%
MCLEANS RIDGES Business	1	203,000	185,000	18,000	9.73%
MCLEANS RIDGES Farmland	23	14,458,000	15,556,000	(1,098,000)	-7.06%
MCLEANS RIDGES Non Rateable	1	457,000	440,000	17,000	3.86%
MCLEANS RIDGES Residential	11	4,851,000	5,047,000	(196,000)	-3.88%
MEERSCHAUM VALE Business	5	461,500	442,000	19,500	4.41%
MEERSCHAUM VALE Farmland	46	19,356,500	18,452,500	904,000	4.90%
MEERSCHAUM VALE Non Rateable	4	480	400	80	20.00%
MEERSCHAUM VALE Residential	86	23,655,000	20,857,000	2,798,000	13.42%
NEWRYBAR Business	10	1,735,400	1,524,500	210,900	13.83%
NEWRYBAR Farmland	72	52,208,400	46,194,000	6,014,400	13.02%
NEWRYBAR Non Rateable	5	2,588,000	2,416,000	172,000	7.12%
NEWRYBAR Residential	128	72,428,000	60,209,000	12,219,000	20.29%
PATCHS BEACH Farmland	2	708,000	637,000	71,000	11.15%
PATCHS BEACH Non Rateable	1	170,000	150,000	20,000	13.33%
PATCHS BEACH Residential	28	10,836,000	9,973,000	863,000	8.65%

Locality and Rating Category	Number of Properties	2011 Land valuations	2008 Land valuations	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
PEARCES CREEK Business	1	117,000	107,000	10,000	9.35%
PEARCES CREEK Farmland	16	7,787,000	8,211,000	(424,000)	-5.16%
PEARCES CREEK Residential	22	6,229,000	6,240,000	(11,000)	-0.18%
PIMLICO Business	4	665,200	585,000	80,200	13.71%
PIMLICO Farmland	33	21,632,000	17,995,000	3,637,000	20.21%
PIMLICO ISLAND Farmland	1	317,000	292,000	25,000	8.56%
PIMLICO Non Rateable	1	2,000,000	2,000,000	0	0.00%
PIMLICO Residential	102	27,939,300	24,658,500	3,280,800	13.30%
ROUS Business	1	85,000	100,000	(15,000)	-15.00%
ROUS Farmland	52	35,905,000	37,858,000	(1,953,000)	-5.16%
ROUS MILL Business	2	355,000	286,000	69,000	24.13%
ROUS MILL Farmland	38	23,709,000	25,394,000	(1,685,000)	-6.64%
ROUS MILL Non Rateable	1	200,000	161,000	39,000	24.22%
ROUS MILL Residential	38	10,189,000	9,417,000	772,000	8.20%
ROUS Non Rateable	3	687,000	658,000	29,000	4.41%
ROUS Residential	33	12,699,200	13,206,000	(506,800)	-3.84%
SKENNARS HEAD Business	5	4,328,700	4,325,000	3,700	0.09%
SKENNARS HEAD Farmland	7	24,113,000	24,180,000	(67,000)	-0.28%
SKENNARS HEAD Non Rateable	6	5,284,000	5,242,000	42,000	0.80%
SKENNARS HEAD Residential	297	127,391,000	127,531,000	(140,000)	-0.11%
SOUTH BALLINA Business	2	1,750,000	1,750,000	0	0.00%
SOUTH BALLINA Farmland	1	1,300,000	1,300,000	0	0.00%
SOUTH BALLINA Residential	14	3,484,000	3,100,000	384,000	12.39%
TEVEN Business	4	2,903,600	2,803,000	100,600	3.59%
TEVEN Farmland	56	28,646,000	27,869,000	777,000	2.79%
TEVEN Non Rateable	3	18,880	16,400	2,480	15.12%
TEVEN Residential	60	17,806,500	17,167,000	639,500	3.73%
TINTENBAR Business	9	1,728,620	1,377,100	351,520	25.53%
TINTENBAR Farmland	49	35,590,000	30,762,000	4,828,000	15.69%
TINTENBAR Non Rateable	13	5,502,620	5,682,500	(179,880)	-3.17%
TINTENBAR Residential	234	87,244,500	81,837,000	5,407,500	6.61%
TUCKOMBIL Farmland	46	22,916,000	24,188,000	(1,272,000)	-5.26%
TUCKOMBIL Residential	57	18,768,000	18,316,000	452,000	2.47%
URALBA Farmland	13	9,883,000	9,737,000	146,000	1.50%

Locality and Rating Category	Number of Properties	2011 Land valuations	2008 Land valuations	2008 to 2011 LV Change ($)	2008 to 2011 LV Change (%)
URALBA Residential	83	26,508,200	25,103,000	1,405,200	5.60%
WARDELL Business	17	4,997,000	4,569,000	428,000	9.37%
WARDELL Farmland	32	16,204,000	14,913,000	1,291,000	8.66%
WARDELL Non Rateable	18	6,324,800	6,124,600	200,200	3.27%
WARDELL Residential	253	55,147,100	51,620,100	3,527,000	6.83%
WEST BALLINA Business	88	63,379,400	52,669,200	10,710,200	20.33%
WEST BALLINA Farmland	5	3,493,000	1,831,000	1,662,000	90.77%
WEST BALLINA Non Rateable	30	13,165,610	12,128,900	1,036,710	8.55%
WEST BALLINA Residential	916	249,082,820	278,638,500	(29,555,680)	-10.61%
WOLLONGBAR Business	16	7,189,000	6,583,000	606,000	9.21%
WOLLONGBAR Farmland	52	39,865,000	40,091,000	(226,000)	-0.56%
WOLLONGBAR Non Rateable	23	11,722,800	11,758,800	936,000)	-0.31%
WOLLONGBAR Residential	819	182,648,700	173,156,600	9,492,100	5.48%
Totals:	**14,491**	**5,438,581,840**	**5,494,210,860**	**(55,629,020)**	**-1.01%**

Generally, the 2011 land values provided to Council by the Valuer General do not show a significant type of property or locality to cause any great concern about the equity of the valuations provided by the Valuer General.

Implications of the 2011 rateable land valuations on our current rating structure are outlined in the following section of this report.

Section Two – 2012/13 Rating Structure

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

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

The primary reason for the Valuer General providing new valuations to Council is to update the equitable distribution of rates based on the “ability to pay” principle. Council relies on the Valuer General to determine how that part of the ordinary rate determined by land valuations is distributed. Fluctuations with the new 2011 base date land valuations will result in generally small changes to the rating burden between rateable properties.

If Council considers the Valuer General's valuations to be a true reflection of the current market, the adopted rating strategies that Ballina Council has followed in recent years to achieve a fair and equitable structure need not change. These strategies are as follows.

Base Amounts Rating Structure

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

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

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

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

Council has adopted a uniform base charge for all business, residential and farmland properties. The residential base charge derives just less than the maximum 50% which means that, because business and farmland categories tend to have higher land values, the base charge in business and farmland categories raises less than the maximum 50% (15% and 33% respectively).

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

The primary reason for implementing this strategy was to provide a more equitable distribution of the rate burden for business and farmland properties. Unlike residential properties, business and farmland properties are generally income producing, so it could be argued that our rating structure recognises a correlation between the land valuation and the level of potential income able to be generated by the land (i.e. the "ability to pay" principle), whether or not a profit is actually made.

There are no changes proposed to the base amount structure in 2012/13, as compared to 2011/12, other than to increase the base amount and rate in the dollar in accordance with the rate increase approved by the Minister for Local Government in May 2010. This increase is detailed later in this report.

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

Due to Ballina having the lowest average rate for the business category of properties for similar sized Councils, in 2006/07 Council resolved to increase the yield from business properties from 10% of the total rate yield to 20% over a period of five years (i.e. incrementally increase by 2% per annum).

This strategy was commenced in the 2006/07 rating year and in 2010/11 the yield from the business category had reached the desired 20% of the total. The business category in 2011/12 was 19.81% of the total which reflects a growth/decline movement in relation to the total rate base. However Council resolved to maintain the yield percentage at 20%.

When calculating the growth factor during 2012/13, the business category resulted in a yield of 20.35% of the total. This was altered to derive 20% of the total income in anticipation of Council deciding to retain the current strategy to retain the 20% yield from business.

It should be noted that this is the first year that business category growth has increased at a higher rate than the residential category. As stated it has been assumed that Council wishes to maintain the 20% yield and if Council determines otherwise revised calculations will be required.

2012/13 Rating Structure

Council applied for and was approved a special variation to notional rate income over a four year period in May 2010. The 2012/13 rating year is the third out of four rating years of which the approval has been granted. The special variation approval from the Division of Local Government is reproduced below.

It should be noted that IPART set a rate pegging limit of 3.6% for Councils that do not have a special variation in place for 2012/13.

2010/11	6.2%
2011/12	6.1%
2012/13	5.7%
2013/14	6.0%

Table five shows the adopted rating structures for 2010/11 and 2011/12 and Table six details the proposed structure for 2012/13 which incorporates the 5.7% increase. It is important to note that the figures in tables six and seven are draft and may change slightly by the time they are adopted in the 2012/13 Operational Plan. This is because ratepayers may object to current valuations and be successful and there could be variations due to growth in assessment values.

Table Five: 2010/11 and 2011/12 Rating structures

Rate Category	2010/11		2011/12	
	Base Charge	Rate in Dollar	Base Charge	Rate in Dollar
Residential	354	0.132381	374	0.140421
Business	354	0.474244	374	0.508970
Farmland	354	0.110789	374	0.117018

4.1 Rating Structure - 2012/13

The following table presents a draft rating structure based on a 5.7% increase and uses Council's current rating structure.

Note that for 2012/13, the mining category has been included at the suggestion of the Division of Local Government. We do not have any mining categorised land within the shire however, it is important for Council to adopt a base amount and rate in the dollar in case any such categorised land arises in the future. The base amount and rate in the dollar suggested to Council within this report has been set as the same as the business rating category.

Table Six: Proposed 2012/13 Rating Structure

Rate Category	5.7% Increase	
	Base Charge	Rate in Dollar
Residential	397	0.151434
Business	397	0.537210
Farmland	397	0.122630
Mining	397	0.537210

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

Table Seven: Proposed 2012/13 Income per Category at 5.7%

	2011/2012			2012/2013		
Rate Category	6.1% increase	% of total	Ave Rate	5.7% increase	% of total	Ave Rate
Residential	11,177,453	72.17	752.00	11,927,413	72.15	797.00
Business	3,061,716	20.00	2,494.00	3.306.176	20.00	2,622.00
Farmland	1,213,150	7.83	1,143.00	1,213,071.58	7.85	1,220.00
Mining	0	0.00	0.00	0	0.00	0.00
Total	**15,452,319**	**100.0**	**902.00**	**15,452,077.92**	**100.0**	**955.00**

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

These figures are only intended to be for approximate comparison purposes only. Due to the average shire land valuation movement being negligible between the 2011/12 and 2012/13 rating years, the table assumes there was no change in land valuation between years. Whilst this may be the case for many individual properties, it is not the case for others.

Table Eight: Residential Rates Payable in 2012/13

Land Value ($)	Number of properties	2011/12 rate	2012/13 rate	difference	% change
50,000	237	444	473	29	6.4%
100,000	1,471	514	548	34	6.6%
150,000	1,230	585	624	40	6.8%
200,000	3,768	655	700	45	6.9%
250,000	2,448	725	776	51	7.0%
300,000	1,417	795	851	56	7.0%
400,000	2,503	936	1,003	67	7.2%
500,000	940	1,076	1,154	78	7.3%
600,000	336	1,217	1,306	89	7.3%
800,000	366	1,497	1,608	111	7.4%
1,000,000	129	1,778	1,911	133	7.5%
2,000,000	125	3,182	3,426	243	7.6%

Table Nine: Business Rates Payable in 2012/13

Land Value ($)	Number of properties	2011/12 rate	2012/13 rate	difference	% change
50,000	117	628	666	37	5.9%
100,000	181	883	934	51	5.8%
150,000	106	1,137	1,203	65	5.7%
200,000	172	1,392	1,471	79	5.7%
250,000	102	1,646	1,740	94	5.7%
300,000	71	1,901	2,009	108	5.7%
400,000	142	2,410	2,546	136	5.6%
500,000	94	2,919	3,083	164	5.6%
600,000	69	3,428	3,620	192	5.6%
800,000	64	4,446	4,695	249	5.6%
1,000,000	35	5,464	5,769	305	5.6%
1,500,000	49	8,009	8,455	447	5.6%
2,000,000	26	10,553	11,141	588	5.6%
2,500,000	10	13,098	13,827	729	5.6%
5,000,000	17	25,823	27,258	1,435	5.6%
10,000,000	6	51,271	54,118	2,847	5.6%

Table Ten: Farmland Rates Payable in 2012/13

Land Value	Number of properties	2011/12 rate	2012/13 rate	difference	% change
50,000	1	433	458	26	6.0%
100,000	2	491	520	29	5.8%
150,000	0	550	581	31	5.7%
200,000	17	608	642	34	5.6%
250,000	22	667	704	37	5.6%
300,000	42	725	765	40	5.5%
400,000	166	842	888	45	5.4%
500,000	269	959	1,010	51	5.3%
600,000	149	1,076	1,133	57	5.3%
800,000	174	1,310	1,378	68	5.2%
1,000,000	96	1,544	1,623	79	5.1%
1,500,000	75	2,129	2,236	107	5.0%
2,000,000	19	2,714	2,850	135	5.0%
2,500,000	13	3,299	3,463	163	4.9%
5,000,000	14	6,225	6,529	304	4.9%
10,000,000	3	12,076	12,660	584	4.8%

Ordinary Rate Calculation

The following points summarise the current ordinary rate calculation process;

1) Calculate the total notional income for 2011/12 and total notional yield allowable for 2012/13. This is completed by calculating a notional 2011/12 total income which entails using the base amount and rate in the dollar set in 2011/12 and applying it to the current properties and land valuations on hand (rather than those on hand when the rates were set). This effectively creates a growth allowance to total allowable income for 2012/13. In addition to this, legislative adjustments are taken into account such as income lost in previous years due to land value objections. The rate pegging limit (or special variation of 5.7% in our case) is then applied to the calculated 2011/12 notional income to result in total allowable income yield for 2012/13.

2) For 2012/13, implement the current strategy adopted by Council to set the total business category income as 20% of the total allowable income. As reported earlier, Council may wish to consider allowing “natural” growth between years to calculate this in future. The growth formula resulted in a 20.35% share to the business category for 2012/13 before it was adjusted back to 20% using Councils current methodology.

3) Take into account growth in assessments and land valuations between categories from the previous year to arrive at a percentage of total income required from the farmland and residential categories (business already set at 20% and currently no mining category properties).

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

6) Calculate the rate in the dollar for each category with the mining category to be set at the same rate as the business category.

Legal / Resource / Financial Implications

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

Consultation

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

Options

As touched on in the report there a number of options in respect to rating structures, however the key point is that the total rate income yield remains the same, regardless of the rating structure.

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

RECOMMENDATIONS

1. That Council, for the 2012/13 Draft Operation Plan, include a base rating structure modelled on the following principles:

    a) Marginally less than 50% of the rate income for the residential category of properties being generated from the base amount
    b) Business, farmland and mining categories to have the same base amount as the residential base amount
    c) A total of 20% income from the rate yield to be sourced from the business category properties.
    d) The mining category rate in the dollar to be set as the same rate as the business category (currently no mining category properties in the shire).

2. Indicative figures for this rating structure for 2012/13, are as per tables six and seven within this report and as outlined below:

Table Six: Proposed 2012/13 Rating Structure

Rate Category	5.7% Increase	
	Base Charge	Rate in Dollar
Residential	397	0.151434
Business	397	0.537210
Farmland	397	0.122630
Mining	397	0.537210

Table Seven: Proposed 2012/13 Income per Category at 5.7%

	2011/2012			2012/2013		
Rate Category	**6.1% increase**	**% of total**	**Ave Rate**	**5.7% increase**	**% of total**	**Ave Rate**
Residential	11,177,453	72.17	752.00	11,927,413	72.15	797.00
Business	3,061,716	20.00	2,494.00	3.306.176	20.00	2,622.00
Farmland	1,213,150	7.83	1,143.00	1,213,071.58	7.85	1,220.00
Mining	0	0	0	0	0	0
Total	**15,452,319**	**100.0**	**902.00**	**15,452,077.92**	**100.0**	**955.00**

Attachment(s)

Nil

4.2 Ballina Town Centre - Beautification Program

File Reference	Integrated Planning and Reporting - 2012/13
CSP Linkage	A built environment contributing to health and wellbeing
Delivery Program	Financial Management
Objective	To consider options for financing the next stages of the Ballina Town Centre beautification program.

Background

A report presented to the 5 March 2012 Finance Committee highlighted that based on current cash flows from Council's property reserves a preferred funding program for the next stages of the Ballina Town Centre Beautification program was as follows:

- 2011/12 - $1,500,000 (River / Moon Street Roundabout to Fawcett Park)
- 2013/14 - $1,800,000 (River Street - Cherry Street to Martin Street)

At that meeting Council expressed a desire to ensure that both these segments were completed as soon as practical, or possibly the Cherry Street to Martin Street segment as the first priority, particularly with Woolworths planning to redevelop their site in River Street during the next 12 months. The subsequent recommendation from the Finance Committee meeting was as follows:

That Council receive a further report on funding the Ballina CBD upgrade to the 20 March 2012 Finance Committee.

This report now responds to that recommendation.

Key Issues

- Works program and funding options

Information

Council has previously been advised that the preliminary estimates to complete the Ballina Town Centre Beautification program are as follows:

Segments	2010/11 Values ($)	Latest Estimates ($)
River / Moon Sts Roundabout to Fawcett Park	1,313,000	1,500,000
River / Cherry Sts Roundabout to Fawcett Park	1,486,000	1,500,000
River / Martin Sts Roundabout	473,000	500,000
River / Grant Sts Roundabout	536,000	500,000
Martin / Cherry Segment	1,607,000	1,800,000
Grant / Moon Segment	1,607,000	1,800,000
Total	**7,022,000**	**7,600,00**

This project represents a significant expenditure commitment to Council and without income from property sales it will be difficult to complete the works. This is the main reason Council has not completed the project to date.

The budget presented to the 5 March 2012 Finance Committee was conservative with no income from property sales included in the 2012/13 financial year, which was why the Cherry Street to Martin Street component was deferred to 2013/14.

As advised by Council's engineering staff at the 5 March meeting, the preferred option is to complete one of the roundabouts adjoining the already upgraded section of River Street (i.e. Cherry to Moon Streets) as it is important that there be a continuum between the upgrade section and further upgrades.

If a roundabout (at either end) is not completed there will be a significant difference between the roundabout levels and the upgraded sections, which will provide an uneven traffic surface, will not improve current pedestrian safety concerns at those intersections, will negatively impact on the overall aesthetics of the upgrade and will appear disjointed for any observer of these works.

This being the case the engineering advice remains that Council should undertake the roundabout(s) first before completing any of the longer segments (i.e. Martin to Cherry or Grant to Moon Streets).

These works should not just be seen as beautification works, as a large component represents infrastructure renewal. The roundabouts, the road pavements, the footpaths and the kerb and gutter are all works designed to improve existing infrastructure. By undertaking these works Council is extending the life of the existing assets by decades.

This is important as it has been discussed many times that Council should be focusing on infrastructure renewal rather than creating new infrastructure that we may not be in a position to maintain.

The River / Moon Street and River / Cherry Street roundabouts, along with the surrounding infrastructure, are both included in Council's Section 94 Roads Plan. The estimate for these works, as per that plan, is approximately $900,000 per item, with 70% of this able to be funded from Section 94 contributions.

Unfortunately Council has limited funds currently unallocated in respect to Section 94 Roads contributions collected, with the majority of the funds held allocated to Ballina Heights Drive ($2.2 million). However, if Council were to receive a significant payment to the Roads Contribution Plan that money could be allocated to the roundabout works.

In respect to other funding options, as Council has allocated $1.5m from reserves in 2011/12, the only option to bring forward the other $1.8m would be through loan funds in 2012/13. The loan repayments on a loan of this magnitude, based on an 8% interest rate, are $268,000 over ten years and $210,000 over 15 years.

Typically Council would borrow the loan funds towards the end of the financial year, as the works are completed, and this could provide an opportunity for Council to use land sale proceeds, in case a sale did eventuate. Therefore the loan funds could be seen as a last resort option, although it would be important for Council to be in a position to finance the loan repayments, if income from land sales did not eventuate.

Another option would be to apply for part of the funding through the Division of Local Government's Local Infrastructure Renewals Scheme (LIRS). In looking at the $1.8 million to be expended on the next Cherry to Martin Street segment, the engineering estimates are that approximately $1.3 million of the work could be classified as renewal. The major part not classified as renewal is drainage works as limited drainage infrastructure exists in this section of the road.

If Council took out two loans, one at 4% for the $1.3 million and the balance of $500,000 at 8%, the annual repayments, based on a ten year repayment period would be approximately $235,000.The $235,000 represents a reasonable saving compared to the $268,000 mentioned earlier for a loan of $1.8 million at 8% over ten years.

The LIRS program only allows for loans over ten years, which is why the 15 year option is not considered. Also the LIRS cannot be back dated to finance works allocated in the current financial year

A further option could be to not undertake the segment from the roundabout to Fawcett Park and save approximately $1 million in expenditure. This would then mean Council only had to find approximately $800,000 for the Cherry to Martin Street segments as we would have $1 million available from the current allocation of $1.5 million.

In order to finance the $800,000 difference it may be possible to apply for an LIRS loan for the full amount ($800,000) as it would be possible to demonstrate that $800,000 of the total $1.8 million worth of work for Cherry to Martin Streets is backlog works. The annual repayments on a loan of $800,000 at 4% for ten years are approximately $100,000.

One final option that could be considered is that Council could complete this entire segment of River Street by reconstructing the Martin Street roundabout at a cost of approximately $500,000. As this is backlog works the additional $500,000 could be funded through the LIRS scheme, resulting in total loan borrowings of $1.3 million and annual repayments of $160,000.

Management of Debt and Debt Ratio

It is all very well to use loan funding for a project, however it is important that Council is in a position to finance the loan repayments, without impacting on other services, and that our overall level of debt remains manageable.

In respect to financing loan repayments, reference is made to the predicted movements in the Community Infrastructure Reserve that were presented to the 5 March Finance Committee meeting.

Those predicted cash flows are repeated in the following table.

