ballina
shire council

Notice of Finance Committee Meeting

A Finance Committee Meeting will be held in the Ballina Shire Council Chambers, 40 Cherry Street, Ballina on **Tuesday 8 April 2014 commencing at 4.00 pm.**

Business

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

Paul Hickey
General Manager

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1. Apologies

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4.1 Ballina Byron Gateway Airport - Long Term Financial Plan

Delivery Program Commercial Services

Objective To review the Long Term Financial Plan for the Ballina Byron Gateway Airport and to consider additional loan funding to extend the public car park to meet present and future demand.

Background

The Ballina Byron Gateway Airport (BBGA) is operated as a stand alone business with the financial goal of operating without being subsidised from other Council revenue sources. There is not currently an expectation that there will be a return on the capital invested in the business, even though there is a financial risk to the community in operating the BBGA. The return to the community is through the economic benefits generated from the provision of a wide range of affordable local airline services, along with the availability of these services to the residents of the Ballina Shire and the Northern Rivers region.

Table one outlines the BBGA's financial performance in recent years.

Table One - Airport Operating Results – 2009/10 to 2013/14

Item	2009/10 Actual ($'000)	2010/11 Actual ($'000)	2011/12 Actual ($'000)	2012/13 Actual ($'000)	2013/14 Estimate ($'000)
Operating Revenues	2,376	2,728	3,483	4,005	4,650
Operating Expenses	2,656	3,088	3,553	4,056	4,170
Operating Surplus / (Deficit)	**(280)**	**(360)**	**(70)**	**(51)**	**480**
Add Back Depreciation	555	735	784	831	830
Cash Operating Surplus	**275**	**375**	**714**	**780**	**1,310**
Less: Loan Principal Repaid	433	236	249	532	839
Add: Capital Income – Grants	0	500	115	2,885	0
Add: Capital Income - Loans	0	0	0	7,300	0
Less: Capital Expenditure	96	497	732	5,787	4,999
Less: Unexpended Loans	0	0	0	4,648	(4,648)
Net Cash Movement	**(254)**	**142**	**(152)**	**(2)**	**120**
Reserve Balance (Deficit)	**(444)**	**(302)**	**(454)**	**(456)**	**(336)**
Balance Outstanding Loans	**3,716**	**3,480**	**3,231**	**9,999**	**9,160**

As per this table revenues have been increasing at a rate that exceeds operating expenses. This has resulted in a steady improvement in the operating result to the point where an operating surplus of $480,000, inclusive of depreciation, is predicted this financial year.

Whilst the operating result is improving, capital expenditure has been exceeding the available cash reserves, resulting in the reserve balance being overdrawn. This overdraft is funded by an internal loan from Council's property reserves, which are also reaching low levels, as property and community infrastructure works are undertaken.

It is therefore important that this overdraft be repaid as early as possible.

A Local Infrastructure Renewal Scheme (LIRS) low interest loan of $7.3m was taken up in 2012/13, which means that the loan debt for the business has increased substantially. This results in a higher proportion of the cash operating surplus being committed to loan principal repayments.

Given the asset intensive nature of the business it is unavoidable that it will go through periods where it is highly geared in terms of borrowings. This increases the financial risk associated with the business due to the loan liability. This is particularly important given that the BBGA operating revenues are heavily reliant on three major customers (Jetstar, Virgin and Rex).

The report that follows outlines the latest revision of the long term financial plan (LTFP) for the BBGA, a copy of which is attached to this report.

Key Issues

- Assumptions, financial position and performance

Information

The BBGA has gone through a period of strong growth with passenger numbers increasing and the services provided at the terminal also improving. Capital expenditure has been incurred on a variety of works including an upgrade of the terminal, extension of the apron and an overlay of the runway. The latest LTFP is included as attachment one, which includes the following information:

- Page One – The actual and estimated operating results for the period from 2002/03 to 2023/24
- Page Two – The capital movements for the business relating to capital expenditure, sources of funding for that capital expenditure, the cash balances for the airport reserve and a summary of the loan debt, including annual principal and interest repayments.
- Pages Three and Four – Charts summarising the operating results and the debt ratio.

The operating results, as per page one, are summarised in table two as follows.

Table Two: Airport Financial Plan 2013/14 to 2023/24

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	4,649	4,981	5,050	5,075	5,446	6,086	6,137	6,162	6,213	6,240	6,292
Operating Expense	4,171	4,335	4,421	4,465	4,814	5,197	5,162	5,192	5,238	5,288	5,368
Operating Result	478	647	629	610	632	890	976	970	975	951	924
Add Back Deprec	830	855	881	907	934	962	991	1,021	1,051	1,083	1,115
Cash Surplus	1,308	1,501	1,509	1,517	1,566	1,852	1,967	1,991	2,026	2,034	2,039
Loan Income	4,648	725	0	0	8,000	0	0	0	0	0	246
Loan Principal Paid	839	881	1,171	1,214	1,011	1,356	1,506	1,588	1,604	1,214	686
Capital Expenditure	4,999	1,125	200	206	8,212	219	1,125	332	489	246	254
Reserve Movement	118	221	139	97	343	277	(665)	71	(67)	574	1,100
Reserve Balance	(337)	(