Table One - Community Infrastructure Reserve - 2010/11 to 2014/15
(As reported to Finance Committee - 5 March 2012)

Item	2010/11 (Actual)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)	2014/15 (Estimate)
Opening Balance	**6,348,100**	**917,300**	**802,800**	**(1,148,500)**	**298,100**
Add: Revenues					
Interest Accrued	248,000	172,000	160,000	0	0
Rental - ARC (50%)	116,000	154,500	160,200	165,100	165,100
Rental - 89 Tamar St (100%)	659,400	683,000	686,300	706,900	728,100
Rental - Fawcett Pk (100%)	80,000	83,500	79,300	81,700	84,200
Sales - Harvey Norman (Part)	0	2,180,000	0	0	0
Sales - Southern Cross	702,400	0	0	0	0
Sales - Super Site (50%)	0	0	0	550,000	0
Sales - Residual ARC (50%)	0	0	0	880,000	0
Insurance - Lennox Head C.C.	0	0	0	800,000	0
Rate - Roundabouts (30%)	0	308,000	0	0	0
Section 94 - Recouped	920,300	325,000	450,000	500,000	550,000
Sub Total	**2,726,100**	**3,906,000**	**1,535,800**	**3,683,700**	**1,527,400**
Less: Expenditure					
Loan (Existing) - 89 Tamar	429,700	437,100	437,100	437,100	437,100
Development App Refund	0	27,000	0	0	0
Plan - Captain Cook Park	0	60,000	0	0	0
Legals - Lennox Head C.C.	100,000	75,000	0	0	0
Legals - Other	0	20,000	0	0	0
Property Investigations	0	20,000	0	0	0
Sharpes Beach Masterplan	0	40,000	0	0	0
Capital - Animal Shelter	0	280,000	0	0	0
Capital - Ballina Sports Centre	6,600	443,000	0	0	0
Capital - Coastal Path / Walk	216,600	324,900	0	0	0
Capital - Coastguard Tower	0	0	150,000	0	1,600,000
Capital - Hockey Field	196,000	0	0	0	0
Capital - Lennox Head C.C.	5,788,000	375,000	0	0	0
Capital - Main St - Alstonville	1,300,000	0	0	0	0
Capital - Main St - Ballina	22,500	1,500,000	0	1,800,000	0
Capital - Newrybar Hall	0	5,000	0	0	0
Capital - Street Lighting	0	13,000	0	0	0
Capital - Surf Club - Ballina	49,500	400,500	2,900,000	0	0
Capital - Surf Club - Lennox	11,000	0	0	0	0
Capital - Solar Panels	37,000	0	0	0	0
Sub Total	**8,156,900**	**4,020,500**	**3,487,100**	**2,237,100**	**2,037,100**
Closing Balance	**917,300**	**802,800**	**(1,148,500)**	**298,100**	**(211,600)**

A key part of this reserve is the rental income from Council's commercial property portfolio and the use of that income to offset loan repayments.

The expenditure line titled "Loan (Existing) - 89 Tamar Street" represents existing loan repayments for earlier River Street Beautification works that are being more than offset by the rental income generated from 89 Tamar Street (i.e. rental income of approximately $700,000 more than offsets the loan repayments of $437,100).

If Council supported, for example, the additional $1.3 million in loan borrowings, and the subsequent loan repayments of $160,000 per annum, the recommendation would be to apply the same principle; i.e. rental income offsetting those additional loan repayments. This then provides a funding source for the loan repayments without impacting on the recurrent budget.

If this principle is adopted the Community Infrastructure Reserve cash flow can be amended significantly, as per the next table.

Table Two - Revised Community Infrastructure Reserve - 2010/11 to 2014/15 ($1.3 million in Loan Funding for Ballina Town Centre)

Item	2010/11 (Actual)	2011/12 (Estimate)	2012/13 (Estimate)	2013/14 (Estimate)	2014/15 (Estimate)
Opening Balance	**6,348,100**	**917,300**	**1,802,800**	**(1,308,500)**	**178,100**
Add: Revenues					
Interest Accrued	248,000	172,000	160,000	0	0
Rental - ARC (50%)	116,000	154,500	160,200	165,100	165,100
Rental - 89 Tamar St (100%)	659,400	683,000	686,300	706,900	728,100
Rental - Fawcett Pk (100%)	80,000	83,500	79,300	81,700	84,200
Loan Income - Main Street	0	0	1,300,000	0	0
Sales - Harvey Norman (Part)	0	2,180,000	0	0	0
Sales - Southern Cross	702,400	0	0	0	0
Sales - Super Site (50%)	0	0	0	550,000	0
Sales - Residual ARC (50%)	0	0	0	880,000	0
Insurance - Lennox Head C.C.	0	0	0	800,000	0
Rate - Roundabouts (30%)	0	308,000	0	0	0
Section 94 - Recouped	920,300	325,000	450,000	500,000	550,000
Sub Total	**2,726,100**	**3,906,000**	**2,835,800**	**3,683,700**	**1,527,400**
Less: Expenditure					
Loan (Existing) - 89 Tamar	429,700	437,100	437,100	437,100	437,100
Loan (New) - 89 Tamar Street	0	0	160,000	160,000	160,000
Development App Refund	0	27,000	0	0	0
Plan - Captain Cook Park	0	60,000	0	0	0
Legals - Lennox Head C.C.	100,000	75,000	0	0	0
Legals - Other	0	20,000	0	0	0
Property Investigations	0	20,000	0	0	0
Sharpes Beach Masterplan	0	40,000	0	0	0
Capital - Animal Shelter	0	280,000	0	0	0
Capital - Ballina Sports Centre	6,600	443,000	0	0	0
Capital - Coastal Path / Walk	216,600	324,900	0	0	0
Capital - Coastguard Tower	0	0	150,000	1,600,000	0
Capital - Hockey Field	196,000	0	0	0	0
Capital - Lennox Head C.C.	5,788,000	375,000	0	0	0
Capital - Main St - Alstonville	1,300,000	0	0	0	0
Capital - Main St - Ballina	22,500	500,000	2,300,000	0	0
Capital - Newrybar Hall	0	5,000	0	0	0
Capital - Street Lighting	0	13,000	0	0	0
Capital - Surf Club - Ballina	49,500	400,500	2,900,000	0	0
Capital - Surf Club - Lennox	11,000	0	0	0	0
Capital - Solar Panels	37,000	0	0	0	0
Sub Total	**8,156,900**	**3,020,500**	**5,947,100**	**2,197,100**	**597,100**
Closing Balance	**917,300**	**1,802,800**	**(1,308,500)**	**178,100**	**1,108,400**

Key points with this revised cash flow are:

a) The Ballina Main Street loan repayments being funded from the rental income streams now total $597,100. These repayments are more than offset by the income from the 89 Tamar Street, Fawcett Park Café and ARC properties (income equates to $977,400). The existing $437,100 in loan repayments are finalised in 2017/18, which means at that point in time, there will be further opportunities to borrow against this cash flow.

b) The revised cash flow has allowed the Coastguard Tower project to be moved forward to 2013/14. This is still subject to a number of land sales but none the less it allows Council to obtain planning approvals in 2012/13 and then commence the work in 2013/14 (subject to the land sales).

c) The reserve remains in the black at the end of 2014/15, which is an improvement on the original cash flow.

This is a reasonable proposal and overall considered affordable and achievable, albeit that there are a number of assumptions applied in the model. Importantly the 2011/12 and 2012/13 cash flows remain conservative, which minimises any financial risk to Council.

Even though Council can identify a funding source for these new loan repayments it is also essential that we carefully monitor our overall debt level.

During the next few years the current loan borrowings are planned:

2011/12	$1.3m	Fleet Expansion ($194,000 per annum for ten years)
2012/13	$1.2m	Ballina Heights Drive (originally planned for 2011/12) ($140,000 per annum for 15 years)
2012/13	$1.7m	McLeay Culvert - Agreement with RMS re Bypass Works as per Council resolution from August 2009 ($199,000 per annum for 15 years)
2012/13	$2.5m	Cumbalum Interchange - Agreement with RMS re Bypass Works as per Council resolution from August 2009 ($292,000 per annum for 15 years)
2012/13	$1.0m	Road reseals from Local Infrastructure Renewal Scheme ($123,000 per annum for ten years)
2013/14	$7.0m	Airport Reseal - As per Airport Financial Plan ($818,000 per annum for 15 years)
2016/17	$4.8m	Hutley Drive - As per Section 94 Roads Financial Plan ($561,000 per annum for 15 years)
2017/18	$8.0m	Airport Terminal - As per Airport Financial Plan ($935,000 per annum for 15 years).

If the $1.3 million, as mentioned earlier, is included, this adds another $160,000 per annum in loan repayments.

These figures may look substantial however it is important to understand how the debt is being managed; i.e.

- Fleet - funded from internal plant hire charges

- Ballina Heights Drive, McLeay Culvert, Cumblaum Interchange, Hutley Drive - All funded through increases to the rate base through special rate variations
- Road Reseals - One off proposal based on the LIRS with repayments funded through dividends from the quarry reserve
- Airport Reseal - Funded through airport charges
- Airport Terminal - Will only proceed if funded through increased landing fees

Even though Council has strategies in place to finance the debt, our annual loan repayments are still increasing and the impact that these additional loans have on the overall General Fund debt ratio is as follows.

Table Three - Debt Ratio Calculations - 2010/11 to 2015/16 ($'000)
(Based on $1.3 million loan for Ballina Town Centre)

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Principal	1,713	1,888	2,496	2,729	3,069	3,297
Interest	1,048	1,157	1,258	1,728	1,852	1,662
Total	**2,761**	**3,045**	**3,754**	**4,457**	**4,921**	**4,958**
Revenue	**41,191**	**41,911**	**42,746**	**45,247**	**47,317**	**49,326**
Ratio (%)	**6.70%**	**7.30%**	**8.60%**	**9.90%**	**10.40%**	**10.10%**

As loans are finalised from 2015/16 the ratio decreases. Council's maximum benchmark for General Fund for the debt service ratio is 12% and what this table highlights is that even though the total repayments increase by approximately 80%, the overall debt is still within manageable limits, albeit that we are at the top end of those limits.

Legal / Resource / Financial Implications

The financial implications are outlined in the information section of this report.

Consultation

The proposed funding and works program will be exhibited as part of Council's Draft Delivery Program and Operational Plan for 2012/13. The Ballina Chamber has also advised that their preference is for Council to complete the River to Martin Street segment as the first priority.

Options

The information section of this report has canvassed a range of options for this work. Council is in a position to select any of those options as presented. A brief summary of these is as follows:

Table Four - Funding and Project Options

Segment	Estimate ($)	Option One	Option Two	Option Three	Option Four
Cherry / River St Roundabout	500,000	Reserve	Reserve	Reserve	Reserve
Roundabout to Fawcett Park	1,000,000	Reserve	Deferred	Deferred	Reserve
Cherry to Martin Streets	1,800,000	Loan	Reserve / Loan	Reserve / Loan	Loan
Martin St Roundabout	500,000	Deferred	Deferred	Reserve / Loan	Deferred
Total	**3,800,000**	**3,300,000**	**2,300,000**	**2,800,000**	**3,300,000**
Summary					
Standard Loan		500,000	0	0	500,000
LIRS Loan		1,300,000	800,000	1,300,000	1,300,000
Council Reserves		1,500,000	1,500,000	1,500,000	1,500,000
Repayment PA		**234,000**	**100,000**	**160,000**	**234,000**

It is difficult to determine the preferred approach from the above options. Council has been struggling to complete this upgrade for a number of years and the longer the works are deferred the further the cost increases.

In examining the existing infrastructure the Martin Street roundabout is in a reasonable condition and does not have the pedestrian traffic of the Cherry / River Street roundabout, although the Civil Services Group has advised that the completion of this roundabout would provide an entrance statement to the entre upgrade. There is some merit to that argument, however with limited funding available, and the infrastructure in reasonable condition, it is recommended that it not be included in the works program, at this point in time, as per options one, two, and four.

Council's property reserves are an important consideration in this debate. One of the main benefits in retaining properties such as 89 Tamar Street and the ARC building is the ability to offset loan repayments against that income, without impacting on the recurrent budget.

Table two highlighted we have rental income of approximately $977,400 per annum, which is currently being matched against loan repayments of $477,100. Therefore options one, two and four still result in there being a surplus in rental income over loan repayments. The LIRS, if Council is successful with an application, also provides an opportunity for Council to borrow at a minimal rate.

Summing up all these issues, the preferred option is option four; i.e. complete River / Cherry Street Roundabout to Fawcett Park ($1.5m funded in 2011/12) and then loan fund the Cherry Street to Martin Street segment. The reasons for this preference are:

a) it completes this entire segment, maximising the benefit to the town centre

b) it provides Council with another opportunity to access the LIRS, which provides the benefits of low interest rates

c) the additional loan repayments can be offset against rental property income

d) Council's overall level of loan debt remains manageable and within our preferred thresholds. This is shown in the following table, which updates table three, which had the debt ratio calculations based on a total borrowing of $1.3 million for the town centre. These figures show only a minor variation to the original figures in table three.

Table Five - Debt Ratio Calculations - 2010/11 to 2015/16 ($'000)
($1.8 million loan for Town Centre)

Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Principal	1,713	1,888	2,442	2,764	3,107	3,338
Interest	1,048	1,157	1,255	1,768	1,889	1,696
Total	**2,761**	**3,045**	**3,697**	**4,532**	**4,996**	**5,033**
Revenue	**41,191**	**41,911**	**42,746**	**45,247**	**47,316**	**49,322**
Ratio (%)	**6.70%**	**7.30%**	**8.60%**	**10.00%**	**10.60%**	**10.20%**

e) Finally the Community Infrastructure Reserve Cash Flow remains relatively sound, with the Coastguard Tower still able to be brought forward to 2013/14, as per table six.

Table Six - Revised Community Infrastructure Reserve - 2010/11 to 2014/15
($1.8 million loan for Town Centre)

Item	**2010/11 (Actual)**	**2011/12 (Estimate)**	**2012/13 (Estimate)**	**2013/14 (Estimate)**	**2014/15 (Estimate)**
Opening Balance	**6,348,100**	**917,300**	**802,800**	**(1,308,500)**	**103,100**
Add: Revenues					
Interest Accrued	248,000	172,000	160,000	0	0
Rental - ARC (50%)	116,000	154,500	160,200	165,100	165,100
Rental - 89 Tamar St (100%)	659,400	683,000	686,300	706,900	728,100
Rental - Fawcett Pk (100%)	80,000	83,500	79,300	81,700	84,200
Loan Income - Main Street	0	0	1,800,000	0	0
Sales - Harvey Norman (Part)	0	2,180,000	0	0	0
Sales - Southern Cross	702,400	0	0	0	0
Sales - Super Site (50%)	0	0	0	550,000	0
Sales - Residual ARC (50%)	0	0	0	880,000	0
Insurance - Lennox Head C.C.	0	0	0	800,000	0
Rate - Roundabouts (30%)	0	308,000	0	0	0
Section 94 - Recouped	920,300	325,000	450,000	500,000	550,000
Sub Total	**2,726,100**	**3,906,000**	**3,335,800**	**3,683,700**	**1,527,400**
Less: Expenditure					
Loan (Existing) - 89 Tamar	429,700	437,100	437,100	437,100	437,100
Loan (New) - 89 Tamar Street	0	0	160,000	235,000	235,000
Development App Refund	0	27,000	0	0	0
Plan - Captain Cook Park	0	60,000	0	0	0
Legals - Lennox Head C.C.	100,000	75,000	0	0	0
Legals - Other	0	20,000	0	0	0
Property Investigations	0	20,000	0	0	0
Sharpes Beach Masterplan	0	40,000	0	0	0
Capital - Animal Shelter	0	280,000	0	0	0

Capital - Ballina Sports Centre	6,600	443,000	0	0	0
Capital - Coastal Path / Walk	216,600	324,900	0	0	0
Capital - Coastguard Tower	0	0	150,000	1,600,000	0
Capital - Hockey Field	196,000	0	0	0	0
Capital - Lennox Head C.C.	5,788,000	375,000	0	0	0
Capital - Main St - Alstonville	1,300,000	0	0	0	0
Capital - Main St - Ballina	22,500	1,500,000	1,800,000	0	0
Capital - Newrybar Hall	0	5,000	0	0	0
Capital - Street Lighting	0	13,000	0	0	0
Capital - Surf Club - Ballina	49,500	400,500	2,900,000	0	0
Capital - Surf Club - Lennox	11,000	0	0	0	0
Capital - Solar Panels	37,000	0	0	0	0
Sub Total	**8,156,900**	**4,020,500**	**5,447,100**	**2,272,100**	**672,100**
Closing Balance	**917,300**	**802,800**	**(1,308,500)**	**103,100**	**958,400**

The loan repayments for the $1.3 million LIRS loan are included in full for 2012/13, as it will have to be borrowed at the start of the financial year, whereas the standard loan of $500,000 will be borrowed at the end of 2012/13, resulting in no repayments for that financial year.

The recommendation that follows endorses this approach however Council is in a position to rearrange this program as it sees fit, as the use of loan funding does provide some flexibility. The proposal will also need to be reviewed if Council is unsuccessful with our application for LIRS funding.

RECOMMENDATIONS

1. That Council approves the following program of works for 2011/12 and 2012/13 in respect to the Ballina Main Street Beautification Program:

a) 2011/12 - $1.5 million - Cherry / River Street Roundabout to Fawcett Street - Funded from existing budget (i.e. reserves)

b) 2012/13 - $1,800,000 - Cherry to Martin Streets section of River Street, excluding the Martin Street roundabout - Funded from a Local Infrastructure Renewal Scheme loan of $1.3 million and a standard loan of $500,000.

2. Council adopts the revised Community Infrastructure Reserve Cash Flow, as per table six of this report, with the 2011/12 budget to be amended as per that cash flow, and the figures for 2012/13 onwards to be included in the 2012/13 Draft Operational Plan.

Attachment(s)

Nil

4.3 Fees and Charges - 2012/13

File Reference	Integrated Planning and Reporting – 2012/13
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	This report summarises the proposed 2012/13 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.

Ferry administration

The Ferry fee structure currently provides for a quarterly season ticket that is 25% of the annual fee. It is proposed that a $5 administration fee be applied to each quarterly ticket purchase. The fee goes towards the cost of receipting, administration of the Ferry tickets register and provision of new stickers.

Contribution to works

Fees for contributions to works on public land by adjacent owners for kerb and gutter, footpaths and crossings have been reviewed. It is considered that the current rates do not reflect costs and it is proposed to increase the fees as shown below.

Fees for contribution to public works

	2011/12 fee	2012/13 proposed fee	% increase
Kerb and gutter	$82/metre	$110/metre	21%
Footpaths	$92/sq metre	$160/sq metre	74%
Vehicle crossing	$145/sq metre	$220/sq metre	51%
Layback crossing	$255	$345	35%

Road closure/purchase application

It is proposed to increase the fee by 10% to $170. The revised price is a more accurate reflection of cost to perform the service.

Food premises re-inspection

It is proposed to increase the fee by 10% to $150 which is a more accurate reflection of costs.

Construction certificates

It is proposed to increase fees for construction certificates by varying percentages up to 20%. Refer to page 24 of the fees and charges document for details however the adjustment reflects council's costs and market comparisons.

Plumbing and drainage inspection fees

The charging structure has been simplified by reducing the number of charging categories. The fee is based on the construction value of the work and the revised structure redistributes the charge. Generally the lower valued construction works pay more than was previously the case and vice versa for more expensive work.

The current fee scale ranges from $180 to $1,010 (plus) for constructions over $1 million. The revised structure goes from $300 to $750 with quotations provided for constructions over $1 million.

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 2012/13 fees and charges.

RECOMMENDATIONS

1. That Council approves the draft schedule of fees and charges for inclusion in the draft 2012/13 Operational Plan, as attached to this report, including any adjustments resulting from this meeting.

Attachment(s)

1. Draft Fees and Charges – 2012/13 (separate attachment)

4.4 Plant Operations - Long Term Financial Plan

File Reference	Integrated Planning and Reporting – 2012/13
Sustainability Plan	Transparent and accountable governance
Management Plan	Financial Management
Objective	To provide an overview of the long term financial plan for Council's heavy and light vehicle fleet.

Background

Council owns and operates a plant fleet that is used to complete projects and deliver services to the community. Council manages this fleet as an internal business with the fleet being hired out to Council's various areas of operations (i.e. roads, open spaces etc) based on an internal hire charge. The expenses of operating that fleet (i.e. maintenance, fuel etc) are then matched against the income generated with the surplus used to finance new and replacement equipment.

The only exceptions to this management regime are Council's water, wastewater and waste management functions which separately own their own items of plant. These activities raise their own revenues from legislative charges set by Council and due to their scale and size they have the financial capacity to purchase equipment as needed.

This report focuses on Council's plant operations to provide an overview of the long term financial position of the business.

Key Issues

- Internal hire charges
- Long term aims and objectives

Information

Council's Fleet and Plant function is responsible for the purchase, operation, maintenance and sale of numerous items of plant and vehicles. Items managed include sedans, utilities, backhoes, graders, trucks etc.

This equipment is hired out to various sections of Council's operations with the biggest customers of the fleet being the sections managing roads and open spaces and reserves.

The manner in which the internal charging for this service operates is as follows:

- The Plant Function is charged the expense of buying and operating the fleet. This includes acquisition costs, labour, parts and registration, insurance, fuel and workshop overheads.

- The Plant Function then receives the internal income from hiring the fleet to other Council sections (roads, open spaces etc). At the same time the other Council sections are charged an internal expense that equates to the internal hire income received.

There is a balancing act to ensure that the business has sufficient income to buy and maintain a fleet that meets organisational needs, while at the same time ensuring charges are fair and competitive.

Typically operational areas have recurrent budgets that are incremented by around CPI. If internal plant hire rates increase by higher then CPI there is a net reduction in real terms in respect to amount of funding available for the other sections of Council to continue providing their standard services.

In a practical sense the business also needs to be generating sufficient revenue to provide for replacement of the existing fleet and ideally sufficient to enable expansion as the Shire expands.

Historically the internal income generated has been at best sufficient to cover operating costs and depreciation. This means that there are limited funds to cover fleet expansion, as demonstrated in the 2011/12 budget, where an external loan of $1.3 million is included to cover expansion costs.

Often there are price increases in the replacement cost of equipment, which means simply funding depreciation does not cater for upward price movements, albeit that the trade-in price also need to be considered.

In an accounting sense the internal hire of plant is embedded in the cost of providing works and services. If Council's plant operations generate a surplus that is significantly more or less than actual costs, this means that the expenses posted to those other areas of Council do not reflect the true cost of the service provided or asset created. This then requires end of year adjustments that effectively increase or decrease the value of assets created.

There are also implications for grant based projects if the plant hire rates are not seen to reasonable. Most grant providers do not accept a large surplus on internal charges as it could be seen that Council is transferring funds from the grant to Council's own operations.

The following table outlines the financial performance of Plant Function in recent financial years, along with the latest estimated for 2011/12.

Plant Operating Results ($'000)

Description	**2008/09 Actual**	**2009/10 Actual**	**2010/11 Actual**	**2011/12 Estimate**
Operating Revenues	3,012	3,024	3,083	3,344
Operating Expenses	2,815	2,829	3,358	3,335
Operating Surplus / (Deficit)	**197**	**195**	**(275)**	**9**
Add Back Depreciation	647	696	950	920

Cash Operating Result - Surplus	**845**	**891**	**675**	**929**
Less Loan Principal Payment	25	27	28	30
Add Capital Funding (Loan)	0	0	0	1,300
Less Capital Expenditure	1,273	143	556	2,237
Net Movement in Cash	**(453)**	**721**	**91**	**(38)**
Reserve Closing Balance	**13**	**734**	**825**	**788**

A few points of interest in the table are:

- Apart from the 2010/11 financial year there has been an operating surplus inclusive of depreciation
- Actual income generated has remained relatively stable
- Operating expenses, exclusive of depreciation, increased by over $250,000 in 2010/11 and this higher level of expense has been continued in 2011/12 financial year. This expense reflects increased maintenance cost on the plant and relates to the purchase of external parts etc.
- Work has been carried out the estimated useful life of a number of items of plant which resulted in a substantial increase to depreciation in 2010/11. This reflects a more accurate estimate of the annual reduction to asset values.
- Cash reserves are being maintained at around the $700,000 to $800,000 level

In general terms this information suggests that the business is operating reasonably well and it is important that Council ensures adequate funds continue to be generated for plant replacement, while at the same time ensuring the internal charge rates are competitive.

Forward Financial Plan

The first attachment to this report is the latest financial plan for the business. Items of note in that financial plan include:

Operating Revenues

- Hire Charges - The required charge increases, on average for 2012/13 is 5%, with a recommendation of 4% in 2013/14, then CPI afterwards.
- Hire Charges (Expanded Fleet) - This is the internal income that needs to be generated by the new plant Council is purchasing this current financial year. This income must offset direct operating expenses, annual deprecation plus a share of the workshop operating expenses.

The calculations to determine this estimated income are as follows:

Item	**Amount ($)**
Estimated depreciation per annum for new plant	150,000
Plant operations, maintenance and repairs (20% of value)	246,000
Interest on external loan	106,000
Proportion of workshop and other expenses	56,000
Total income needed to cover operating costs	**558,000**

Assuming average operating hours of around 34 per week, this then equates to the following hourly rates for the new items of plant:

Item	Rate (Plant Only)	Rate (With Operator)
Backhoe	46	80
Roller	47	81
Tipping Trucks (2)	56	90
Water Truck	50	84
Mini Excavator	30	64
4.5t Tipper (2)	16	50
16t Tipper - Excavator transport	37	71
2.5 - 4t Self Propelled Roller	23	57

The second attachment to this report is a chart that details the proposed hourly rates for the new items of plant, along with a comparison to the highest, lowest and median price for hiring of the equipment from third parties. As per that chart it can be seen that the proposed Council hire rate is, on average, close to the median, which means that the internal hire charge rates proposed are competitive.

Operating Expenses

- Plant Operations (Expanded Fleet) - This is the direct expenses of operating the new plant. There is an additional item for the new plant.

- Depreciation - This has another significant increase for 2012/13 to reflect the additional plant purchased during 2011/12.

Capital Movements

- Transfer to Reserves - This represents the cash surplus on operations less the loan principal repayment.

- Transfer from Reserves - The reserve funds are then transferred out to finance capital expenditure.

- Capital Expenditure - This reflects Council's plant replacement program - Attachment three to this report provides the program as submitted to the March 2011 Finance Committee meeting. That program is due to be updated however it does provide a guide on the purchases planned for the near future.

- Reserve Movements - This details the opening balance, the net cash transfer to or from reserve and the closing balance.

In summary the financial plan is considered realistic and achievable and ensures that Council's plant fleet is replaced as required.

Legal / Resource / Financial Implications

Council must balance the needs of managing a modern and well maintained plant fleet against the impact that plant hire rates will have on those sections of the organisation that hire internal plant.

Consultation

The proposed plant financial model will be subject to community consultation through the exhibition of the draft Operational Plan.

Options

This report is primarily for information to provide an overview of Council's plant operations. Therefore the recommendation that follows is to note the contents of the report.

RECOMMENDATION

That Council notes the contents of this report on the long term financial plan for Council's plant operations, which will be included in the draft Operational Plan for 2012/13.

Attachment(s)

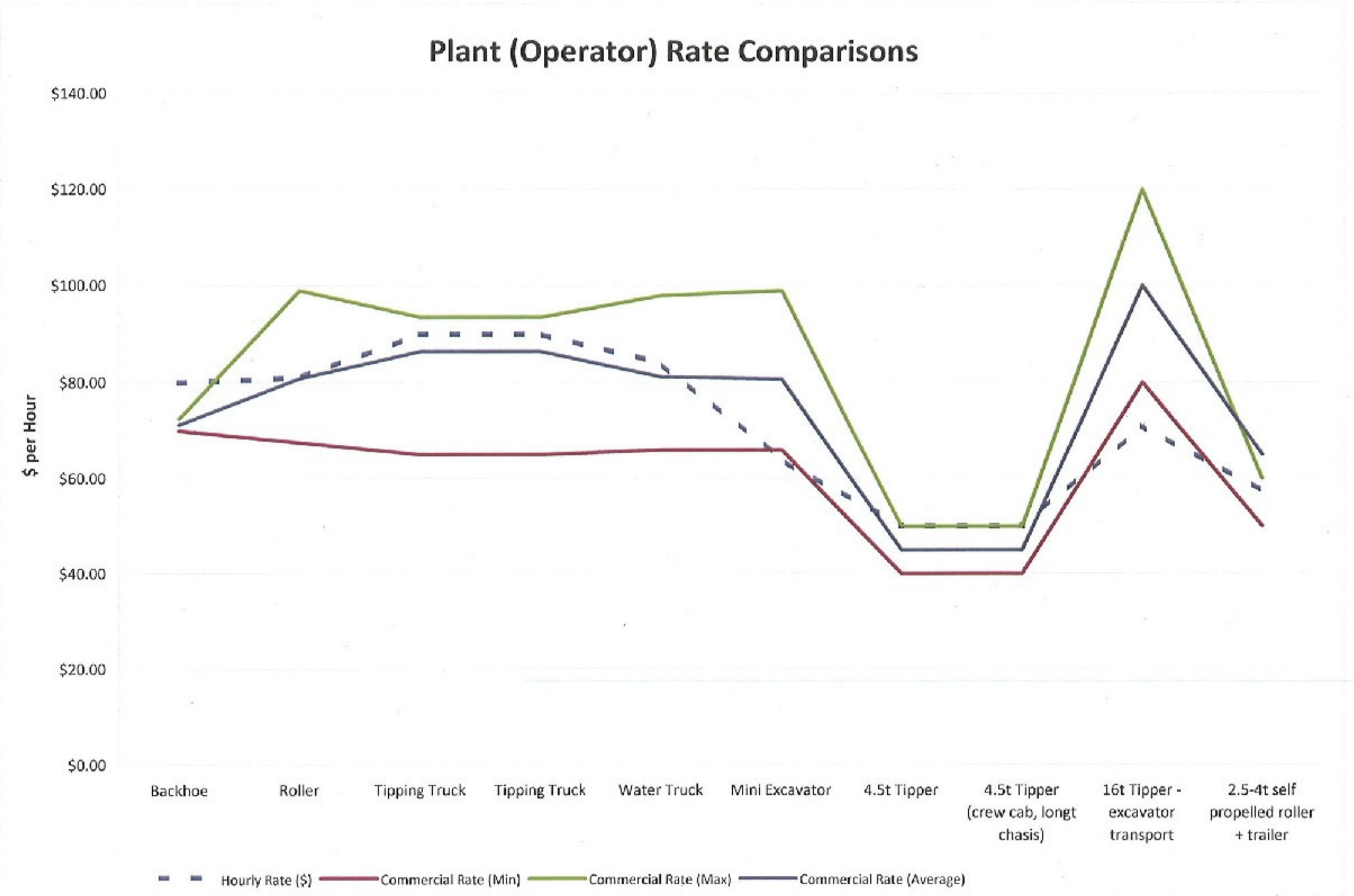
1. Fleet and Plant - Long Term Financial Plan
2. Chart - Comparison of Council internal hire rates and external rates (high, medium, low)
3. Plant Replacement Program

4.4 Plant Operations - Long Term Financial Plan

FLEET AND PLANT - LONG TERM FINANCIAL PLAN

ACTUAL	ACTUAL	ESTIMATE	BUDGET ITEMS	ESTIMATED										
2009/10	2010/11	2011/12		2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
			ASSUMPTION											
			Increase in Hire Charges	5.0%		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
			Increase in Revenues and Expenses			3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
			OPERATING REVENUES											
			Fees and Charges	3,345,000		3,478,900								
2,582,495	2,509,035	2,654,000	Plant Hire Charges - Existing Fleet	2,787,000	5	2,898,500	2,985,500	3,075,100	3,167,400	3,262,500	3,360,400	3,461,300	3,565,200	3,672,200
0	**0**	**0**	**Plant Hire Charges - Expanded Fleet**	**558,000**	**100**	**580,400**	**597,900**	**615,900**	**634,400**	**653,500**	**673,200**	**693,400**	**714,300**	**735,800**
132,470	139,285	151,000	Staff Contributions	155,600	3	160,300	165,200	170,200	175,400	180,700	186,200	191,800	197,600	203,600
30,938	40,259	45,000	Diesel Fuel Rebate - On Road	45,000	0	46,400	47,800	49,300	50,800	52,400	54,000	55,700	57,400	59,200
3,487	28,589	40,000	Interest On investments	15,500	(61)	16,000	16,500	17,000	17,600	18,200	18,800	19,400	20,000	20,600
0	9,332	5,000	Sale Scrap Metal	5,000	0	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
346,456	430,504	449,300	Motor Vehicle Charge - Salaried Staff	456,200	2	469,900	484,000	498,600	513,600	529,100	545,000	561,400	578,300	595,700
			Gain on Disposal of Plant & Equipment											
25,814	36,920	0	Gain on Sale of Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0
(98,020)	(111,121)	0	Loss on Sale of Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0
3,023,640	**3,082,803**	**3,344,300**	**Total Operating Revenues**	**4,022,300**	**20**	**4,176,700**	**4,302,300**	**4,431,700**	**4,565,000**	**4,702,400**	**4,843,800**	**4,989,400**	**5,139,400**	**5,293,900**
			OPERATING EXPENSES											
			Operating Expenses											
			Plant											
0	14,824	5,000	Fuel System Monitoring	5,200	4	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800	7,100
0	60,877	30,500	Parts and Administration	37,000	21	38,200	39,400	40,600	41,900	43,200	44,500	45,900	47,300	48,800
1,572,239	1,758,248	1,709,000	Plant Operations	1,760,000	3	1,812,800	1,867,200	1,923,300	1,981,000	2,040,500	2,101,800	2,164,900	2,229,900	2,296,800
0	**0**	**0**	**Plant Operations - New**	**246,000**	**100**	**253,400**	**261,100**	**269,000**	**277,100**	**285,500**	**294,100**	**303,000**	**312,100**	**321,500**
77,156	86,759	116,500	Plant Lease Payments	120,000	3	123,600	127,400	131,300	135,300	139,400	143,600	148,000	152,500	157,100
9,047	9,864	23,000	Fringe Benefits Tax	23,700	3	24,500	25,300	26,100	26,900	27,800	28,700	29,600	30,500	31,500
302	0	500	Small Plant Insurance	600	20	700	800	900	1,000	1,100	1,200	1,300	1,400	1,500
81,633	123,546	110,000	Small Plant Maintenance	113,300	3	116,700	120,300	124,000	127,800	131,700	135,700	139,800	144,000	148,400
66,335	37,096	82,500	Small Plant Purchases	85,000	3	87,600	90,300	93,100	95,900	98,800	101,800	104,900	108,100	111,400
0	0	0	Fleet Management Software Mtce	10,000	100	10,300	10,700	11,100	11,500	11,900	12,300	12,700	13,100	13,500
			Workshop											
85,303	95,135	94,500	Fleet Co-ordinator Salary	97,000	3	100,000	103,000	106,100	109,300	112,600	116,000	119,500	123,100	126,800
0	23	2,000	Conferences and Seminars	2,000	0	2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900
43,961	30,561	31,000	Repairs To Plant And Tools	32,000	3	33,000	34,000	35,100	36,200	37,300	38,500	39,700	40,900	42,200
41,921	33,699	36,000	Workshop Consumables	37,100	3	38,300	39,500	40,700	42,000	43,300	44,600	46,000	47,400	48,900
1,094	1,755	1,500	Telephone Council Calls Mechanics	1,600	7	1,700	1,800	1,900	2,000	2,100	2,200	2,300	2,400	2,500
8,261	2,530	17,000	Workshop Small Plant Hire	17,600	4	18,200	18,800	19,400	20,000	20,600	21,300	22,000	22,700	23,400
			Indirect Expenses											
138,996	147,996	152,000	Overheads to Plant	156,600	3	161,300	166,200	171,200	176,400	181,700	187,200	192,900	198,700	204,700
			Debt Servicing											
7,018	5,414	3,500	Interest On Loans Plant	105,900	2,926	97,000	89,000	81,000	72,000	62,000	51,000	41,000	28,000	15,000
			Non-cash Expense											
696,237	949,784	920,000	Depreciation	1,071,000	16	1,103,200	1,136,300	1,170,400	1,205,600	1,241,800	1,279,100	1,317,500	1,357,100	1,397,900
2,829,503	**3,358,111**	**3,334,500**	**Total Operating Expenses**	**3,921,600**	**18**	**4,028,000**	**4,138,900**	**4,253,300**	**4,370,300**	**4,490,000**	**4,612,600**	**4,740,300**	**4,868,800**	**5,001,900**
194,137	**(275,308)**	**9,800**	***Operating Result - Surplus / (Deficit)***	**100,700**	**928**	**148,700**	**163,400**	**178,400**	**194,700**	**212,400**	**231,200**	**249,100**	**270,600**	**292,000**
696,237	949,784	920,000	*Depreciation*	1,071,000		1,103,200	1,136,300	1,170,400	1,205,600	1,241,800	1,279,100	1,317,500	1,357,100	1,397,900
890,374	**674,476**	**929,800**	***Cash Result - Surplus / (Deficit)***	**1,171,700**	**26**	**1,251,900**	**1,299,700**	**1,348,800**	**1,400,300**	**1,454,200**	**1,510,300**	**1,566,600**	**1,627,700**	**1,689,900**
			Capital Movements											
26,736	28,340	30,000	Less Loan Principal Repayments	121,800		97,000	105,000	113,000	122,000	132,000	143,000	153,000	166,000	179,000
890,400	674,500	899,800	Less Transfer to Reserves	1,049,900		1,154,900	1,194,700	1,235,800	1,278,300	1,322,200	1,367,300	1,413,600	1,461,700	1,510,900
169,700	583,900	1,542,000	Add Transfer from Reserves	900,000		1,154,900	962,700	1,086,800	1,026,200	1,501,900	1,077,900	1,089,200	1,100,900	1,112,900
0	0	1,300,000	Add Capital Income	0		0	0	0	0	0	0	0	0	0
142,938	555,536	2,842,000	Less Capital Expenditure	900,000		1,154,900	962,700	1,086,800	1,026,200	1,501,900	1,077,900	1,089,200	1,100,900	1,112,900
0	**0**	**0**	***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
1,454,800	**734,100**	**824,700**	**Reserve - Opening Balance**	**182,500**		**332,400**	**332,400**	**564,400**	**713,400**	**965,500**	**785,800**	**1,075,200**	**1,399,600**	**1,760,400**
(720,700)	90,600	(642,200)	Net Cash Movement	149,900		0	232,000	149,000	252,100	(179,700)	289,400	324,400	360,800	398,000
734,100	**824,700**	**182,500**	**Reserve - Closing Balance**	**332,400**		**332,400**	**564,400**	**713,400**	**965,500**	**785,800**	**1,075,200**	**1,399,600**	**1,760,400**	**2,158,400**

ACTUAL	ACTUAL	ESTIMATE	LOAN SUMMARY	ESTIMATED										
2009/10	2010/11	2011/12		2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
26,700	28,300	30,000	Existing Loan - Principal	31,800										
7,000	5,400	3,500	Existing Loan - Interest	1,900										
33,700	**33,700**	**33,500**	**Total Repayment**	**33,700**										
90,100	**61,800**	**31,800**	**Existing Loan Principal Outstanding**	**0**										
			New Loan											
0	0	0	New Loan - Principal	90,000		97,000	105,000	113,000	122,000	132,000	143,000	153,000	166,000	179,000
0	0	0	New Loan - Interest	104,000		97,000	89,000	81,000	72,000	62,000	51,000	41,000	28,000	15,000
0	**0**	**0**	**Total Repayment**	**194,000**		**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**
0	**0**	**1,300,000**	**New Loan Principal Outstanding**	**1,210,000**		**1,113,000**	**1,008,000**	**895,000**	**773,000**	**641,000**	**498,000**	**345,000**	**179,000**	**0**
			Total Loans											
26,700	28,300	30,000	Total Loans - Principal	121,800		97,000	105,000	113,000	122,000	132,000	143,000	153,000	166,000	179,000
7,000	5,400	3,500	Total Loans - Interest	105,900		97,000	89,000	81,000	72,000	62,000	51,000	41,000	28,000	15,000
33,700	**33,700**	**33,500**	**Total Repayments**	**227,700**		**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**	**194,000**
90,100	**61,800**	**1,331,800**	**Total Loan Principal Outstanding**	**1,210,000**		**1,113,000**	**1,008,000**	**895,000**	**773,000**	**641,000**	**498,000**	**345,000**	**179,000**	**0**


Plant (Operator) Rate Comparisons
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
$ per Hour
Backhoe
Roller
Tipping Truck
Tipping Truck
Water Truck
Mini Excavator
4.5t Tipper
4.5t Tipper (crew cab, longt chasis)
16t Tipper - excavator transport
2.5-4t self propelled roller + trailer
Hourly Rate ($)
Commercial Rate (Min)
Commercial Rate (Max)
Commercial Rate (Average)

General Fund- Indicative Plant Replacement Program

Plant No	Make/Type	Type	Design Life	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
13	MITSUBISHI 7.5t CANTER TRUCK	Heavy Vehicle	6		65618						65618		
14	MITSUBISHI CANTER DUAL CAB	Heavy Vehicle	6		47478						47478		
15	MITSUBISHI CANTER LWB CREW CAB	Heavy Vehicle	6			35280					35280		
17	WESTERN STAR 4864 PRIME MOVER	Heavy Vehicle	8						174485				
21	HINO RANGER TIPPING TRUCK	Heavy Vehicle	8				92607						
26	ISUZU TIPTRUCK(BITUMEN MAINTENANCE)	Heavy Vehicle	8								253000		
27	STREET SWEEPER SCARAB MERLIN HYDOSTATIC	Heavy Vehicle	8			259954							
28	HINO DUTRO 7500 FUEL TRUCK	Heavy Vehicle	6		60403						60403		
29	HINO RANGER TIPPING TRUCK	Heavy Vehicle	8				92607						
30	FREIGHTLINER FL112 PREMIUM TRUCK (waste)	Heavy Vehicle	8			207858							207858
35	TOYOTA FORKLIFT 2.5 TONNE (Depot)	Heavy Vehicle	10	80000									24698
36	VOLVO L70E FRONT END LOADER (Waste)	Heavy Vehicle	8			188940							
39	CAT IT14G RUBBER TYRED LOADER	Heavy Vehicle	8						164702				
40	VOLVO GRADER G710B	Heavy Vehicle	10					213925					
42	CATERPILLAR GRADER 12M	Heavy Vehicle	10									265316	
47	KOMATSU PC220-7 EXCAVATOR (Waste)	Heavy Vehicle	10	187075									
49	KOMATSU PC160LC-7 EXCAVATOR	Heavy Vehicle	10					206960					
55	JOHN DEERE 315 BACKHOE LOADER	Heavy Vehicle	7		117360							117360	
58	MASSEY FERG TRACTOR	Heavy Vehicle	8								100890		
59	JOHN DEERE 315 BACKHOE LOADER	Heavy Vehicle	7							121400			
62	CASE IH JX80L TRACTOR	Heavy Vehicle	8								47740		
63	CASE IH JX1090U TRACTOR	Heavy Vehicle	8	51999							51999		
64	JOHN DEERE 5720 CAB TRACTOR	Heavy Vehicle	8				50423						
66	MASSEY FERG TRACTOR 4245	Heavy Vehicle	8		63788								63788
67	ADD ON REAR DISCHARGE	Heavy Vehicle	8								56364		
70	HOWARD EHD 180 SLASHER	Heavy Vehicle	5		5755					5755			
116	FORD TRADER - WORKSHOP	Heavy Vehicle	6						45000				
125	DRAKE TRI-AXLE LOW LOADER	Heavy Vehicle	10		114109								
128	ISUZU NPR400 CREW CAB	Heavy Vehicle	6						51100				
129	MITSUNISHI CANTER LWB CREW CAB	Heavy Vehicle	6	56543						56543			
130	ISUZU 25/300 MEDIUM CAB CHASSIS	Heavy Vehicle	6		55523						55523		
142	ISUZU NPR250/300 CAB CHASSIS($20,000 added for Tra	Heavy Vehicle	6						46157				
143	PORTABLE TRAFFIC SIGNALS TRAILER MOUNTED kvm	Heavy Vehicle	5					40116					40116
145	PORTABLE TRAFFIC SIGNALS TRAILER MOUNTED	Heavy Vehicle	5	45083					45083				
145	TRAFFIC LIGHTS	Heavy Vehicle	5					15750					15750
148	CATERPILLAR 318cl EXCAVATOR + Jaws Attatchment	Heavy Vehicle	10				215254						
155	MCCONNEL PA6400 MIDCUT FLAIL MOWER (ATT P.58)	Heavy Vehicle	5					81673					
168	PACIFIC MULTI TYRED ROLLER	Heavy Vehicle	10		166399								
195	TOYOTA FORKLIFT 2.5 TONNE (MRF) (waste)	Heavy Vehicle	10		40000								
196	JARRETT TS 360 ROTARY MOWER	Heavy Vehicle	5					13468					13468
223	ISUZU 300 CREW CAB	Heavy Vehicle	6				36962						36962
240	AERWAY AERATOR AW080-503	Heavy Vehicle	5	9259					9259				
242	SCHULTE S150 ROTARY MOWER (ATT P.63)	Heavy Vehicle	5	25886					25886				
255	Water Truck (IZZARD)	Heavy Vehicle	8										
256	FLOOR SCRUBBER	Heavy Vehicle	5	20210					20210				
257	KVM SOLAR MOVEABLE MESSAGE BOARD	Heavy Vehicle	5	45792					45792				
258	KVM SOLAR MOVEABLE MESSAGE BOARD	Heavy Vehicle	5	45792					45792				
264	QUICK SPRAY CHEMICAL SPRAY UNIT (pgr)	Heavy Vehicle	10						10020				
266	JOHN DEERE 5720 CAB TRACTOR	Heavy Vehicle	8				50423						
267	HOWARD EHD 180 SLASHER(Att P.266)	Heavy Vehicle	5	7233					7233				
268	VOLVO G930 GRADER	Heavy Vehicle	10							228708			
269	JOHN DEERE 3320 COMPACT TRACTOR	Heavy Vehicle	8					28848					
270	ISUZU WATER TRUCK (Old Fire Truck)(Waste)	Heavy Vehicle	8					5960					
271	CAT 2688AC SKID STEER LOADER(waste)	Heavy Vehicle	8					95000					
273	FERRIS IS2000 ZERO TURN MOWER	Heavy Vehicle	5				12682					12682	
276	AMMANN AP240 MULTI TYRED ROLLER	Heavy Vehicle	8						92096				
279	FERRIS 72" ZERO TURN MOWER	Heavy Vehicle	2		23446		23446		23446		23446		23446
281	FERRIS 72" ZERO TURN MOWER	Heavy Vehicle	2		23446		23446		23446		23446		23446
282	HOWARD PEGASUS P610 MOWER	Heavy Vehicle	5				48244					48244	
286	FERRIS 72" ZERO TURN MOWER	Heavy Vehicle	2		23446		23446		23446		23446		23446
287	FERRIS 72" ZERO TURN MOWER	Heavy Vehicle	2		23446		23446		23446		23446		23446
703	ARROW 770 KERB & GUTTER MACHINE	Heavy Vehicle	10							49491			

4.5 Water Operations - Long Term Financial Plan

File Reference	2012/13 Integrated Planning and Reporting
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the long term financial plan for Council's water operations and consider a pricing strategy for 2012/13.

Background

Council's water operations are anticipated to have accumulated reserves of approximately $10 million and a total loan indebtedness of $3,900 at the end of the current financial year (2011/12). This means the business is in a very sound position to plan for the future as it is currently not tied to any existing commitments.

The major issue for the business is that it must contend with the construction of a major reservoir for Ballina Heights in the near future along with the on-going renewal of trunk mains and pumping stations.

On a day to day basis the business has struggled for a number of years to achieve a cash surplus on operations (both prior to depreciation and capital expenditure). It has been very difficult to improve this financial position as Rous Water Council has continued to pass on 15% increases for bulk water for the past five years.

As the purchase of bulk water represents almost 80% of operating expenses with depreciation excluded, or almost 60% with depreciation included, it would have taken substantial prices to improve the overall profitability of the business while ever Rous was increasing their prices by this magnitude. Therefore the pricing strategies in recent years have been to try and maintain the operating position of the business, without going further backwards.

As Rous Water is now returning to a more standard CPI approach to price increases for 2012/13 onwards Council is in a position to determine whether it wishes to improve the overall financial position of the business.

This report canvasses the options available to Council.

Key Issues

- Pricing Structure
- Affordability

4.5 Water Operations - Long Term Financial Plan

Information

In considering the long term financial plan for Council's water services it is important to acknowledge that the 15% increases from Rous Water have resulted in annual price increases for Ballina Shire consumers ranging from 6% to 10% plus each year. The political reality is that we have been continuing to exhaust the tolerance of the community in regard to price increases to simply maintain the status quo.

It is also important to appreciate that the pricing structure for water is based on a tariff structure that is weighted such that the majority of income is derived from water consumption rather than a fixed charge. This means the primary income source is liable to large fluctuations depending on weather, pricing strategies, consumer usage patterns and population growth. Also, as prices have increased, per person consumption has decreased.

In preparing the draft long term financial plan for water the key considerations have been:

- a continuation of the existing tariff structure of fixed and consumption charges
- maintenance and operation expenses levelling out after a period of rapid escalation
- consideration of the overall state of the existing infrastructure and the expenditure required to maintain assets and
- the levelling out of Rous Water increases, which for 2012/13 are estimated at 2.16% for Ballina Shire Council

The manner in which Rous Water has calculated the 2012/13 charge is outlined in the following table. Briefly Rous examines the current year's consumption figures, determines each constituent council's percentage of the total and then calculates the council charge based on the total revenue required.

Table One - Rous Water Contribution Calculations for 2012/13

Consumption for 2011/12			Estimated Consumption for 2012/13					
Kilolitres	**% of Total**	**Cost @ $1.4198 cents /kl**	**Council**	**Kilolitres to date**	**Trend**	**% of Total**	**Cost @ $1.5409 cents / kl**	**% Change**
3,205,487	32.57%	$4,576,800	Lismore	3,104,780	-3.14%	33.05%	$4,784,100	4.53%
2,462,994	25.02%	$3,516,700	Byron	2,365,488	-3.96%	25.18%	$3,645,000	3.65%
592,468	6.02%	$845,900	Richmond	587,289	-0.87%	6.25%	$904,900	6.97%
3,581,558	36.39%	$5,034,600	Ballina	3,337,740	-6.81%	35.53%	$5,143,100	2.16%
9,842,507	**100.00%**	**$13,974,000**	**TOTAL**	**9,395,297**	**-4.54%**	**100.00%**	**$14,477,100**	**3.60%**
							$ Increase	**$503,100**

As outlined in this table, it is anticipated that Ballina Council's percentage of the total consumption for 2012/13 will be less than the percentage for 2011/12 (35.53% compared to 36.39%). This means that even though Rous Water's total income is increasing by 3.48% our contribution is only increasing by 2.16%.

As mentioned earlier the cash operating result for water has been marginal, at best, for a number of years. The next table provides a summary of the operating results for recent years together with the current year's estimate.

As per that table the business has been incurring an operating loss, after depreciation, consistently and the 2011/12 forecast is for a loss prior to depreciation.

Table Two - Water Supply Operating Results

Item	2008/09 Actual ($'000)	2009/10 Actual ($'000)	2010/11 Actual ($'000)	2011/12 Estimate ($'000)
Operating Revenues	6,387	7,404	7,899	8,145
Operating Expenses	6,149	6,726	7,569	8,643
Surplus / (Deficit)	**263**	**678**	**330**	**(498)**
Include Depreciation	2,004	2,132	2,246	2,300
Surplus / (Deficit)	**(1,741)**	**(1,454)**	**(1,916)**	**(2,798)**

The reasonable level of reserves and low debt has greatly assisted during the last five years when Rous Water has increased bulk water costs. However it must be acknowledged that in the future there will be considerable capital works necessary to upgrade and enhance existing infrastructure.

The asset consumption ratio for this business, from the 2010/11 Annual Financial Statements, indicates that assets are approximately 58% through their useful life. This means that the time is approaching when major refurbishment of the network will be required. This means Council needs to be planning for future asset improvements and it is important that the operating performance of the business is improved over time

Forward Financial Plan

With all of this information in mind a forward financial plan is included as three attachments to this report. The attachments are as follows:

1. Water - Cash Movements and Balances - Ten Year Forward Plan

The key pieces of information in this attachment are:

- Operating Result Before Depreciation and Excluding Section 64 Interest - This is effectively the cash result for the business and it is important that this return to a surplus as soon as possible, otherwise the business is going backwards on a cash basis from operations. The financial plan shows this returning to a surplus in 2014/15

- Operating Result Before Depreciation - This is similar to the previous item however Section 64 interest is included. Section 64 interest is operating revenue, however as it is restricted in its use, it is important to understand the operating result both with and without this interest figure. Importantly this line shows the business returning to a surplus in 2012/13

- Operating Result Including Depreciation - This highlights the result once depreciation is included. The forecast never has this line showing as a surplus, which means depreciation is never fully funded.

- Percentage of Depreciation Funded - This is a ratio showing the level of depreciation funded. This figure is a key strategic consideration for Council in determining what level of depreciation is to be funded into the future. The level of funding is dependent on the operating result. The current long term forecast is based on depreciation nearly being fully funded (i.e. 94%) by 2021/22.
- Water Reserves (including movements and closing balances) - This section shows the cash movement (increase or decrease) for the entire business each year (after items such as capital expenditure), along with the movements in the water reserves and section 64 contributions. As per the closing balances, despite there being some major cash decreases during the ten year period, reserves are predicted to remain positive for the entire period.

2. Water - Operating Revenues and Expenses - Ten Year Forward Plan

The key pieces of information in this attachment are:

- Annual Charges and User Charges - The increase in these items for 2012/13 is approximately 5% and the forecast has been based on actual increases in the charges of 5.9%. The net income increase is slightly less than the 5.9% as pensioner rebates result in a reduction in the actual income Council receives. For the purposes of this financial model the annual and consumption charges have been increased every year by the 5.8%. The reason for this is to try and work towards financing the depreciation expense. As per the first attachment this strategy results in depreciation being almost fully funded by 2021/22. Pricing options are examined in further detail later in this report.

- Total Operating Expenses (Excluding Depreciation) - The key information here is that the forward financial plan is based on 2012/13 operating expenses being 5% less then 2011/12, even after the 2.3% increase to the Rous Water bulk water charge is included. There have been substantial increases in operating expenses for both the water and wastewater businesses in recent years. It is now felt that there are opportunities to make savings in expenses and it is anticipated that the operating expense results for 2011/12 will come in under budget. Extrapolating those results forward to 2012/13, water staff are confident that the business can be operated on the budgets provided, which in turn helps to minimise the magnitude of price increases needed to return the business to an operating surplus.

- Cash Result - Surplus / (Deficit) - As per the first attachment the primary aim is to return the business to an operating surplus (excluding depreciation) for 2012/13.

3. Water - Capital Expenditure

This attachment outlines the forward capital works program. The major expenditure items relate to new reservoirs at Ballina Heights and Ross Lane. It should be noted that staff are currently undertaking a review of this capital works program as compared to the Section 64 Developer Servicing Plans (DSPs) prepared by GHD Pty. Ltd. for Council. This review has identified a number of inconsistencies, along with some major variations in future costs, and the outcome from this review may result in changes to this forecast or the Section 64 Plans.

Once that review is completed a further report will be presented to Council, however for the time being this capital expenditure program represents the best information available.

Annual and Consumption Charges

The next table provides a comparison of our existing water charges to our immediate neighbours. Based on an average consumption of 200 kilolitres per annum the total annual charge for each council area would be - Ballina - $490, Byron - $539, Lismore - $631, Richmond Valley - $451. Therefore our current prices are relatively competitive.

Table Three – Comparison of Water Charges 2011/12

Council	Ballina	Byron	Lismore	Richmond
Access	$156	$135	$159	$111
Consumption per kilolitre	$1.67 to 350kl $2.51 350kl +	$2.02 to 450kl $3.03 450kl +	$2.36	$1.70 to 200k $2.55 200kl +

In setting prices Council has been following the guidelines promoted by the Department of Energy Utilities and Sustainability (DEUS). Two targets set by DEUS are:

- Of the income raised by charges levied on residential consumers, 75% should be derived from the consumption charge. At this stage approximately 65% of Ballina Council's income is derived from consumption. Council has been reluctant to move further towards the 75% as that increases the overall variability of the forecast revenue even further, as a higher percentage is based on consumption.

- the charge for annual consumption over 350kl should be at least 50% greater for residential properties than the charge under 350kl. This target has been achieved.

In preparing the long term financial plan a 5.9% increase in the annual and consumption charges has been applied for 2012/13. If Council endorsed this proposal the draft water charges for 2012/13 would be as follows.

4.5 Water Operations - Long Term Financial Plan

Table Four - Draft Water Supply Charges

Charge Type	2011/12	2012/13	% Increase
Water Access Charge 20mm meter (1)	156	165	5.9
Water Consumption under 350kl	1.67	1.77	5.9
Water Consumption over 350kl	2.51	2.66	5.9
Vacant Land Charge	156	165	5.9

(1) Access charges vary depending on meter size. The figures shown above reflect a 20mm meter which is the typical residential size meter. The proposal is to increase all access charges by 5.9%.

The 5.9% is considered to be the minimum increase needed for 2012/13 to return the operating result to a surplus, excluding depreciation, as outlined in attachment one. Importantly there has also been a net reduction in forecast operating expenses to help achieve this outcome.
The other important point in the long term financial plan is the continued implementation of 5.9% increases to work towards funding depreciation in the long term. That information, as per attachment one, is summarised in the following table.

Table Five - Summary of Outcomes from 5.9% Increases

Year	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Result	45	0	221	500	775	1,143	1,260	1,716	2,236	2,825
Depreciation Funded (%)	2%	0%	9%	20%	30%	43%	46%	61%	77%	94%
Reserve Balances	3,289	3,025	3,288	3,153	3,987	834	2,131	3,866	6,104	8,911

The next three tables outline the same indicators based on consistent 3%, 4% and 5% increases per annum.

Table Six - Summary of Outcomes from 3% Increases

Year	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Result	(166)	(459)	(487)	(481)	(522)	(478)	(736)	(706)	(673)	(636)
Depreciation Funded (%)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Reserve Balances	3,078	2,356	1,909	794	332	(4,443)	(5,142)	(5,829)	(6,500)	(7,153)

Table Seven - Summary of Outcomes from 4% Increases

Year	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Result	(92)	(302)	(251)	(156)	(99)	46	(101)	45	202	371
Depreciation Funded (%)	0%	0%	0%	0%	0%	2%	0%	2%	7%	12%
Reserve Balances	3,152	2,585	2,375	1,585	1,545	(2,706)	(2,771)	(2,707)	(2,503)	(2,149)

Table Eight - Summary of Outcomes from 5% Increases

Year	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Operating Result	(20)	(143)	(12)	180	338	597	570	848	1,147	1,471
Depreciation Funded (%)	0%	0%	0%	7%	13%	22%	21%	30%	39%	49%
Reserve Balances	3,224	2,817	2,845	2,390	2,788	(912)	(305)	562	1,711	3,165

Tables six and seven highlight that the business continues to incur deficits with 3% and 4%, whereas 5% is closer to the mark, albeit that it takes another three years to return to an operating surplus, and reserves are inadequate for 2017/18 and 2018/19.

What tables five to eight demonstrate is that if Council wishes to achieve the three goals of:

1. generating a reasonable operating surplus; and
2. working towards funding depreciation; and
3. retaining positive reserve balances

then on-going increases of just under 6% will achieve those goals in the longer term. Price increases will always remain a year to year decision, however with Rous having now ceased their 15% increases, there is an opportunity for Ballina Council to work towards some sound long term goals for the water business.

Legal / Resource / Financial Implications

This report provides a financial overview of the water business.

Consultation

The draft budget and proposed charges will be subject to public exhibition.

Options

There are a range of options in respect to the budget and the proposed charges for the water business. However based on the information outlined in this report it is recommended that for the purposes of public exhibition Council include the draft budget, as attached to this report, in the 2012/13 Operational Plan, along with the proposed 5.9% increase in annual and consumption charges.

In respect to increases from 2013/14 onwards the current indications are that similar increases will be needed if Council wishes to strive towards funding depreciation. This is a reasonable goal however a lot more work needs to be undertaken in respect to the calculation of the depreciation expense and assessing the remaining life of the existing assets.

Council's Civil Services Group are currently undertaking that work and as the information available is improved over time, with possible changes, either upwards or downwards, in the estimated depreciation expense, Council will be able to annually review its prices to allow a gradual improvement in the level of depreciation funded. Whether Council ultimately determines it wishes to fund 100% of depreciation or a lesser amount will be subject to further reports to Council.

In the short term it is essential that Council return the water business to an operating surplus, prior to depreciation and the recommendations that follow support that approach.

RECOMMENDATION

1. That Council approves the inclusion of the draft water budget, as attached to this report, in the 2012/13 Draft Operational Plan, for public comment.

2. That Council approves the inclusion of the following water charging structure in the Draft 2012/13 Operational Plan.

Charge Type	2011/12	2012/13	% Increase
Water Access Charge 20mm meter (1)	156	165	5.9
Water Consumption under 350kl	1.67	1.77	5.9
Water Consumption over 350kl	2.51	2.66	5.9
Vacant Land Charge	156	165	5.9

Attachment(s)

1. Water Operations Cash Forecast (2011/12 to 2021/22)
2. Water Operations (Budget Summary)
3. Capital Works - Water Operations

Water - Cash Movements and Balances - Ten Year Forward Plan

ESTIMATE 2011/12	DESCRIPTION	ESTIMATES 2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
7,698,400	Operating Revenues (excluding Section 64 Interest)	8,147,400	8,612,200	9,069,300	9,599,800	10,181,300	10,780,900	11,438,200	12,157,000	12,944,400	13,807,700
8,650,400	Less Operating Expenses	8,527,100	8,784,000	9,048,100	9,320,300	9,599,400	9,887,500	10,184,200	10,489,600	10,804,500	11,127,800
(952,000)	**Operating Result Before Dep & Excl Section 64 Interest**	**(379,700)**	**(171,800)**	**21,200**	**279,500**	**581,900**	**893,400**	**1,254,000**	**1,667,400**	**2,139,900**	**2,679,900**
	Add Developer Contributions - Operating Revenue										
447,000	Section 64 Interest Earned on Contributions	425,000	172,000	200,000	220,000	193,000	250,000	6,000	49,000	96,000	145,000
(505,000)	**Operating Result Excl Depreciation - Surplus / (Deficit)**	**45,300**	**200**	**221,200**	**499,500**	**774,900**	**1,143,400**	**1,260,000**	**1,716,400**	**2,235,900**	**2,824,900**
	Less Depreciation										
2,100,000	Depreciation Expense	2,300,000	2,369,000	2,440,000	2,513,000	2,588,000	2,666,000	2,746,000	2,828,000	2,913,000	3,000,000
(2,605,000)	**Operating Result Incl Depreciation - Surplus / (Deficit)**	**(2,254,700)**	**(2,368,800)**	**(2,218,800)**	**(2,013,500)**	**(1,813,100)**	**(1,522,600)**	**(1,486,000)**	**(1,111,600)**	**(677,100)**	**(175,100)**
0%	**Percentage of Depreciation Funded**	**2%**	**0%**	**9%**	**20%**	**30%**	**43%**	**46%**	**61%**	**77%**	**94%**
	Add Capital Grants and Contributions										
24,000	Capital Grants and Contributions	0	0	0	0	0	0	0	0	0	0
616,000	Section 64 Contributions Collected	614,400	614,400	614,400	614,400	614,400	614,400	614,400	614,400	614,400	614,400
	Add Non-operating Funds Employed										
0	Loan Funds Used	0	0	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes										
740,000	Capital Expenditure	7,620,000	843,500	537,400	1,211,700	516,400	4,871,600	537,200	553,300	569,900	587,000
3,500	Loan Repayments - Principal	3,700	0	0	0	0	0	0	0	0	0
34,000	Dividends Paid	34,000	35,000	36,100	37,200	38,300	39,400	40,600	41,800	43,100	44,400
	Subtract Funds Non-cash Expenses										
(2,100,000)	Depreciation	(2,300,000)	(2,369,000)	(2,440,000)	(2,513,000)	(2,588,000)	(2,666,000)	(2,746,000)	(2,828,000)	(2,913,000)	(3,000,000)
(642,500)	**Water Reserves - Cash Result - Increase / (Decrease)**	**(6,998,000)**	**(263,900)**	**262,100**	**(135,000)**	**834,600**	**(3,153,200)**	**1,296,600**	**1,735,700**	**2,237,300**	**2,807,900**
	Movement in Reserves - Increase / (Decrease)										
(1,705,500)	Water Reserves	(867,400)	(670,300)	(14,900)	242,300	27,200	332,400	676,200	1,072,300	1,526,900	2,048,500
1,063,000	Developer Contributions - Section 64	(6,130,600)	406,400	277,000	(377,300)	807,400	(3,485,600)	620,400	663,400	710,400	759,400
(642,500)	**Total Movement in Reserves (incl Section 64)**	**(6,998,000)**	**(263,900)**	**262,100**	**(135,000)**	**834,600**	**(3,153,200)**	**1,296,600**	**1,735,700**	**2,237,300**	**2,807,900**
	Equity Closing Balances										
1,702,500	Water Reserves	835,100	164,800	149,900	392,200	419,400	751,800	1,428,000	2,500,300	4,027,200	6,075,700
8,584,800	Developer Contributions - Section 64	2,454,200	2,860,600	3,137,600	2,760,300	3,567,700	82,100	702,500	1,365,900	2,076,300	2,835,700
10,287,300	**Total**	**3,289,300**	**3,025,400**	**3,287,500**	**3,152,500**	**3,987,100**	**833,900**	**2,130,500**	**3,866,200**	**6,103,500**	**8,911,400**

Attachment One

Water - Operating Revenues and Expenses - Ten Year Forward Plan

ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ESTIMATE 2011/12	DESCRIPTION	ESTIMATES 2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
				OPERATING REVENUES											
					7,421,800										
1,585,188	1,806,150	2,158,190	2,336,000	Annual Charges	2,460,800	5	2,678,000	2,865,100	3,064,200	3,275,900	3,502,200	3,743,800	4,002,500	4,278,300	4,572,400
3,678,619	4,614,753	4,551,136	4,711,900	User Charges	4,961,000	5	5,242,600	5,540,200	5,854,800	6,187,500	6,538,200	6,908,900	7,300,600	7,715,300	8,154,100
147,353	145,677	191,213	167,000	Operating Grants	172,100	3	177,000	182,000	187,000	193,000	199,000	205,000	211,000	217,000	224,000
88,818	212,063	285,849	137,000	Regulatory Fees and Fines	137,000	0	141,200	145,500	149,900	154,400	159,100	163,900	168,800	173,900	179,100
214,686	93,446	150,388	172,500	Other Revenues	292,500	70	301,400	310,500	319,900	329,500	339,400	349,600	360,100	370,900	382,100
669,972	531,616	562,345	621,000	Interest	549,000	(12)	244,000	226,000	244,000	234,000	293,000	73,000	163,000	285,000	441,000
6,384,636	**7,403,705**	**7,899,121**	**8,145,400**	**Total Operating Revenues**	**8,572,400**	**5**	**8,784,200**	**9,269,300**	**9,819,800**	**10,374,300**	**11,030,900**	**11,444,200**	**12,206,000**	**13,040,400**	**13,952,700**
				OPERATING EXPENSES											
				Direct Expenses											
442,135	352,470	532,614	495,000	Administration and Customer Service	463,300	(6)	477,500	492,100	507,000	522,200	537,700	553,900	570,700	587,800	605,400
815,004	900,000	1,007,004	1,072,000	Overheads Distributed	1,145,000	7	1,179,400	1,214,800	1,251,200	1,288,700	1,327,400	1,367,200	1,408,200	1,450,400	1,493,900
168,090	200,702	201,371	227,500	Engineering Management	273,200	20	281,400	289,900	298,700	307,700	316,900	326,400	336,100	346,100	356,400
82,025	72,201	98,030	224,000	Engineering and Technical Costs	38,000	(83)	39,200	40,400	41,700	43,000	44,300	45,600	47,000	48,400	49,800
820	767	506	500	Interest on Loans	200	(60)	0	0	0	0	0	0	0	0	0
3,285,100	3,679,947	4,264,266	5,037,000	Purchase of Water	5,143,000	2	5,298,000	5,457,000	5,621,000	5,789,000	5,963,000	6,142,000	6,326,000	6,516,000	6,711,000
26,153	31,446	35,793	43,400	Energy Costs	49,400	14	50,900	52,400	53,900	55,400	56,900	58,500	60,100	61,800	63,600
95,548	67,514	34,862	55,000	Pumping Stations	45,000	(18)	46,400	47,800	49,300	50,800	52,400	54,000	55,600	57,300	59,000
82,099	64,191	58,899	61,500	Reservoirs	60,000	(2)	61,800	63,700	65,600	67,600	69,600	71,700	73,900	76,100	78,400
42,913	69,192	71,230	103,000	Water Treatment Plants	81,000	(21)	83,400	85,900	88,400	91,000	93,700	96,500	99,400	102,400	105,400
597,708	312,671	363,903	392,000	Mains - Maintenance	435,000	11	448,100	461,500	475,400	489,700	504,400	519,600	535,200	551,300	567,800
109,293	330,645	298,722	326,500	Mains - Operations	244,000	(25)	251,300	258,900	266,700	274,700	282,900	291,300	300,100	309,200	318,500
267,166	360,505	393,126	401,000	Meter and Plant Maintenance	392,000	(2)	403,900	416,100	428,700	441,700	455,000	468,700	482,800	497,300	512,200
76,549	142,709	194,814	175,000	Meter Installations	138,000	(21)	142,100	146,400	150,800	155,300	160,000	164,800	169,700	174,800	180,000
8,647	18,574	5,417	25,000	Telemetery	10,000	(60)	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
11,379	8,900	8,330	12,000	Miscellaneous	10,000		10,300	10,600	11,000	11,400	11,800	12,200	12,600	13,000	13,400
6,110,629	**6,612,434**	**7,568,887**	**8,650,400**	**Total Operating Expenses**	**8,527,100**	**(1)**	**8,784,000**	**9,048,100**	**9,320,300**	**9,599,400**	**9,887,500**	**10,184,200**	**10,489,600**	**10,804,500**	**11,127,800**
274,007	**791,271**	**330,234**	**(505,000)**	***Cash Result on Operations - Surplus***	**45,300**	**(109)**	**200**	**221,200**	**499,500**	**774,900**	**1,143,400**	**1,260,000**	**1,716,400**	**2,235,900**	**2,824,900**

Attachment Two

Water - Capital Expenditure

Asset Description	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Water Storage											
Reservoirs - Ballina Heights		3,500,000									
Reservoirs - Pacific Pines											
Reservoirs - Ross Lane							4,240,000				
Water Pump & Bore Stations											
Pumping Stns - Ballina Heights Booster		70,000									
Pumping Stns - North Lennox Booster							70,000				
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	50,000	940,000									
Nth Ball WD13 Pressure Zone Distn Area 1											
Nth Ball WD30 Pressure Zone Distn Area 2											
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 Distribution Stage 1											
WD28 Pac Pines - PZ Distribution Stage 2		150,000									
West Ball WM06 Pressure Zone Dist - Area 1							40,000				
W'bar Boosted WD17 Pressure Zone - Area 1	75,000										
W'bar Boosted WD18 Pressure Zone - Area 2	165,000										
W'bar Boosted WD45 Pressure Zone - Area 1						10,000					
Water Trunk Mains - Augmentation											
Ballina Island Main Parallel to Miss Bridge		130,000									
Ballina Island 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 Distribution			70,000								
Water Mains WD41 HLZ Distribution				60,000							
Lennox Head WD26 Distn Main Upgrade		240,000									
Lennox Head WD27 Distn Main Upgrade											
North Ballina WD36 Distn Main Upgrade		140,000									
North Ballina WD36 Distn Main Fishery Ck		130,000									
North Ballina WM07 New Highway Main					570,000						
W'bar Boosted WD40 Distn Main Upgrade			170,000								
Water Mains - East Ballina - Ret Duplication					150,000						
Miscellaneous											
Vehicle Replacement	50,000	50,000	51,500	53,000	54,600	56,200	57,900	59,600	61,400	63,200	65,100
Water Mains Renewal Program	400,000	400,000	412,000	424,400	437,100	450,200	463,700	477,600	491,900	506,700	521,900
Total Capital Works	**740,000**	**7,620,000**	**843,500**	**537,400**	**1,211,700**	**516,400**	**4,871,600**	**537,200**	**553,300**	**569,900**	**587,000**

4.6 Wastewater (Sewer) Operations - Long Term Financial Plan

File Reference 2012/13 Integrated Planning and Reporting

CSP Linkage Transparent and accountable governance

Delivery Program Financial Management

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

Background

Council's wastewater operations are currently in the middle of a major capital expenditure program. Estimated expenditure for the period 2011/12 to 2013/14 is approximately $70 million with $63 million of loan funding approved by Council.

It is therefore critical that Council has sound financial plans in place to finance this loan debt into the future. This report provides the latest review of the long term financial plan for the business.

Key Issues

- Pricing Structure
- Affordability

Information

As part of the 2011/12 budget deliberations Council examined a number of options for wastewater charges, with there being eventual agreement on a 15% increase. The approach adopted for 2011/12 was as per the following summary.

Table One - Cash Forecast - 2010/11 to 2020/21 - March 2011 ($'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**

As per this table Council was providing for a 15% increase in charges for 2011/12, followed by increases of 12% for the period 2012/13 to 2015/16.

With Council now having approved the terms of the loan fund borrowing of $63 million, along with signing the contract for the construction works, we are now in a position to review the previous forecasts. Based on the latest available information a revised table one is as follows.

Table Two - Cash Forecast - 2010/11 to 2020/21 - March 2012 ($'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	10,729	12,057	13,338	14,948	16,248	18,126	18,741	19,407	20,238	21,124	21,925
Operating Exps	7,831	9,803	11,812	13,735	13,892	14,046	14,198	14,349	14,501	14,646	14,790
Operating Result	**2,898**	**2,253**	**1,525**	**1,212**	**2,356**	**4,080**	**4,543**	**5,059**	**5,737**	**6,478**	**7,135**
% Change Fees	**15**	**15**	**12**	**12**	**12**	**12**	**3**	**3**	**3**	**3**	**3**
Annual Charge	**550**	**630**	**706**	**790**	**885**	**991**	**1,021**	**1,052**	**1,083**	**1,116**	**1,149**
Capital Expend	12,872	39,508	23,817	6,938	2,138	3,120	3,103	1,137	1,271	3,805	5,320
Loan Principal	1,185	985	985	2,419	2,528	2,646	2,773	2,909	3,055	3,214	2,399
Loan Funds	0	39,362	23,638	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	9,240	10,251	10,302	6,808	5,029	3,447	2,326	3,385	4,807	4,234	3,575
Section 64 Conts	3,914	4,832	5,819	1,862	2,049	2,688	3,244	3,990	4,798	5,672	6,614
Total Reserves	**13,154**	**15,083**	**16,121**	**8,670**	**7,078**	**6,135**	**5,570**	**7,375**	**9,604**	**9,905**	**10,189**

What these figures now highlight is that there are excessive reserves based on this modelling, therefore there is an opportunity to reduce the magnitude of price increases planned for the near future.

The next table provides a revised forecast which is based on 9% increases for the period 2012/13 to 2015/16, rather then the 12% originally planned.

Table Three - Cash Forecast - 2010/11 to 2020/21 - 9% Increases ($'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	10,729	12,057	13,019	14,218	14,999	16,224	16,703	17,365	18,061	18,785	19,540
Operating Exps	7,831	9,803	11,812	13,735	13,892	14,046	14,198	14,349	14,501	14,646	14,790
Operating Result	**2,898**	**2,253**	**1,207**	**483**	**1,107**	**2,178**	**2,504**	**3,017**	**3,560**	**4,139**	**4,750**
% Change Fees	**15**	**15**	**9**	**9**	**9**	**9**	**3**	**3**	**3**	**3**	**3**
Annual Charge	**550**	**630**	**687**	**749**	**816**	**889**	**916**	**943**	**972**	**1,001**	**1,031**
Capital Expend	12,872	39,508	23,817	6,938	2,138	3,120	3,103	1,137	1,271	3,805	5,320
Loan Principal	1,185	985	985	2,419	2,528	2,646	2,773	2,909	3,055	3,214	2,399
Loan Funds	0	39,362	23,638	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	9,240	10,251	9,984	5,760	2,733	(751)	(3,911)	(4,893)	(5,650)	(8,561)	(11,605)
Section 64 Conts	3,914	4,832	5,819	1,862	2,049	2,688	3,244	3,990	4,798	5,672	6,614
Total Reserves	**13,154**	**15,083**	**15,803**	**7,622**	**4,781**	**1,937**	**(667)**	**(903)**	**(852)**	**(2,890)**	**(4,991)**

There is some merit in this proposal, however the concern is that the reserves are effectively drained over this timeframe. This then leaves Council will little room to move in case there is unexpected expenditure in the future.

Due to this concern a further model was completed based on 10% increases for 2012/13 to 2015/16, as per the next table.

Table Four - Cash Forecast - 2010/11 to 2020/21 - 10% Increases ($'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	10,729	12,057	13,126	14,460	15,408	16,842	17,334	17,982	18,700	19,451	20,231
Operating Exps	7,831	9,803	11,812	13,735	13,892	14,046	14,198	14,349	14,501	14,646	14,790
Operating Result	**2,898**	**2,253**	**1,313**	**725**	**1,515**	**2,796**	**3,136**	**3,634**	**4,199**	**4,805**	**5,442**
% Change Fees	**15**	**15**	**10**	**10**	**10**	**10**	**3**	**3**	**3**	**3**	**3**
Annual Charge	**550**	**630**	**693**	**762**	**839**	**922**	**950**	**979**	**1,008**	**1,038**	**1,069**
Capital Expend	12,872	39,508	23,817	6,938	2,138	3,120	3,103	1,137	1,271	3,805	5,320
Loan Principal	1,185	985	985	2,419	2,528	2,646	2,773	2,909	3,055	3,214	2,399
Loan Funds	0	39,362	23,638	0	0	0	0	0	0	0	0
Reserve Balances											
Sewer Reserves	9,240	10,251	10,090	6,108	3,489	623	(1,905)	(2,271)	(2,388)	(4,633)	(6,986)
Section 64 Conts	3,914	4,832	5,819	1,862	2,049	2,688	3,244	3,990	4,798	5,672	6,614
Total Reserves	**13,154**	**15,083**	**15,909**	**7,970**	**5,538**	**3,311**	**1,339**	**1,719**	**2,410**	**1,038**	**(372)**

This table provides a reasonable balance of reserves for the entire period and can be supported from a financial management perspective, albeit that further adjustments may be needed closer to 2020/21. Staff are mindful of the need to limit increases where possible, and with these cash flows being conservative, it is considered that a 10% increase is manageable for 2012/13.

Forward Financial Plan

With the above information in mind a forward financial plan is included as three attachments to this report. The attachments are as follows:

1. Wastewater - Cash Movements and Balances - Ten Year Forward Plan

The key pieces of information in this attachment are:

- Operating Result Before Depreciation and Excluding Section 64 Interest - This is effectively the cash result for the business and it is pleasing that it shows a surplus for the period.

- Operating Result Before Depreciation - This is similar to the previous item however Section 64 interest is included. Section 64 interest is operating revenue, however as it is restricted in its use, it is important to understand the operating result both with and without this interest figure.

- Operating Result Including Depreciation - This highlights the result once depreciation is included. The forecast has this line showing as a surplus in the final year, which means depreciation is never fully funded.

- Percentage of Depreciation Funded - This is a ratio showing the level of depreciation funded. This figure is a key strategic consideration for Council in determining what level of depreciation is to be funded into the future. The level of funding is dependent on the operating result. The current long term forecast is based on depreciation being fully funded (i.e. 118%) by 2021/22.

- Wastewater Reserves (including movements and closing balances) - This section shows the cash movement (increase or decrease) for the entire business each year (after items such as capital expenditure), along with the movements in the water reserves and section 64 contributions. As per the closing balances, despite there being some major cash decreases during the ten year period, reserves are predicted to remain positive, in total, for the entire period.

2. Wastewater - Operating Revenues and Expenses - Ten Year Forward Plan

The key pieces of information in this attachment are:

- Annual Charges and User Charges - The increase in these items for 2012/13 is 9%, albeit that the actual result shows 11% and 9% due to consideration of growth in assessments, and the actual year to date figures for 2011/12.

- Total Operating Expenses (Excluding Depreciation) - The major reason operating expenses have increased is due to the increase interest on loan payments. Once this figure is deducted the actual increase in expenditure is only 2%.

- Cash Result - Surplus / (Deficit) - As per the first attachment the primary aim is to ensure the business operates with an operating surplus (excluding depreciation), with a long term goal to fund depreciation.

3. Wastewater - Capital Expenditure

This attachment (three pages) outlines the forward capital works program. It should be noted that staff are currently undertaking a review of this capital works program as compared to the Section 64 Developer Servicing Plans (DSPs) prepared by GHD Pty. Ltd. for Council. This review has identified a number of inconsistencies, along with some major variations in future costs, and the outcome from this review may result in changes to this forecast or the Section 64 Plans.

Once that review is completed a further report will be presented to Council, however for the time being this capital expenditure program represents the best information available.

Annual Charges

The next table provides a comparison of our existing wastewater charge to our immediate neighbours. As per those figures our current charge is relatively competitive.

Table Five – Comparison of Annual Charge 2011/12

Council	Ballina	Byron	Lismore	Richmond
Residential	$630	$680 plus $1.52 per kilolitre of water	$667	$800

In preparing the long term financial plan a 10% increase in the annual charge is proposed. If Council endorsed this proposal the draft charge for 2012/13 would be as follows.

Table Six - Draft Charge

Charge Type	2011/12	2012/13	% Increase
Residential Annual Charge	630	693	10

The 10% is considered to be the minimum increase needed for 2012/13 assuming that Council wants the business to remain viable in the longer term.

Legal / Resource / Financial Implications

This report provides a financial overview of the wastewater business.

Consultation

The draft budget and proposed charges will be subject to public exhibition.

Options

There are a range of options in respect to the budget and the proposed charges for the business. However based on the information outlined in this report it is recommended that for the purposes of public exhibition Council include the draft budget, as attached to this report, in the 2012/13 Operational Plan, along with the proposed 9% increase in annual charges.

In respect to increases from 2013/14 onwards the current indications are that similar increases will be needed if Council wishes to strive towards funding depreciation. This is a reasonable goal however a lot more work needs to be undertaken in respect to the calculation of the depreciation expense and assessing the remaining life of the existing assets.

Council's Civil Services Group are currently undertaking that work and as the information available is improved over time, with possible changes, either upwards or downwards, in the estimated depreciation expense, Council will be able to annually review its prices to allow a gradual improvement in the level of depreciation funded. Whether Council ultimately determines it wishes to fund 100% of depreciation or a lesser amount will be subject to further reports to Council.

In the short term it is essential that Council return the water business to an operating surplus, prior to depreciation and the recommendations that follow support that approach.

4.6 Wastewater (Sewer) Operations - Long Term Financial Plan

RECOMMENDATIONS

1. That Council approves the inclusion of the draft wastewater budget, as attached to this report, in the 2012/13 Draft Operational Plan, for public comment.

2. That Council approves the inclusion of the following wastewater charging structure in the Draft 2012/13 Operational Plan.

Charge Type	2011/12	2012/13	% Increase
Residential Annual Charge	630	693	10

Attachment(s)

1. Wastewater Operations Cash Forecast (2011/12 to 2021/22)
2. Wastewater Operations (Budget Summary)
3. Capital Expenditure - Wastewater Operations

Wastewater - Cash Movements and Balances - Ten Year Forward Plan												
ESTIMATE	DESCRIPTION	ESTIMATES										
2011/12		2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
11,818,500	Operating Revenues	12,835,600	9	14,111,100	15,295,700	16,719,100	17,173,300	17,787,000	18,460,900	19,163,100	19,891,400	20,647,900
9,803,300	Less Operating Expenses	11,812,300	20	13,735,300	13,892,300	14,046,300	14,198,100	14,348,500	14,500,900	14,646,300	14,789,900	14,932,300
2,015,200	**Operating Result before Depreciation**	**1,023,300**	(49)	**375,800**	**1,403,400**	**2,672,800**	**2,975,200**	**3,438,500**	**3,960,000**	**4,516,800**	**5,101,500**	**5,715,600**
	Add Developer Contributions - Operating Revenue											
238,000	Section 64 Interest Earned on Contributions	290,000	22	349,000	112,000	123,000	161,000	195,000	239,000	288,000	340,000	397,000
2,253,200	**Operating Result Before Depreciation**	**1,313,300**	(42)	**724,800**	**1,515,400**	**2,795,800**	**3,136,200**	**3,633,500**	**4,199,000**	**4,804,800**	**5,441,500**	**6,112,600**
4,334,000	Less Depreciation	4,411,300	2	4,489,100	4,567,200	4,645,700	4,724,300	4,803,000	4,881,400	4,959,400	5,036,900	5,188,100
(2,080,800)	**Operating Result Before Depreciation**	**(3,098,000)**	**49**	**(3,764,300)**	**(3,051,800)**	**(1,849,900)**	**(1,588,100)**	**(1,169,500)**	**(682,400)**	**(154,600)**	**404,600**	**924,500**
52%	**Percentage of Depreciation Funded**	**30%**		**16%**	**33%**	**60%**	**66%**	**76%**	**86%**	**97%**	**108%**	**118%**
	Add Capital Grants and Contributions											
146,000	Capital Grants and Contributions	0	(100)	0	0	0	0	0	0	0	0	0
680,000	Section 64 Contributions Collected	697,000	3	714,000	739,500	765,000	790,500	816,000	841,500	867,000	892,500	918,000
			0									
	Add Non-operating Funds Employed											
39,362,000	Loan Funds Used	23,638,000	(40)	0	0	0	0	0	0	0	0	0
			0									
	Subtract Funds Deployed for Non-operating Purposes											
39,508,000	Capital Works	23,817,000	(40)	6,938,000	2,138,000	3,120,000	3,103,000	1,137,000	1,271,000	3,805,000	5,320,000	1,280,000
985,000	Loan Repayments - Principal	985,000	0	2,419,000	2,528,000	2,646,000	2,773,000	2,909,000	3,055,000	3,214,000	2,399,000	2,581,000
20,000	Dividends	20,000	0	20,600	21,200	21,800	22,500	23,200	23,900	24,600	25,300	26,100
			0									
	Reverse Non-cash Expenses											
4,334,000	Depreciation	(4,411,300)	(202)	(4,489,100)	(4,567,200)	(4,645,700)	(4,724,300)	(4,803,000)	(4,881,400)	(4,959,400)	(5,036,900)	(5,188,100)
1,928,200	**Reserves - Cash Result - Increase / (Decrease)**	**826,300**	(57)	**(7,938,800)**	**(2,432,300)**	**(2,227,000)**	**(1,971,800)**	**380,300**	**690,600**	**(1,371,800)**	**(1,410,300)**	**3,143,500**
	Movement in Reserves - Increase / (Decrease)											
1,010,200	WasteWater Reserves	(160,700)		(3,981,800)	(2,618,800)	(2,866,000)	(2,528,300)	(365,700)	(116,900)	(2,245,800)	(2,352,800)	2,127,500
918,000	Developer Contributions - Section 64	987,000		(3,957,000)	186,500	639,000	556,500	746,000	807,500	874,000	942,500	1,016,000
1,928,200	**Total Movement in Reserves (incl Section 64)**	**826,300**		**(7,938,800)**	**(2,432,300)**	**(2,227,000)**	**(1,971,800)**	**380,300**	**690,600**	**(1,371,800)**	**(1,410,300)**	**3,143,500**
	Equity Closing Balances											
10,250,700	Wastewater Reserves	10,090,000		6,108,200	3,489,400	623,400	(1,904,900)	(2,270,600)	(2,387,500)	(4,633,300)	(6,986,100)	(4,858,600)
4,832,000	Developer Contributions - Section 64	5,819,000		1,862,000	2,048,500	2,687,500	3,244,000	3,990,000	4,797,500	5,671,500	6,614,000	7,630,000
15,082,700	**Total**	**15,909,000**		**7,970,200**	**5,537,900**	**3,310,900**	**1,339,100**	**1,719,400**	**2,410,000**	**1,038,200**	**(372,100)**	**2,771,400**

Wastewater - Operating Revenues and Expenses - Ten Year Forward Plan

ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ESTIMATE 2011/12	DESCRIPTION	ESTIMATES 2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
				OPERATING REVENUES											
5,702,404	6,449,684	7,372,055	8,529,000	Annual Charges	9,495,100	11	10,556,100	11,734,700	13,045,100	13,568,300	14,113,000	14,677,900	15,266,100	15,878,400	16,515,900
1,440,296	1,494,302	1,817,092	2,001,500	User Charges	2,188,500	9	2,398,000	2,627,000	2,880,000	2,966,000	3,055,000	3,146,000	3,242,000	3,339,000	3,439,000
147,397	148,632	149,830	162,500	Operating Grants	162,500	0	167,000	172,000	177,000	182,000	187,000	193,000	199,000	205,000	211,000
52,863	80,095	85,983	82,000	Regulatory Fees and Fines	82,000	0	84,000	86,000	89,000	92,000	95,000	98,000	101,000	104,000	107,000
217,987	285,384	379,511	357,500	Other Revenues	276,500	(23)	285,000	294,000	303,000	312,000	321,000	330,000	339,000	349,000	359,000
1,019,492	4,168,858	924,403	924,000	Interest	921,000	(0)	970,000	494,000	348,000	214,000	211,000	255,000	304,000	356,000	413,000
8,580,439	**12,626,955**	**10,728,874**	**12,056,500**	**Total Operating Revenues**	**13,125,600**	**9**	**14,460,100**	**15,407,700**	**16,842,100**	**17,334,300**	**17,982,000**	**18,699,900**	**19,451,100**	**20,231,400**	**21,044,900**
				OPERATING EXPENSES											
				Direct Expenses											
435,869	572,281	586,716	559,500	Engineering Management	553,000	(1)	570,000	587,000	604,000	622,000	640,000	660,000	680,000	701,000	722,000
482,993	443,467	580,065	747,500	Administration and Customer Service	584,000	(22)	602,000	620,000	638,000	656,000	674,000	692,000	710,000	729,000	748,000
342,796	339,887	346,061	340,000	Engineering and Technical Costs	287,500	(15)	296,000	305,000	314,000	323,000	333,000	343,000	353,000	363,000	374,000
550,864	643,313	841,451	879,300	Energy Costs	905,000	3	932,300	960,300	989,300	1,019,100	1,049,500	1,080,900	1,113,300	1,146,900	1,181,300
1,283,047	1,916,270	1,401,121	1,499,000	Pumping Stations	1,621,500	8	1,669,000	1,718,000	1,769,000	1,822,000	1,876,000	1,932,000	1,989,000	2,047,000	2,107,000
1,761,094	1,365,678	1,705,333	1,977,000	Reuse Water Facilities	2,046,000	3	2,107,000	2,171,000	2,235,000	2,301,000	2,369,000	2,441,000	2,515,000	2,591,000	2,669,000
808,466	821,505	575,340	645,000	Mains Maintenance and Operations	655,000	2	675,000	695,000	716,000	737,000	759,000	782,000	805,000	829,000	854,000
148,909	134,632	195,832	118,000	Plans and Investigations	36,100	(69)	37,000	38,000	39,000	40,000	41,000	42,000	43,000	44,000	45,000
12,079	12,951	21,142	27,000	Donations and Legals	27,900	3	29,000	30,000	31,000	32,000	33,000	34,000	35,000	36,000	37,000
2,000	24,396	98,146	100,000	Conservation Promotion	123,800	24	128,000	132,000	136,000	140,000	144,000	148,000	152,000	157,000	162,000
10,537	32,551	26,794	92,000	Telemetery Operations	95,000	3	98,000	101,000	104,000	107,000	110,000	113,000	116,000	119,000	123,000
138,185	189,538	206,382	223,000	Other Operating Costs	231,500	4	238,000	244,000	250,000	256,000	262,000	269,000	276,000	283,000	291,000
				Indirect Expenses - Overheads											
1,017,996	1,161,000	1,238,000	1,302,000	Overheads Distributed	1,503,000	15	1,548,000	1,594,000	1,642,000	1,691,000	1,742,000	1,794,000	1,848,000	1,903,000	1,960,000
				Debt Servicing											
21,000	21,000	8,196	1,294,000	Interest on Loans	3,143,000	143	4,806,000	4,697,000	4,579,000	4,452,000	4,316,000	4,170,000	4,011,000	3,841,000	3,659,000
				Indirect Expenses - Overheads											
7,015,835	**7,678,469**	**7,830,579**	**9,803,300**	**Total Operating Expenses**	**11,812,300**	**20**	**13,735,300**	**13,892,300**	**14,046,300**	**14,198,100**	**14,348,500**	**14,500,900**	**14,646,300**	**14,789,900**	**14,932,300**
1,564,604	**4,948,486**	**2,898,295**	**2,253,200**	***Cash Result on Operations - Surplus***	**1,313,300**	**(42)**	**724,800**	**1,515,400**	**2,795,800**	**3,136,200**	**3,633,500**	**4,199,000**	**4,804,800**	**5,441,500**	**6,112,600**

Attachment Two

Wastewater - Capital

Asset Description											Capital Funding - 2012/13			Capital Funding - 2013/14			Capital Funding - 2014/15			Capital Funding - 2015/16		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves
Wastewater Management Strategy																						
Land Acquisition Feasibility & Investigations												0	0			0			0			0
Technical Design												0	0			0			0			0
Wastewater Strategy - Technical Consultancies																						
Recycled Water Distn Sys - Detailed Design												0	0			0			0			0
Recycled Water Environmental Assessments												0	0			0			0			0
Technical Consultancies - Project Mgmt												0	0			0			0			0
Ballina Wastewater Treatment Plant																						
Ballina Upgrade - Project Management	784,000											784,000	0									
Ballina - Upgrade Contract												0										
Ballina - Concept Design Finalisation												0	0			0	0		0			0
Ballina - Detailed Design												0	0			0	0		0			0
Ballina - Other	706,000											706,000	0			0	0		0			0
Ballina - Civil Const	1,996,000											1,996,000	0			0	0		0			0
Ballina - Mech Const	1,794,000											1,794,000	0			0	0		0			0
Ballina - Elect Const	769,000											769,000	0			0	0		0			0
Ballina - Telemetery	12,000											12,000	0			0	0		0			0
Ballina - Commissioning	1,460,000											1,460,000	0			0	0		0			0
Ballina - Demolition of Existing Facility	385,000											385,000	0			0	0		0			0
Ballina - Construction of Sludge Storage	2,100,000											2,100,000	0			0	0		0			0
Ballina - Post Completion Works	230,000											230,000	0			0	0		0			0
Lennox Head Wastewater Treatment Plant																						
Lennox Head - Project Management	4,000											4,000	0			0			0			0
Lennox Head - Optimisation Upgrade Contract	416,000											416,000	0			0			0			0
Lennox Head - Upgrade Contract												0	0			0			0			0
Concept Design Finalisation												0	0			0	0		0			0
Detailed Design	135,000											135,000	0			0	0		0			0
Capacity Upgrade - Other	59,000											59,000	0			0	0		0			0
Capacity Upgrade - Civil Const	498,000											498,000	0			0	0		0			0
Capacity Upgrade - Mech Const	492,000											492,000	0			0	0		0			0
Capacity Upgrade - Elect Const	223,000											223,000	0			0	0		0			0
Capacity Upgrade - Telemetery	1,000											1,000	0			0	0		0			0
Capacity Upgrade - Commissioning	395,000											395,000	0			0	0		0			0
Post Completion Works	97,000											97,000	0			0	0		0			0
Catchment Diversion Works																						
Ballina - Diversion Ancillary Works	120,000	380,000										120,000	0			380,000			0			0
Ballina - Catchment Diversion Works	1,500,000	1,000,000										1,500,000	0			1,000,000	0		0			0
Urban Dual Reticulation (UDR) Program																						
UDR - Project Management	200,000	300,000										200,000	0	300,000		0			0			0
Distribution Systems Ballina / Lennox	1,000,000	1,400,000										1,000,000	0	1,400,000		0			0			0
Land Acquisition - Ballina Heights												0	0	0		0			0			0
Land Acquisition - Ross Lane			1,100,000									0	0	0		0			1,100,000			0
Construct Dual Retic Res - Ballina Heights	1,000,000	2,000,000										1,000,000	0	2,000,000		0			0			0
Construct Dual Retic Res - Kings Court	600,000	500,000										600,000	0	500,000		0			0			0
Construct Dual Retic Res - Ross Lane				1,300,000	2,000,000							0	0	0		0			0			1,300,000
Recycled Water Implementation - Open Space																						
Open Space Irrigation - Design Systems	21,000	22,000	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000		21,000	0	22,000		0	23,000		0	24,000		0
Open Space Irrigation - Installations	206,000	212,000	218,000	225,000	232,000	239,000	246,000	253,000	261,000	269,000		206,000	0	212,000		0	218,000		0	225,000		0
Recycled Water Implementation - Vegetation Regeneration																						
Vegetation Regeneration - Feasibility							100,000					0	0			0			0			0
Vegetation Regeneration - Land Acquisition								2,600,000	2,678,000			0	0			0			0			0
Vegetation Regeneration - Irrigation Systems									700,000			0	0			0			0			0
Vegetation Regeneration - Trunk Mains									700,000			0	0			0			0			0

Wastewater Capital Works Carried Forward

Wastewater - Capital (continued)

Asset Description											Capital Funding - 2012/13			Capital Funding - 2013/14			Capital Funding - 2014/15			Capital Funding - 2015/16		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves
Pumping Stations																						
SP3001 - Upgrade Pumps - Byron Street, Lennox	200,000											200,000										
SP3002 - Emerg Storage - Rutherford St, Lennox	85,000											85,000										
SP2309 - Emerg Storage - Anderson St, Ballina	75,000											75,000										
SP3101 - Emerg Storage - Skennars Hd Rd,	105,000											105,000										
SP3101 - Upgrade Pumps - Skeannars Hd Rd	115,000											115,000										
SP4106 - Upgrade Pumps - Kays Lane, Alstonville												0										
SP2001 - Polyurea Lining Pump - Swift St, Ballina												0										
SP2301 - Upgrade Pumps - Angels Bch Dr, Ballina												0										
SP2002 - Pump Capacity Upgrade												0										
SP2012 - Pump Capacity Upgrade												0										
SP2009 - Pump Capacity Upgrade	15,000											15,000										
SP2202 - Upgrade Pumps - Racecourse Rd, Ballina												0										
SP2205 - Upgrade Pumps - Piper Drive, Ballina	15,000											15,000										
SP2206 - Upgrade Pumps - Dehavilland Cr, Ballina												0										
SP2207 - Upgrade Pumps - Sthn Cross Dr, Ballina												0										
SP2210 - Upgrade Pumps - Whiting Way												0										
SP4002 - Upgrade Pump Station - Coral St												0										
SP4004 - Emergency Storage - Granada Place												0										
SP4003 - Storage Capacity Upgrade												0										
SP4001 - Storage & Pump Upgrade	80,000											80,000										
North Ballina - New Pumping Station												0										
Wollongbar Expansion - NHS1 Pump Station	360,000											360,000										
Wollongbar Expansion - NHS2 Pump Station	280,000											280,000										
SP3107 - Upgrade Pumps - Seamist, Lennox Hd												0										
SP3107 - Emergency Storage - Seamist, Lennox												0										
SP2306 - Emerg Storage - Serpentine, Ballina												0										
SP2309 - Upgrade Pumps - Anderson St, Ballina	75,000											75,000										
SP2312 - Pump Capacity Upgrade	45,000											45,000										
SP2313 - Storage Capacity Upgrade	35,000											35,000										
SP2311 - Storage Capacity Upgrade	35,000											35,000										
SP2013 - Upgrade Pumps - Skinner St, Ballina	75,000											75,000										
River Oakes - Pump Station												0										
SP2108 - Storage Capacity Upgrade	40,000											40,000										
SP2105 - Pump Upgrade	50,000											50,000										
SP3102 - Upgrade Pumps	25,000											25,000										
SP3103 - Storage Capacity Upgrade	25,000											25,000										
Wastewater Capital Works Carried Forward																						

Attachment Three

Wastewater - Capital (continued)

Asset Description											Capital Funding - 2012/13			Capital Funding - 2013/14			Capital Funding - 2014/15			Capital Funding - 2015/16		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves	Sect 64	Loans	Reserves
Cumbalum (Ballina Heights/Ross Lane)																0			0			0
Cumbalum Pump Station - Upgrade Pumps				150,000								0										150,000
Existing Cumbalum Pump Station - New gravity				200,000								0										200,000
																						0
Skennars Head																						0
Stewart Land - New Pump Station				150,000								0										150,000
Stewart Land - New Gravity Main				100,000								0										100,000
Stewart Land - New Rising Main				150,000								0										150,000
																						0
North Ballina																						0
River Oakes - Gravity Main												0										
River Oakes - Rising Main												0										
Trunk Mains																						
SP4106 - Rising Main - Kays Lane, Alstonville												0										
SP3001 - Rising Main - Byron Street, Lennox	270,000											270,000										
Diversion of SP2101 to Ballina, North Ballina	260,000											260,000										
SP2001 - Rising Main - Rehab - Swift St, Ballina		350,000										0		350,000								
SP2001 - Upgrade Pump Motors - Swift St	175,000											175,000										
Diversion of North Ballina Pump Station to Ballina	175,000											175,000										
New Rising Main North Ballina to Ballina	690,000											690,000										
Diversion of Ballina Heights to Ballina	525,000											525,000										
Gravity Trunk Mains - Wollongbar Expansion												0										
Underbores - Wollongbar												0										
SP3106 to SP3107 - Gravity Main - Seamist	15,000											15,000										
SP3110 - Parallel Gravity Main - Hutley Dr	398,000											398,000										
Rising Main - Skennars Ridge Sthn	116,000											116,000										
Preliminaries - Wollongbar												0										
Contingency - Wollongbar												0										
Gravity Trunk Main A - Wollongbar	30,000											30,000										
Gravity Trunk Main A2 - Wollongbar	69,000											69,000										
Gravity Trunk Main B - Wollongbar	114,000											114,000										
Gravity Trunk Main B1 - Wollongbar												0										
Gravity Trunk Main B7 - Wollongbar	20,000											20,000										
Gravity Trunk Main B11 - Wollongbar	70,000											70,000										
Gravity Trunk Main B12 - Wollongbar	45,000											45,000										
Gravity Trunk Main B13 - Wollongbar	25,000											25,000										
Gravity Trunk Main Ramses Street - Wollongbar												0										
Gravity Main - Pacific Pines	160,000											160,000										
Wastewater Mains - Renewals																						
Wastewater Mains - Miscellaneous Renewals	400,000	412,000	424,000	437,000	450,000	464,000	478,000	492,000	507,000	522,000		300,000	100,000			412,000	424,000		0			437,000
Inflow & Infiltration Program - Renewals	1,200,000	236,000	243,000	250,000	258,000	266,000	274,000	282,000	290,000	299,000		1,200,000	0	236,000		0			243,000			250,000
Inflow & Infiltration Program - Project Mgmt												0	0			0			0			0
Plant and Equipment																						
Telemetry Installation	70,000	72,000	74,000	76,000	78,000	80,000	82,000	84,000	87,000	90,000		43,000	27,000			72,000			74,000			76,000
Plant Replacement Wastewater	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000	70,000			52,000			54,000			56,000			58,000
Other Miscellaneous Works																						
Backlog	0	0	0	0	0	0	0	0	0	0		0	0			0			0			0
Total Capital Works	23,817,000	6,938,000	2,138,000	3,120,000	3,103,000	1,137,000	1,271,000	3,805,000	5,320,000	1,280,000	0	23,638,000	179,000	5,020,000	0	1,918,000	665,000	0	1,473,000	249,000	0	2,871,000

4.7 Waste Operations - Long Term Financial Plan

File Reference	Integrated Planning and Reporting – 2012/13
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the long term financial plan for Council's waste operations.

Background

Council's waste service comprises two distinct programs being Landfill and Resource Management (LRM) and Domestic Waste Management (DWM). LRM is responsible for the waste management facility plus the collection of kerbside commercial waste and DWM is responsible for the collection of kerbside residential waste. The Local Government Act requires DWM to be treated as a separate program due to the manner in which it raised revenues through an annual charge.

In general terms LRM is struggling with debt levels and the State Government waste levy. In turn these costs must be passed on to DWM through gate fees at the landfill.

LRM has taken up loans to close the old cell, open new cells and purchase a waste baler. Together with existing loans the total loan commitment, at its peak, was in the order of $12 million. The capital balance outstanding is in the order of $5.7 million as at the end of the 2011/12 financial year.

The State Government waste levy is a levy per tonne for all waste transported into our landfill. The levy increases by $10 per tonne, plus CPI, for seven years and has already assumed a significant role in the operation of the LRM service.

DWM is, in comparison to LRM, a smaller and more predictable operation. The business must pay wages and provide collection vehicles for residential mixed and recycled kerbside collections plus meet contract payments for the kerbside collection of residential green waste. An assured income stream is available in the form of the annual charge and this charge can be adjusted at Council’s discretion, subject to certain requirements of the Local Government Act.

The two services, LRM and DWM are dependent upon each other. DWM needs somewhere to deposit waste collected and LRM is primarily in business to service DWM. Given this direct relationship, prices paid by DWM to deposit waste at the landfill must be set to ensure that both businesses remain financially viable.

This report now examines the operations of both activities, with a long term financial plan for both, included as attachments to this report.

Key Issues

- Long term aims and objectives
- Affordability

Information

Landfill and Resource Management (LRM)

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

In response to the high debt level, prices increased significantly up to 2009/10 and customer resentment ensued. In 2009/10 Council adopted a strategic approach with regard to pricing, where it was agreed that the tariff for waste deposited by DWM would be higher then the gate fees for self haul users.

The rationale for this approach includes the argument that the reason Council is involved in waste disposal is because it must provide a domestic service to local residents. Otherwise Council may not be involved in the service at all. Therefore if a higher charge is necessary to keep the service viable, then so be it.

DWM is a monopoly market and Council can increase price without affecting demand. Therefore an increased tariff generates a relatively assured level of revenue. However Council must place a high value on the ability of residents to pay for the service.

Even though DWM provides a stable income source for Council, this is not the case with other customers (self haul) delivering waste to the landfill. As prices increased in recent years customers were objecting strongly to the gate prices. The amount of tonnage coming from this area became variable with commercial operators, and some residents, using other landfill sites, where feasible.

Table one provides the tonnage charges for the last three years and differentiates between the internal charges levied on DWM and self haul.

Table One - Charges Per Tonne ($)

Description	2009/10	2010/11	2011/12 (1)	2011/12 (2)
DWM Recycled	179	200	200	74
Self Haul Recycled	132	148	74	74
DWM Mixed Waste	198	222	222	174
Self Haul Mixed Waste	151	169	174	174

(1) Price for the first three months to September
(2) Price for following nine months from Sept onwards

In the current financial year DWM prices were reduced at the end of September to the same figure as that paid by self haul users. This decision was based on trending for the first three months indicating that DWM would pay to LRM amounts well in excess of forecast budget. As DWM has also purchased new trucks costing $1.4 million this year, it was looking as though the business would need to borrow quite heavily from LRM to finance the year's operations.
Going forward however it appears that prices must again be increased for DWM in 2012/13. This is partially due to corrections that have been made to the tonnages charged as gate fees in the first half of 2011/12. The adjustments have benefited DWM and they are primarily associated with processes to account for the new green waste collection service. Whilst it is proposed that DWM pays a higher gate fee than self haul users the subsidy does not need to be at quite the same level that was previously in place. This is discussed in further detail later in this report.

Table two shows the recent financial results for LRM together with the forecast for 2011/12 as at 31 December 2011.

Table Two - Commercial Waste Operating Results ($'000)

Description	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Estimate
Operating Revenues	4,727	5,902	6,970	6,297
Operating Expenses (including dep)	5,222	5,837	5,955	6,949
Operation Surplus / (Deficit))	**(495)**	**65**	**1,015**	**(652)**
Add Depreciation / Remediation	1,410	1,525	1,459	1,511
Cash Surplus / (Deficit)	**915**	**1,590**	**2,474**	**859**
Less Loan Principal	1,004	1,076	1,154	1,210
Less Capital Expenditure	0	0	60	160
Add Income from Sale of Business	0	0	0	642
Cash Increase / (Decrease)	**(89)**	**514**	**1,260**	**131**
Reserve Balance	**(46)**	**468**	**1,728**	**1,859**

This table indicates that the operating result has been progressively improving until 2011/12 where income is forecast to be less than the previous year. This is attributable to the price reductions for DWM at the gate during the year. The prediction remains for a modest cash increase of $131,000.

The current estimate for the remaining cell life is approximately four years. This estimate can be affected by numerous factors including decisions on trucking waste to other landfill sites and the use of alternative technologies such as pyrolysis. Currently recyclates, green and construction/demolition waste are all trucked to other sites, which has extended the life of the current cells considerably.

The major loans that relate to construction of the existing cells and purchase of the baler expire in 2016/17. If the cell only has four year's life remaining it may be that it will expire one year prior to completion of these loans.

Loan repayments are in the order of $1.4 million per annum. Remediation of the current cells is estimated to approximately $2 million. Ideally adequate reserves will be on hand to meet these liabilities in 2016/17 although it is hoped that the cell will last until 2017/18, thereby avoiding the large remediation cost and the loan repayments in the one year.

Whilst the business position has improved dramatically in recent years it is desirable that Council continue to accumulate reserves to ensure the business is in a position to meet future liabilities. It is difficult to know just what the necessary reserve level needs due to the uncertainty over the remaining life of the cell. The best we can do is base the financial strategy on the current estimates which suggest that we will need at least $3.4 million in reserve around 2016/17 and the long term financial plan for LRM, as per attachment one, provides this result.

It is also the case that time is running short to plan what will occur once the current cells are full. If the forward strategy is to construct new cells at the same site the current estimate to construct those cells is in the vicinity of $1.5 million.

Also Council must, at some time, pay to remediate former landfill sites in Ballina, Lennox Head and Wardell. These costs are a legacy of the past that current and future generations must accept due to changing environmental standards.

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

The attached long term financial plan for LRM provides for $1.5 million to construct the new cells in 2017/18, which also includes the $2 million remediation cost. It may well be that these two items can be separated into different years as the time draws closer.

In reviewing the financial plan some of the major considerations include:

- The DECC levy is set to increase by $10 plus CPI to approximately $43 dollars per tonne. It is estimated that this will amount to $1,044,000 for 2012/13, which is around 18% of total costs (excludes depreciation / remediation). This levy is becoming a major driver in the pricing structure for the business.

  The levy will add another $11 per tonne to process waste that remains at the landfill. If you use the current charge for self haul mixed waste ($174/tonne) as a benchmark we will need to raise prices by 6.3% to just match the levy increase.

- The DECC levy refund is a capped figure and does not bear any resemblance to the amount Council pays for the levy. For the first two years of the levy Council was receiving a reimbursement of 50% of "deemed" domestic waste tonnage and from year three the reimbursement drops to 25% of the deemed domestic waste tonnage going to the landfill. In 2012/13 it is estimated that the refund will amount to $319,000.

- LRM will pay transport and treatment expenses for green waste, recyclates and construction / demolition. Recyclates and construction / demolition are trucked to Queensland sites and as from January a Queensland State levy will be charged on this waste. The estimated expense has taken this into consideration.

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

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

- An internal loan in favour of property reserves will be fully repaid in the current financial year.

- The financial plan does not make provision for the carbon tax. Advice from Council's Waste Manager is that information on this tax is not sufficiently reliable to incorporate into the plan at this time. The issue will be closely monitored to assess the impact of the tax on the landfill and it may be that a late adjustment will be required to fees before the Operational Plan is adopted.

- It has proven difficult to accurately estimate the quantity of waste that the DWM trucks will bring to the gate each month, which has made forecasting less reliable.

Other key points of interest in the long term financial plan in respect to operating revenues and expenses for 2012/13 are as follows.

Operating Revenues

- Recyclables from DWM $862,000. Represents the gate fee paid by DWM to bring the fortnightly collection to the waste centre

- DECC levy reimbursement s estimated at $319,000

- Mixed waste DWM $2,967,000. Gate fee paid by DWM to bring the weekly collection to the waste centre

- Disposal fees Council (other) $381,500. Gate fee paid by Council to deposit waste for all general activities

- Disposal fees (other) $1,351,600. Gate fee paid by customers to deposit waste

The anticipated revenue from payments by DWM equate to over 50% of all income received by LRM. This statistic serves to highlight the importance of DWM to LRM.

Operating Expenses 2012/13

- Administration $737,900. Includes all Council overheads for business.
- Weighbridge $203,000. Relates to staff wages at the weighbridge.
- Transfer stations $158,000. Management and clearing of transfer bins.
- Collection $260,000. Includes commercial wastes share of collection costs for commercial wheelie bins and commercial recycle bins plus an allocation to clean up dumped waste of $55,000.
- Transport of recyclates $340,000. Transport and gate fees to relocate recyclables off site.
- Bailing, placement and cover $890,000. Refers to the treatment of mixed waste from baling to placement in the cell and covering of the cell.
- DECC levy $1,044,000
- Green waste transport $407,000. Transport and gate fees to relocate green waste off site.
- Demolition (C & D) transport costs $500,000. Payment to contractors to transport construction and demolition waste to external sites
- Treatment of green waste on site $237,500
- Loan interest $377,400. This is less than the current financial year as an internal loan is fully paid this year.

Fees and Charges

The State levy is playing a large role in the tariff structure. As stated earlier the $11/tonne increase on waste deposited in the landfill equates to some 6.3% of the current fee for self haul. If you add the State Government rate pegging increase of 3.6% (which is an indication of cost increases, although the pegging does not apply to waste) to this amount you end up with a 9.9% rise just to keep pace with rising costs.

Alternatively if you take the forecast increase to expense attributable to the levy (increase of $288,000) and calculate this increase as a percentage of estimated 2011/12 operating expenses (excludes depreciation/remediation) it equates to 5.2%. Then if you add 3.6% to this amount you need to raise the price for all waste by 8.8% to just keep pace with rising expenses.

An important point going forward in terms of price is whether there should be a higher increase to fees for waste that goes into the landfill as opposed to waste that is trucked off site: i.e. should the price of different waste types vary depending on how they are treated at the landfill? If the answer is yes mixed waste needs to increase by 10% or more and other waste types by say 3.6% to maintain the current position. Alternatively all prices need to go up by some 8.8% to maintain the status quo.

4.7 Waste Operations - Long Term Financial Plan

The preferred option is to increase all waste charges by 9% for 2011/12 as compared to the current year as it is considered that this is the best approach to ensure the on-going financial viability of LRM and DWM. The 9% excludes DWM gate fees which are proposed to return to amounts approaching what they were last financial year to assist with the viability of both businesses.

Table Three - Waste Charges

Charge Type	2011/12 Charge $	2012/13 Charge $	% Increase
Commercial Mixed waste (annual)	268	292	9
Commercial Recycling (annual)	132	141	9
Green waste (annual)		255	
DWM Gate Fee Mixed Waste	222/tonne then $174/tonne	220/tonne	(0.1) or 26
DWM Gate Fee Recyclates	200/tonne then $74/tonne	185/tonne	(7.5) Or 150
Remaining Gate Fees	Various	Various up to 9%	Up to 9%

The pleasing point with the long term financial plan attached is that adequate reserves are established over the next few years to finance the remediation, the loan repayments and the opening of the new cells, if needed.

However, in saying this, when you look at the reserve balance forecast in the attachment (second last line), it increases substantially, quite quickly. This does raise the issue as to whether or not the increases proposed, being 9% for 2012/13, 8% for 2013/14 and 4% for the next two years are too high. It may well be that Council is in a position to return to lower increases in future years, however at this point in the time, the DECC levy is continuing to force prices upward at a fast rate.

Domestic Waste Management (DWM)

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

The next table shows the recent financial results for DWM.

Table Four - DWM Operating Results ($'000)

Item	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Estimated
Operating Revenues	4,737	5,175	5,631	6,456
Operating Expenses	4,267	5,085	5,725	6,256
Operating Surplus / (Deficit)	**470**	**90**	**(94)**	**200**
Less Depreciation	245	245	227	260
Cash Surplus / Deficit)	**715**	**335**	**133**	**460**
Less Loan Principal	195	110	118	126
Less Capital Expenditure	0	0	0	1,385
Cash Increase / (Decrease)	**520**	**225**	**15**	**(1,051)**
Reserve Balance	**757**	**982**	**997**	**(54)**

This table indicates that, up until 2011/12 (estimate), the financial position of DWM has been deteriorating. This is primarily due to the increased costs that LRM has passed on to DWM via gate fees. The 2011/12 forecast is for a sound improvement and this is because gate fees were reduced in September.

Despite the fee reduction in 2011/12 a negative reserve balance is forecast, although it is relatively small in the overall scheme of the business.

The capital outlay this financial year to purchase trucks has drained the reserve and over the next four of five years the reserve needs to be replenished to enable replacement vehicles to be purchased. DWM needs to increase reserves by approximately $250,000 per annum to pay for new vehicles.

In respect to the cycle just completed it is pleasing to see that the business could afford the new fleet with only a minor dependence on borrowings, or possibly no borrowings, depending on actual financial results.

The juggling between DWM and LRM via the gate fee imposed on DWM is not a precise science but at this stage a reasonable outcome for both businesses is being achieved.

Forward Financial Plan

The second attachment to this report provides a forward financial plan for DWM. Some of the assumptions in that plan are:

- charges to increase by 9% for the next two years and thereafter at 3%
- waste streams will remain similar to the current year with perhaps some growth
- costs for labour and plant to rise by approximately 3.6%
- elevated gate fees in comparison to self haul users
- gate fees to be heavily affected by the state levy for several years to come

Annual Charges

Based on the assumptions outlined in the financial plan the proposed 2012/13 charges as compared to 2011/12 are as follows.

Table Five - Domestic Waste Charges

Charge Type	2011/12 Charge $	2012/13 Charge $	% Increase
DWM - Rural (excludes green)	321	350	9
DWM – Rural (no collection)	263	287	9
DWM – Urban (all 3 collections)	360	392	9
Additional Mixed Waste		146	9
Additional Domestic Recycling	130	141	9
Additional Green Waste Collection	234	255	9
DWM – Vacant Land	32	35	9

Legal / Resource / Financial Implications

Council needs to consider carefully the financial implications of any proposed changes in waste charges and the need to meet appropriate legislative environmental standards. Also the modelling does make provision for the Federal Government carbon tax as it is not clear what the precise implications will or will not be on council's landfill. If it is forecast that there will be implications a further report will be provided to a later meeting.

Consultation

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

Options

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

In 2011/12 the price increase was relaxed and prices at the gate generally went up by cost of living. This was distorted to some extent, particularly for DWM because of the new green waste service however there was a small respite from the increases that were being imposed over previous years.

In 2012/13 the main price drivers are the State levy and also the need for both businesses to accumulate reserves to meet future liabilities. A general increase of 9% represents a significant impost on customers but the intent has been to minimise the increase. The reality is that the State levy is driving prices upwards. However at the same time Council needs to ensure that it does not over inflate its reserves, which essentially means we are over charging current customers.

The report has gone on at length about the subsidy that DWM is paying. One option for council is to remove this subsidy and make all gate fees the same. This approach would necessitate significant price rises for self haul users however it would arguably be more equitable. If Council was interested in this option further modelling would be required for presentation to a later meeting.

The preference is not to follow that approach and on that basis the recommendation is for the 9% increase, as per the contents of this report. If Council feels the 9% is excessive, a further report could be submitted examining lower increases and the impact that those increases then have on the future reserve balances.

RECOMMENDATION

That Council, based on the current financial information available, endorses the inclusion of the following waste charging structure in the draft 2012/13 Operational Plan.

Charge Type	**2011/12 Charge $**	**2012/13 Charge $**	**Increase %**
Commercial Mixed Waste (Annual Charge)	268	292	9
Commercial Recycling (Annual Charge)	132	141	9
Green waste (Annual Charge)		255	
DWM Gate Fee Mixed Waste	222/tonne thence $174/tonne	220/tonne	(0.1) or 26
DWM Gate Fee Recyclates	200/tonne thence $74/tonne	185/tonne	(7.5) or 150
Remaining Gate Fees	Various	Various up to 9%	up to 9%
DWM - Rural (Excludes Green Waste)	321	350	9
DWM – Rural (No Collection)	263	287	9
DWM – Urban (All Three Collections)	360	392	9
Additional Mixed Waste		146	9
Additional Domestic Recycling	130	141	9
Additional Green Waste Collection	234	255	9
DWM – Vacant Land	32	35	9

Attachment(s)

1. Long Term Financial Plan - Waste Management - Landfill and Resource Management

2. Long Term Financial Plan - Waste Management - Domestic Waste Management

LANDFILL MANAGEMENT AND RESOURCE RECOVERY (LONG TERM FINANCIAL PLAN - 2011/12 TO 2021/22)														
ACTUAL	ACTUAL	ESTIMATE	BUDGET ITEMS	ESTIMATED										
2009/10	2010/11	2011/12		2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	10%	6%	**% Change In Charges**	9%		8%	4%	4%	3%	3%	3%	3%	3%	3%
			OPERATING REVENUES											
			Fees and Charges											
350,595	386,411	411,000	Annual Charges	448,000	9	484,800	503,600	523,200	539,000	555,300	572,100	589,300	607,100	625,400
475,460	400,792	40,000	Bulk Waste Collection	0	(100)	0	0	0	0	0	0	0	0	0
97,289	364,775	239,000	Contributions (including Waste Levy)	319,000	33	410,700	507,600	610,000	628,300	647,200	666,700	686,800	707,500	728,800
110,237	145,639	165,000	Waste Recycling - Fees	170,000	3	175,100	180,400	185,900	191,500	197,300	203,300	209,400	215,700	222,200
698,667	836,278	460,000	Waste Recycling - Fees (Council - DWM)	862,000	87	939,600	977,200	1,006,500	1,036,700	1,067,800	1,099,800	1,132,800	1,166,800	1,201,800
2,091,359	2,465,370	2,790,000	Waste Disposal - Fees (Council - DWM)	2,967,000	6	3,234,000	3,363,400	3,464,300	3,568,200	3,675,200	3,785,500	3,899,100	4,016,100	4,136,600
503,321	302,475	350,000	Waste Disposal - Fees (Council - Other)	381,500	9	415,800	432,400	445,400	458,800	472,600	486,800	501,400	516,400	531,900
1,050,737	1,394,146	1,240,000	Waste Disposal - Fees	1,351,600	9	1,473,200	1,532,100	1,578,100	1,625,400	1,674,200	1,724,400	1,776,100	1,829,400	1,884,300
450,241	604,464	450,000	Waste Disposal - Fees (C and D)	490,500	9	534,600	556,000	572,700	589,900	607,600	625,800	644,600	663,900	683,800
74,118	69,469	152,000	Sundry Fees	121,400	(20)	150,300	158,200	166,200	194,300	200,500	175,900	181,300	186,700	193,200
5,902,024	**6,969,819**	**6,297,000**		**7,111,000**	**13**	**7,818,100**	**8,210,900**	**8,552,300**	**8,832,100**	**9,097,700**	**9,340,300**	**9,620,800**	**9,909,600**	**10,208,000**
			OPERATING EXPENSES											
			Waste Administration											
220,054	187,587	276,500	Administration	232,900	(16)	240,600	249,600	258,900	268,400	278,200	288,600	299,200	310,200	316,000
357,000	423,996	433,000	Internal Overheads	505,000	17	520,100	535,700	551,800	568,400	585,500	603,100	621,200	639,800	659,000
			Debt Servicing											
23,840	16,425	8,500	Interest on Loans - Waste Administration	0	(100)	0	0	0	0	0	0	0	0	0
			Waste Receival											
183,777	178,266	199,500	Weighbridge	203,000	2	209,300	215,700	222,400	229,300	236,500	243,800	251,300	259,100	267,200
136,653	138,924	151,000	Transfer Stations	157,800	5	162,700	167,800	172,900	178,200	183,700	189,300	195,100	201,100	207,300
			Waste Collection											
97,091	138,418	137,000	Collection Kerbside	131,000	(4)	134,000	138,200	142,500	146,900	151,500	156,200	161,000	166,000	171,200
228,463	267,438	119,500	Collection Other	61,500	(49)	63,600	65,700	67,900	70,100	72,400	74,800	77,200	79,700	82,200
87,319	48,984	66,000	Collection Recycling	68,100	3	70,300	72,500	74,800	77,100	79,500	82,000	84,600	87,300	90,000
			Waste Recycling											
528,544	459,901	468,500	Material Recovery Facility	519,500	11	535,300	551,800	568,800	586,200	604,100	622,700	641,700	661,300	681,500
			Debt Servicing											
29,139	20,075	10,500	Interest on Loans - Recycling	0	(100)	0	0	0	0	0	0	0	0	0
			Waste Disposal											
258,059	205,301	302,500	Solid Waste Landfill	328,600	9	339,000	349,600	360,500	371,800	383,400	395,300	407,500	420,300	433,400
728,878	742,784	885,000	Waste Bale, Placement, Cover, Transport	890,000	1	916,700	944,300	972,700	1,001,900	1,032,000	1,063,000	1,094,900	1,127,800	1,161,700
314,879	576,416	760,000	DECC Levy	1,044,000	37	1,344,200	1,661,400	1,996,400	2,056,300	2,118,000	2,181,600	2,247,100	2,314,600	2,384,100
0	0	400,000	Green Waste Transport	407,000	2	419,300	431,900	444,900	458,300	472,100	486,300	500,900	516,000	531,500
35	1,818	5,000	Dry Inert Landfill	5,200	4	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800	7,200
11,771	15,386	16,500	Deposit	17,300	5	18,100	18,900	19,700	20,600	21,500	22,400	23,300	24,200	25,100
35,605	19,382	13,000	Special Rubbish Clean-ups	13,500	4	14,000	14,500	15,000	15,500	16,000	16,500	17,000	17,600	18,300
171,915	216,250	240,500	Green Waste	237,500	(1)	244,700	252,200	259,900	267,800	275,900	284,300	292,900	301,800	311,000
38,307	(297)	26,500	Landfill Closures, Leachate and Remediation	20,000	(25)	20,700	21,400	22,100	22,800	23,600	24,400	25,200	26,000	26,800
272,520	336,371	500,000	Waste Transport - Construction and Demolition	500,000	0	515,000	530,500	546,500	562,900	579,800	597,200	615,200	633,700	652,800
			Debt Servicing											
587,976	502,652	419,600	Interest on Loans - Landfill	377,400	(10)	306,700	232,200	154,000	74,200	10,400	0	0	0	0
			Non-Cash Expenses											
1,525,245	1,458,858	1,511,000	Depreciation	1,463,200	(3)	1,471,000	1,515,300	1,560,900	1,607,900	1,656,200	1,706,000	1,757,400	1,810,300	1,864,700
5,837,070	**5,954,935**	**6,949,600**	**Total Operating Expenses**	**7,182,500**	**3**	**7,550,700**	**7,974,800**	**8,418,400**	**8,590,600**	**8,786,500**	**9,043,900**	**9,319,300**	**9,603,600**	**9,891,000**
64,954	**1,014,884**	**(652,600)**	***Operating Result - Surplus / (Deficit)***	**(71,500)**	**(89)**	**267,400**	**236,100**	**133,900**	**241,500**	**311,200**	**296,400**	**301,500**	**306,000**	**317,000**
1,525,245	1,458,858	1,511,000	*Add Back Depreciation*	1,463,200		1,471,000	1,515,300	1,560,900	1,607,900	1,656,200	1,706,000	1,757,400	1,810,300	1,864,700
1,590,199	**2,473,742**	**858,400**	***Cash Result - Surplus / (Deficit)***	**1,391,700**	**62**	**1,738,400**	**1,751,400**	**1,694,800**	**1,849,400**	**1,967,400**	**2,002,400**	**2,058,900**	**2,116,300**	**2,181,700**
			Capital Movements											
1,076,499	1,154,128	1,209,600	Less Loan Principal Repayments	982,300		1,053,000	1,127,400	1,205,600	1,111,500	193,900	0	0	0	0
513,700	2,471,100	290,800	Less Transfer to Reserves	409,400		685,400	624,000	489,200	737,900	1,773,500	2,002,400	2,058,900	2,116,300	2,181,700
0	1,211,000	160,000	Add Transfer from Reserves	319,000		20,000	20,000	0	0	3,500,000	0	0	0	0
0	0	642,000	Add Capital Income	0		0	0	0	0	0	0	0	0	0
0	59,514	160,000	Less Capital Expenditure	319,000		20,000	20,000	0	0	3,500,000	0	0	0	0
0	**0**	**0**	***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
468,500	**1,728,600**	**1,859,400**	***Closing Reserve Balance***	**1,949,800**		**2,615,200**	**3,219,200**	**3,708,400**	**4,446,300**	**2,719,800**	**4,722,200**	**6,781,100**	**8,897,400**	**11,079,100**
8,037,428	**6,883,300**	**5,673,700**	***Closing Loan Principal Outstanding***	**4,691,400**		**3,638,400**	**2,511,000**	**1,305,400**	**193,900**	**0**	**0**	**0**	**0**	**0**

4.7 Waste Operations - Long Term Financial Plan

DOMESTIC WASTE MANAGEMENT (LONG TERM FINANCIAL PLAN - 2011/12 TO 2021/22)

ACTUAL 2009/10	ACTUAL 2010/11	ESTIMATE 2011/12	BUDGET ITEMS	ESTIMATED 2012/13	%	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	11%	16%	**% Change In Charges**	9%		9%	4%	4%	3%	3%	3%	3%	3%	3%
			OPERATING REVENUES											
4,580,021	5,072,799	5,908,000	Domestic Waste Management Charges	6,439,800	9	7,019,400	7,300,200	7,592,300	7,820,100	8,054,800	8,296,500	8,545,400	8,801,800	9,065,900
(270,139)	(282,671)	(325,000)	Pensioner Abandonments	(334,800)	3	(344,900)	(355,400)	(366,200)	(377,300)	(388,700)	(400,500)	(412,600)	(425,100)	(437,900)
13,969	16,383	16,000	Vacant Property Charges	16,500	3	17,000	17,600	18,200	18,800	19,400	20,000	20,600	21,300	22,000
664,151	613,928	627,000	Plant Charges	634,000	1	653,100	672,700	692,900	713,700	735,200	757,300	780,100	803,600	827,800
148,576	155,469	180,000	Pensioner Subsidy	185,400	3	191,000	196,800	202,800	208,900	215,200	221,700	228,400	235,300	242,400
38,546	55,450	50,000	Interest on Investments	0	(100)	10,000	10,300	10,700	11,100	11,500	11,900	12,300	12,700	13,100
5,175,124	**5,631,358**	**6,456,000**		**6,940,900**	**8**	**7,545,600**	**7,842,200**	**8,150,700**	**8,395,300**	**8,647,400**	**8,906,900**	**9,174,200**	**9,449,600**	**9,733,300**
			OPERATING EXPENSES											
			Administration											
78,119	114,575	152,000	Administration	88,700	(42)	91,500	95,000	98,600	102,400	106,300	110,400	114,700	119,100	120,000
37,766	80,381	42,000	NEWF	41,200	(2)	42,500	43,800	45,200	46,600	48,000	49,500	51,000	52,600	54,200
348,996	384,996	370,000	Indirect Expenses - Overheads	387,000	5	398,700	410,700	423,000	435,700	448,800	462,300	476,200	490,500	505,200
79,661	36,079	11,000	Promotion	11,400	4	11,800	12,200	12,600	13,200	13,800	14,400	15,000	15,600	16,300
			Debt Servicing											
60,110	52,742	45,000	Interest on Loans	36,500	(19)	27,800	18,200	8,000	0	0	0	0	0	0
			Collection											
2,875,660	3,221,891	4,098,500	Collection Kerbside	4,260,700	4	4,565,900	4,735,400	4,877,800	5,024,300	5,175,300	5,330,800	5,491,000	5,656,000	5,825,900
991,870	1,151,596	872,000	Collection Recycling	1,275,100	46	1,365,200	1,415,800	1,458,400	1,502,300	1,547,500	1,594,200	1,642,300	1,691,800	1,742,700
367,442	456,114	406,000	Vehicle Costs	419,100	3	431,700	444,700	458,100	471,900	486,100	500,700	515,800	531,300	547,300
			Non-Cash Expenses											
245,194	226,957	260,000	Depreciation	267,800	3	267,800	275,900	284,200	292,800	301,600	310,700	320,100	329,800	339,700
5,084,818	**5,725,331**	**6,256,500**	**Total Operating Expenses**	**6,787,500**	**8**	**7,202,900**	**7,451,700**	**7,665,900**	**7,889,200**	**8,127,400**	**8,373,000**	**8,626,100**	**8,886,700**	**9,151,300**
90,306	**(93,973)**	**199,500**	***Operating Result - Surplus / (Deficit)***	**153,400**	(23)	**342,700**	**390,500**	**484,800**	**506,100**	**520,000**	**533,900**	**548,100**	**562,900**	**582,000**
245,194	226,957	260,000	*Add Back Depreciation*	267,800		267,800	275,900	284,200	292,800	301,600	310,700	320,100	329,800	339,700
335,500	**132,984**	**459,500**	***Cash Result - Surplus / (Deficit)***	**421,200**	(8)	**610,500**	**666,400**	**769,000**	**798,900**	**821,600**	**844,600**	**868,200**	**892,700**	**921,700**
			Capital Movements											
110,500	117,884	125,500	Less Loan Principal Repayments	134,100		142,800	152,500	162,600	0	0	0	0	0	0
225,000	133,000	334,000	Less Transfer to Reserves	287,100		467,700	513,900	606,400	798,900	821,600	844,600	868,200	892,700	921,700
0	117,900	1,385,000	Add Transfer from Reserves	0		300,000	309,000	318,000	328,000	338,000	348,000	358,000	369,000	380,000
0	0	0	Add Capital Income	0		0	0	0	0	0	0	0	0	0
0	0	1,385,000	Less Capital Expenditure	0		300,000	309,000	318,000	328,000	338,000	348,000	358,000	369,000	380,000
0	**0**	**0**	***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
981,800	**996,900**	**(54,100)**	***Closing Reserve Balance***	**233,000**		**400,700**	**605,600**	**894,000**	**1,364,900**	**1,848,500**	**2,345,100**	**2,855,300**	**3,379,000**	**3,920,700**

4.8 Capital Works - Recurrent - 2012/13 to 2015/16

File Reference	Integrated Planning and Reporting – 2012/13
CSP Linkage	Transparent and accountable governance
Delivery Program	Financial Management
Objective	To review the draft capital recurrent capital works program for 2012/13 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 services (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 capital works program for 2012/13 onwards that are funded from recurrent revenue.

Key Issues

- Funding available
- Priorities

Information

Capital works 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. 2012/13 to 2015/16. The capital works included in the Council budget can be categorised into three broad groups.

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.

Self-funded Programs

Programs such as water, wastewater, waste, airport, fleet and plant should generate adequate revenues from their own operations to fund their capital works. This is possible as Council is in a position to set the charges for the services.

These programs have their own forward business plans that outline future capital works and the level of revenue needed to fund those works. The agenda for the 5 March 2012 Finance Committee provided a business plan for the airport, and the water, wastewater (sewer), waste and plant business plans are outlined in this agenda as separate reports.

Non-recurrent projects

Finally there is capital works that may not be recurrent in nature, but are considered desirable by the community and to finance these projects a unique funding source(s) must be identified. With Ballina Council these projects are often funded through Council's property reserves and the property reserves report to the 5 March 2012 Finance Committee meeting established the priorities for that funding.

This leaves the General Fund revenue funded recurrent capital works as the remaining category to establish priorities and the next section of this report provides a recommended capital works program.

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	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Computer Equipment	25,000	25,800	26,600	27,400
Community Infrastructure	192,000	198,000	204,000	210,000
Stormwater / Drainage	40,000	411,600	423,900	436,600
Urban and Rural Roads	7,288,400	2,142,400	2,100,100	3,356,900
Footpaths / Shared Paths	350,000	361,100	372,400	383,900
Street Lighting	42,000	44,000	45,000	46,400
Open Spaces and Reserves	140,000	144,000	148,000	152,000
Sporting Fields	140,000	144,000	148,000	152,000
Total	**8,217,400**	**3,470,900**	**3,468,000**	**4,765,200**

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

Information Services – Manager – Stewart Littleford

Item	***2012/13***	***2013/14***	***2014/15***	***2015/16***
Computer Equipment	25,000	25,800	26,600	27,400

This is a small provision for on-going replacement of miscellaneous computer equipment. The majority of Council's computer equipment is funded through a finance lease, with the cost of the lease included in the operating expenses for the Information Services program.

Asset Management - Andrew Jeavons

The funding allocated for this program is as follows:

Community Infrastructure	***192,000***	***198,000***	***204,000***	***210,000***

This funding has been sourced through recent special rate variations to allow Council to allocate increased revenue to maintenance of infrastructure, particularly with respect to buildings, swimming pools, amenities etc.

To allow Council to develop a priority program for maintenance an external firm was engaged to review all the key Council community assets to identify an overall works program. That program identified just over $800,000 worth of works considered as high priority.

Some of these works can be funded from internal reserves relating to the provision of that facility (i.e. waste centre) and once they are deducted from the program there is approximately $700,000 worth of works remaining. As Council only has approximately $200,000 available per annum a four year program has been developed. The works recommended in that program, and the year the work is planned, is as follows.

Item	*Total*	*2012/13*	*2013/14*	*2014/15*	*2015/16*
Administration Building			**152,000**		
Preliminaries	3,500				
Exterior Cleaning	30,000				
Exterior Repainting	39,000				
Scaffolding & height	48,000				
Garden pruning for scaffold	3,200				
Allowance for tree lopping	3,200				
Expansion joints to concrete panels	25,100				
ALEC		**31,500**			
Roof sheet 50m2 replacement	8,000				
A/C Decommissioning	5,000				
Roof insulation	8,000				
Solar HWS Decommissioning	2,500				
Exhaust fan works	8,000				
Alstonville Pool		**20,000**			
Fence repairs	3,000				
Roof valley replacement	12,000				
Asbestos removal to tank	5,000				
Ballina Pool		**20,000**			
Fence repairs	12,000				
Grouting of floor	8,000				
Crawford House			**33,000**		
Preliminaries	5,000				
Exterior painting	20,000				
Carpentry works	8,000				

Community Infrastructure Program (cont'd)

Item	*Total*	*2012/13*	*2013/14*	*2014/15*	*2015/16*
CWA - Ballina			**11,000**		
Exterior Painting	8,000				
Fire door replacement	3,000				
Ferry Shed				**25,000**	
Roof replacement	6,000				
Re-stump works	15,000				
Painting works	4,000				
Lennox Head SLSC		**11,000**			
Ground Floor decking	7,700				
Structural beam (from earlier report)	3,300				

Library – Ballina				**55,000**	
Roof screw replacement	10,000				
Painting works	38,000				
A/C Unit roof leaks	5,000				
Flag pole pulley replacement	2,000				
Naval Museum					**191,500**
Roofing, walls & Asbestos	176,500				
Exterior Painting	10,000				
Ceiling repairs	5,000				
Old Tintenbar Council Chamber		**58,500**			
Preliminaries	5,000				
Exterior painting	40,000				
Tree pruning	10,000				
Guttering works	3,500				
Players Theatre				**19,000**	
Exterior painting	19,000				
Public Amenities		**7,000**			
5 x Security gates	7,000				
Painting and maintenance (2)	**25,000**		**2,000**	**4,500**	**18,500**
Shelley Beach SLSC				**64,500**	
Preliminaries & access	11,000				
Rendering of brickwork	19,500				
Exterior painting	15,000				
Eaves replacement, plus asbestos	14,000				
Aluminium gates	5,000				
Lennox Head Community Centre (1)					
Chairs	20,000	20,000			
Sound Proofing Consultancy	5,000	5,000			
Blackout Blinds	7,500	7,500			
Portable Stage	5,500	5,500			
Public Address System	36,000				36,000
Northern Rivers Community Gallery (1)		**6,500**			
Floating Walls	6,500				
Total	**729,104**	**192,000**	**198,000**	**204,000**	**210,000**

(1) These two items were not included in the external report but represent recommendations from the 5 March Finance Committee meeting. It has been possible to bring the blackout blinds and the portable stage forward to match the funding available.

(2) In addition to the works listed Council's Civil Services Group would like to see additional funding allocated to maintenance of the public toilets, for painting etc. This line has been included as the balancing amount between the works identified and the funding available.

The following maintenance is planned for the Waste Centre and 71 Tamar Street. This work was included in the external report however there is funding available from the reserves that exist for these buildings (i.e. waste and property).

Item	*Total*	*2012/13*	*2013/14*	*2014/15*	*2015/16*
MRF (Waste Mgt Facility)		**66,000**			
Preliminaries	2,500				
Outside cleaning	36,500				
Roof screw replacement	20,000				
Window FC works	5,000				
Vinyl skirting to weighbridge.	2,000				
71 Tamar St, Ballina		**28,500**			
Exterior painting	15,000				
Garage roof replacement	10,000				
Guttering replacement	3,500				

All the figures outlined are preliminary estimates only and will be subject to further quotations.

Stormwater - Manager - Paul Busmanis

Item	*2012/13*	*2013/14*	*2014/15*	*2015/16*
Stormwater	**40,000**	**411,600**	**423,900**	**436,600**
Urban Lanes	20,000	20,200	20,800	21,400
Coogee St Pump Station	130,000			
Stormwater Asset Data	40,000	51,400	53,100	55,200
Grant ST, Ballina	140,000			
Martin St, Ballina		120,000		
Henry Philp Av, Ballina		30,000		
Alison Av, Lennox Head		40,000		
Barrett Dv, Lennox Head		40,000		
Coast Rd, East Ballina		40,000		
Brunswick St			80,000	
Gibbon St, Lennox Head			100,000	
Moon St, Ballina			100,000	
Williams Reserve				100,000
Foster St, Lennox Head				120,000
West Ballina				70,000

Roads and Bridges - Manager - Paul Busmanis

Item	*2012/13*	*2013/14*	*2014/15*	*2015/16*
Urban and Rural Roads	**7,288,400**	**2,142,400**	**2,100,100**	**3,356,900**
Martin Street	259,000			
Wilson Street		141,000		
Canal Rd	336,000	176,000		235,000
Chickiba Dr		212,000	142,000	
The Serpentine			137,000	
Brunswick St			84,000	
Fox St			382,000	
Tamar St		265,000		265,000
Skennars Head Rd			275,000	
Marsh Av				130,000
Nashua Rd				185,000
Rifle Range Rd				160,000
Marom Ck Rd				144,000

Midgen Flat Rd	430,000	425,000		
Bagotville Rd			240,000	
Pimlico Rd	220,000	180,000		
Teven Rd				116,900
Uralba Rd	140,000	100,000	100,000	120,000
Tuckombil Rd	151,000	218,000		
Sneaths Rd		256,000		256,000
Wardell Rd		169,400	260,600	
Houghlahans Ck Rd			144,000	
Maguires Ck Bridge			335,500	
McLeay Culvert - RMS Agreement	1,743,400			
Ballina Heights Drive - Sec 94	1,200,000			
Cumbalum Intechange - Sec 94	2,809,000			
Links Av Intersection - Sec 94				1,100,000
Tamar/Cherry St Roundabout - Sec 94				645,000

<u>Ancillary Transport Services - Manager – Paul Busmanis</u>

Item	*2012/13*	*2013/14*	*2014/15*	*2015/16*
Footpaths and Shared Paths	**350,000**	**361,100**	**372,400**	**383,900**
Beachfront Parade - West Side	65,000			
Bruxner - Sneaths / Rifle Range Road	90,000			
Links Ave - Chickiba Drive	5,000			
Green Street - Highway / Robertson St	10,000			
Byron Street - Service Station / Coast Rd		81,100	85,000	
Williams Reserve		70,000		
Fawcett Lane		10,000		
Grant Street		15,000	15,000	
Fox St - connect Cherry St to Kerr St			30,000	
Simpson Avenue - Smith Lane to shops			52,400	35,000
Commercial Rd - Bugden Lane to South St				15,000
The Avenue				45,000
Compton Drive				95,000
Alston Av				38,900
Wardell Rd				15,000
Manly St				15,000
Pine Av				15,000
Coastal Walk/Coastal Shared Path	180,000	185,000	190,000	

Item	*2012/13*	*2013/14*	*2014/15*	*2015/16*
Street Lighting	**42,000**	**44,000**	**45,000**	**46,400**
Pearces Creek Road	38,000			
Meerschaum Vale Hall	4,000			
Fawcett St, Ballina		19,000		
Norton St, Ballina		7,000		
Fox St, Ballina		7,000		
Waverly Pl/Smith Dv, West Ballina		11,000		
Isabella Dv, Skennars Head			42,000	
Kays Ln, Alstonville			3,000	
College Av, Skennars Head				20,000
Grant St, Ballina				15,000
Moon St, Ballina				8,000
Martin St, Ballina				3,400

Open Spaces - Manager - Jillian Pratten

Item	***2012/13***	***2013/14***	***2014/15***	***2015/16***
Playgrounds	**140,000**	**144,000**	**148,000**	**152,000**
Missingham Pk shade, softfall, equip	140,000			
Tanamera Drive Park, Alstonville		80,000		
McDougal Reserve, East Ballina		64,000		
Jan Moon Park, East Ballina			60,000	
The Serpentine Park			88,000	
Rainbow Park Swing only				10,000
North Lakes Reserve				80,000
Vera Street Reserve Swing only				10,000
Riverview Park Swing only				10,000
Faulks Reserve Swing only				10,000
Lions Park Swing only				10,000
Weerama Park				22,000
Sporting Fields	**140,000**	**144,000**	**148,000**	**152,000**
Kingsford Smith Lighting Upgrade	140,000			
Chickiba Sports Field Drainage Works		144,000		
Fripp Oval Drainage Works			148,000	
Skennars Head Drainage Works				152,000

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

It important to for Council to acknowledge that these works, plus the works funded from the property reserves as per the 5 March 2012 Finance Committee meeting represent the major community infrastructure works planned for the next few years.
Major projects such as the upgrade of the Ballina and Alstonville swimming pools, the Lennox Head Surf Club, the Ballina Sports and Leisure Centre, Wollongbar Sports Fields and Skennars Head Sports Fields all remain unfunded and this means land sales from land development activities, and / or grants, remain the only way these projects will be funded into the future.

The options are to approve or amend the proposed works programs. The recommendation that follows is to approve the programs as listed, 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 Capital Works - Forward Plans, as outlined in this report, for inclusion in the draft 2012/13 Operational Plan.

Attachments

Nil - Refer to separate budget document

4.9 General Fund - Operating Budget

File Reference	Integrated Planning and Reporting – 2012/13
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 2012/13 operating budget. The complete draft budget is included as a separate attachment to this business paper.

Key Issues

Allocation of resources

Net cost of programs

Council priorities

Information

The Council structure provides for four groups (Strategic, Regulatory, Civil and General Manager) within which 29 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 – 5.7% (previously approved by Minister)
- Financial Assistance Grant (FAG) increase – 2.75%
- Interest rate for investments – 5.6% and a declining portfolio
- Interest rate for loans – 8%
- CPI – 4%
- Salary movements – 3.25%

General Fund - Operating Result

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, theoretically, sustainable in the long term.
The 2012/13 forecast is for a deficit of approximately $8 million before capital amounts. The deficit includes approximately $14 million in depreciation which means that a cash surplus of approximately $6 million is forecast. This means there will not be sufficient surplus to fully finance the decline in the value of existing assets however there is approximately $6 million in discretionary funds to be applied.

Council's General Fund strategy has been to improve the operating surplus by growing revenue and maintaining a close watch on expenses. The primary tactic has been to obtain increases to the ordinary rate beyond cost of living rises and spend the majority of the extra income on capital improvements to the transport network.

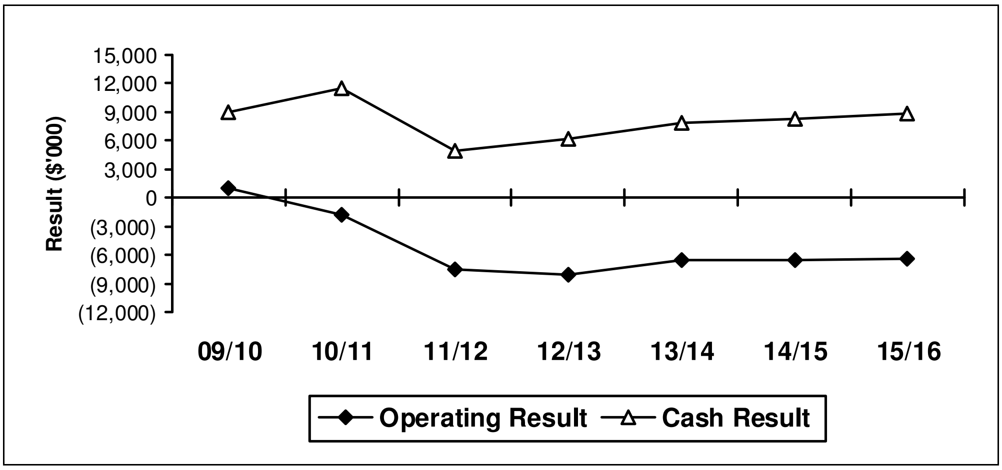
Given that the General Fund is restricted by rate pegging it is a difficult task to achieve a surplus that enables all capital works desired by the community. This includes not only the maintenance of existing assets but also the provision of new assets and services. Therefore Council must establish priorities between maintaining existing assets / services and providing new or extended services when formulating the budget.

The following chart summarises the net General Fund operating results (inclusive and exclusive of depreciation) for the period from 2009/10 to 2015/16. The first two years reflect actual results whilst the rest are forecast.
The chart indicates that from 09/10 to 10/11 there was an improvement in the cash result but a decline in the actual operating result. This is due to an approximate $4 million increase in depreciation in 10/11 due to the revaluation of the transport network. The revaluation has created a new benchmark for the organisation to achieve an operating surplus as we now have a more accurate idea of the annual decrease in the service potential of the road network.

Looking forward the forecast is for a fall in the operating and cash results from 10/11 to 11/12 followed by a gradual improvement in the outlook. The decline from 10/11 to 11/12 is attributable to a variety of issues including a very slow year in 11/12 in respect to development related income and a decline in investment income as the portfolio declines. There is also forecast to be an increase in 11/12 as compared to 10/11 in respect to wages expense and loan repayments.

4.9 General Fund - Operating Budget

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



The forecast indicates that General Fund is struggling to make an operating surplus and this is likely to continue into the foreseeable future.

General Fund - Cash Reserves

Council has held strong cash reserves for a number of years and a significant proportion of these reserves are in the process of being converted into community assets. Table two below shows details of the actual (2009/10 and 2010/11) and forecast (2011/12 to 2015/16) General Fund reserves movement.

Table Two - Cash Reserves ($ million)

Year	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**
Internal reserves	27	19	15	13	17	19	20
External reserves	13	11	5	6	7	11	15
Total reserves	**40**	**30**	**20**	**19**	**24**	**30**	**35**

Reserves are predicted to fall to approximately $19 million by the end of 2012/13 and thereafter increase from 2013/14. However there are numerous variables that may affect this forecast including the fact that the financial model does not include some major capital projects that have previously been contemplated such as the Ballina sports centre, sports field upgrades and various land development proposals.

It is likely that as funds are from land sales or developer contributions become available some of these projects will be included in the forward plan.

It is also the case that the budget does not make provision to create/expand reserves for information technology equipment, legal expenses, leave reserves and asset replacements. Ideally funds would be set aside for these purposes however constraints are such that it is not possible.

General Fund – Debt

Table three shows details of the actual (2009/10 and 2010/11) and forecast (2011/12 to 2015/16) general fund debt. It can be seen that debt and repayments have been increasing since 2009/10 and the outlook is for this to continue and escalate.

Table Three – Debt and Repayments ($ million)

Year	**09/10**	**10/11**	**11/12**	**12/13**	**13/14**	**14/15**	**15/16**
Borrowings	17.8	19	18.5	24.2	28.5	25.3	22
New Loans	2.8	3	1.3	8.2	7	0	0
Loan repayments		2.8	3	3.7	4.5	5	5

Recurrent loan repayments are set to increase from $3 million in the current year up to $5 million by 2014/15. This is a significant burden for the fund to bear and will limit the amount of available discretionary funds to be applied in future years by future Councils.

The debt service ratio (loan repayments as a percentage of recurrent income) is estimated to rise from 6.7% to approximately 10.5%. This means that $1 in every $10 received is pre committed to repaying capital works from previous years. From a benchmarking point of view the ratio is trending to the outer limit of what is acceptable.

Proposed loans in the 2012/13 financial year are for:

- Ballina Heights drive $1.2 million
- Mcleay Culvert $1.7 million
- Cumbalum Interchange $2.5 million
- Reseal of Roads $1 million
- Ballina Town Centre $1.8 million

Details on these works are outlined in the capital expenditure report, included elsewhere in this agenda.

General Fund is set to be tested with an increasing operating deficit, rising debt commitment and cash reserves being applied to build new community infrastructures. The 2012/13 budget relies on the use of reserves, dividends and borrowings to achieve a $96,000 deficit.

These trends indicate that the financial capacity of the Fund is reaching its limits with little room to manoeuvre in terms of unforseen events and expansion of works or services.

General Fund – Summary

The draft General Fund budget is showing a working capital deficit of approximately $96,000. This has, as usual, proven to be a very difficult budget to try and bring close to a break even point.

Expenditure budgets of interest include:

- Salary/wage expenses are forecast to increase with an award based increment of 3.25%. The total 52 week General Fund wages expense, exclusive of overtime, allowances and contract staff is estimated to be in the order of $14 million.

- Workers compensation insurance is estimated to be $760,000. This estimate is actually $16,000 less than the current year however by way of comparison in 2009/10 the cost was $436,000.

- Public liability insurance is estimated to be $520,000.

- Superannuation expense is forecast to be approximately $2,025,000, This includes expense for the current super scheme of $1,165,000 and the defined benefits scheme of $860,000. The contribution rate in respect of the defined benefits scheme is still greater than the original scheme rates owing to the employer contribution holiday from several years ago and the affects of the global financial crisis.

- The cash budget for employee leave entitlements has been set at $1.9 million. This relates to long service leave, annual leave, sick leave and maternity leave.

  As at the start of this financial year the leave liability stood at $7.1 million with a cash reserve to meet this debt of $1.61 million. This means that, at that time, the liability was 23% funded, which is considered satisfactory.

  However in 2009/10 the percentage funded was 27% and since that time the reserve balance declined by $345,000 to meet costs associated with leave payouts. This is partially because staff are being required to take accumulated leaves.

  Also Council has in the order of 45 staff members who are at, or over, the retirement age. This means that over the next few years the reserve may be called on to pay out a significant amount of leave accrued. On the plus side the leave liability declined from $7.3 million to $7.1 million and this is the first time this has occurred in quite some time.

  It would be preferable to place funds into reserve however given the working funds position this has been to difficult to achieve. The percentage of the liability that is funded 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 $4.5 million. This process distributes costs to funds and business such that there is an equitable distribution of wages, insurances, accommodation, computers, etc across the organisation.

Income budgets of interest include:

- Income from the investment portfolio that is applied to general revenue is estimated to return $600,000. This assumes that the reserve balance will fall and the interest rate will remain reasonably steady. The income forecast is $165,000 less than the current year.

- The Financial Assistance Grant is estimated to provide 2.74% more than the current year, with total income estimated at $3.5 million. This grant is not predictable, as at times the grant amount has actually reduced from one year to another.

  Historically it has been the case that there has been no increase or a decrease in the year that new land values are received, and new land values have been received this year. However an optimistic outlook has been taken, partly because our values have decreased in comparison to the previous valuation.

- Income from rates, based on a 5.7% special variation and 0.8% growth, is estimated at $16.6 million. The ‘additional income’ beyond a cost of living increase has been applied to:

Description	Amount
Roads New works	313,000
Roads Reconstruction	98,000

  This allocation is consistent with Council's Ministerial approval for the 5.7% 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. For further information on these items refer to the report in this agenda, which details the recurrent capital works programs for 2012/13 onwards.

- Private works income is forecast to be $200,000 with expense of $175,000. This assumes an approximate 15% surplus. This budget is difficult to predict and varies considerably from year to year.

- Tuckombil quarry royalties are estimated to return $276,000, net of expenses and it is proposed that a dividend of $100,000 be provided to assist General Fund and a further $123,000 be taken to finance repayments on a $1 million loan taken out to reseal roads.

- Rental returns from commercial properties are estimated at $2.4 million with the property portfolio providing a dividend to Council of $512,000.

In summary this has been a very difficult General Fund budget to try and achieve even a reasonably small deficit. Various corners have been cut including:

- the legal provision for development services has been reduced primarily due to the significant decrease in land development activities

- zero funds are being transferred to the leave entitlements reserve

- 100% of the loan for Teven bridges being funded from section 94 reserves

- numerous operating expense budgets have been adjusted down and may struggle to make ends meet.

- dividends have been taken from property, quarries and cemeteries.

It is considered to be very important 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 2012/13 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 2012/13, as compared to the original estimated 2011/12 result, is as per table four.

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 2011/12 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 Four - Net Working Capital Result by Program

Description	2011/12 Budget Surplus / (Deficit	2012/13 Budget Surplus / (Deficit)	Variation Improve / (Worsen)	Variation %
Strategic and Community Services Group				
Strategic Planning	(901)	(934)	(33)	3.7
Community Services	(637)	(608)	29	(4.6)
Sub Total	**(1,538)**	**(1,542)**	**(4)**	**0.3**
Regulatory Services Group				
Development Services	(1089)	(994)	95	(8.7)
Building Services	77	(105)	(182)	(236)
Environmental Health	(488)	(513)	(25)	5.1
Administration & Public Order	(943)	(974)	(31)	3.3
Sub Total	**(2,443)**	**(2,586)**	**(143)**	5.9
Civil Services Group				
Engineering Management	(2,605)	(3,020)	(415)	15.9
Stormwater/Environmental	(639)	(655)	(16)	2.5
Roads and Bridges	(4,881)	(5,701)	(820)	16.8
Ancillary Transport	(1,317)	(1,260)	57	(4.3)
RTA	0	0	0	0
Open Spaces and Reserves	(3,170)	(3,100)	70	(2.2)
Fleet Management	0	0	0	0
Rural Fire Service	(187)	(150)	37	(20)
Quarries and Sandpit	100	223	123	123

Swimming Pools	(393)	(413)	(20)	5.1
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	**(13,092)**	**(14,076)**	**(984)**	**7.5**
General Manager's Group				
Governance	(967)	(1,096)	(129)	13.3
Administrative Services	(877)	(752)	125	(14)
Financial Services	22,509	23,708	1,199	5.3
Library Services	(1,188)	(1,230)	(42)	3.5
Information Services	(1,495)	(1,374)	121	(8)
Human Resources and Risk	(769)	(816)	(47)	6
Tourism	(583)	(614)	(31)	5
Property Management	327	280	(47)	(14)
Airport	0	0	0	0
Sub Total	**16,957**	**18,106**	1,149	6.8
Total	**(116)**	**(98)**	**18**	**(16)**

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. The budget makes provision for a continuation of strategic planning services as well as funding for planning studies, economic development and heritage programs.

Community Services

The Community Services program incorporates the Kentwell Community Centre, Lennox Head Cultural and Leisure Centre, Alstonville Leisure and Entertainment Centre, Richmond Room, the Community Gallery and other community services.

This program shows a decrease in net cost which is due to the fact that the Wardell Community centre will not be operating.

Regulatory Services Group

Development Services

The forecast is for the net cost for this service to decrease. This is because the vote for legal expenses has been reduced from $275,000 to $150,000. This is a risky forecast based on years gone by however the development industry is extremely quiet and the current year has comparatively very low expenses.

Building Services

The forecast is for the service to shift from a net surplus to a net cost. This is because income is anticipated to be less than the current year and approximately $125,000 less than 2009/10 whilst expenses are forecast to marginally increase.

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 plus a new budget of $15,000 for improvements to Shaws Bay and Lake Ainsworth areas.

Administration and Public Order

This section of the budget relates to the activities of the rangers and also includes the governance section of regulatory services. Incremental increases are proposed.

Civil Services Group

Asset Management

This section of the budget includes Civil Services internal staff, maintenance of the administration centre and the depot. The budget movement is distorted as expenses that relate to the administration centre have been relocated from the Administrative Services section of the budget (refer to reduced net cost for Administrative Services). Also the recurrent capital budget for improvements to community infrastructure has been relocated to this section from open spaces and reserves.

However it is also the case that forecast income from engineer's development inspections is substantially less than the estimate this time last year. Again the downturn in the development and construction industry has had a very negative impact on the finances of the organisation.

Stormwater and Environmental Protection

The budget provides for capital and recurrent expense on the stormwater network as well as contributions to Richmond River County Council for flood mitigation and weeds control. Also there are budgets for flood studies, coastal hazard studies, foreshore protection, canal dredging and boat ramp cleaning.

Roads and Bridges

The comparison shown in table four highlights growth in the net cost of services provided and underlines the funds being put into area. This is primarily due to the additional resources being applied to this area funded by the special rate variation. The budget also includes borrowings of $1 million to provide additional reseals throughout the Shire, assuming Council's Local Infrastructure Renewal Scheme application is successful.

Ancillary Transport

Street lighting, footpaths/cycle ways, car parking, street furniture, and town centre upgrades are all included in Ancillary Transport.

The net reduction to costs is partly because the budget for street lighting expense has been reduced following works this financial to reduce energy costs. The majority of the anticipated savings will be used to firstly repay property reserves for the capital outlay thence in to the revolving energy fund.

Open Spaces and Reserves

Despite the reduction to forecast expense shown in table four all services will remain similar to the current year. An additional budget has been provided for tree planting to $90,000 with $75,000 of this amount for Ballina entrances funded from Cemetery reserve.

Cemetery operations are also providing a $50,000 dividend to General Fund. Whilst it would be preferable to keep the operating surplus within the section to provide for improvements and perpetual maintenance the contribution is necessary to provide a General Fund budget approaching break even.

The reduced net cost for the section is due to the relocation of the budget for infrastructure maintenance to asset management.

Fleet Management

The budget provides for expenses and internal hire charges to maintain the plant fleet. It is proposed that hire charges will increase by 5% to meet rising costs of maintaining the fleet. A separate report forms part of this agenda on this matter.

Rural Fire Service (RFS)

It is estimated that the 2012/13 expense will be less than 2011/12, as the current year includes Council’s share to purchase a new fire truck.

Quarries and Sandpits

Forecast income from the quarries remains similar to the current year as do expenses with the only exception being that the 2011/12 year includes a budget to complete a strategic options report.

Also 2011/12 and 2012/13 both take a dividend of $100,000 from anticipated operating surplus to support General Fund. Again this is not a preferred option given that the real post closure costs of the quarries are not known however it is necessary to assist General Fund.

The improved net surplus to this section of the budget is because quarries are going to finance the repayment of a $1 million loan taken out to reseal Shire roads. This is not a desirable strategy given the unknowns about the quarry over the life of the loan however it is being done to take advantage of a low

interest loan rate on offer from the NSW State Government, as resolved by Council.
Swimming Pools

Pools are forecast to run at a net cost of $413,000 which assumes incremental increases on the current year's operations.

General Manager's Group

Governance and Corporate Management

The majority of the increase to forecast expense relates to the inclusion of a budget of $200,000 for election expenses. An amount of $110,000 had been accumulated in reserve to provide for this cost.

The budget also provides $153,000 for donations, with $60,000 for community donations and $40,000 for halls.

Administrative Services

The budget provides for administrative and records staff salaries as well as printing, advertising, stationery and telephone costs.

Whilst budgets have been trimmed to frugal levels the reason for the decrease in net costs is because expenses relating to the administration centre have been relocated to Asset Management.

Financial Services

Income from ordinary rates is forecast to be approximately $16.6 million which is an increase of approximately 6.5% in comparison to last year. Income form investments are forecast to decline by $189,000 to $589,000 as the portfolio reduces.

There are also forecast increases to the Financial Assistance Grant and internal overheads.

Library Services

The budget anticipates similar operations to the current year. The contribution to the Regional Library is estimated to be $1,210,000.

Information Services

The current financial year includes votes to purchase and implement the new TRIM document management system which accounts for reduced net costs in comparison to the current year.

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 2012/13 budget makes provision for a substantial increase in recruitment expenses which is simply accepting of the actual costs that have confronted the organisation over the last two years.

Tourism

This section of the budget includes running the Visitor Information Centre, the community event budget, along with destination development and grant acquisition. It is assumed that operations will continue in a similar fashion to the current year.

Property Management

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 2012/13 figure less than 2011/12. It has traditionally been the case over many years that rental properties have supported the General Fund with the Wigmore Arcade surplus traditionally being applied to general revenues. The strategy is to reduce this dividend over time.

Airport

Council considered a detailed financial report on the airport at the recent Finance committee meeting. There are significant plans for this business including a $7 million loan in 2013/14. The forecast impact on General Fund in 2012/13 is nil.

Water, Wastewater and Waste Operating Budgets

Reports on the current state of the Water, Wastewater and Waste 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

That Council endorses the draft operating budget, as per the separate attachment to this report, for inclusion in the draft 2012/13 Operational Plan, including any adjustments resulting from this meeting.

Attachment(s)

1. Draft Budget – 2012/13 to 2015/16 (separate attachment)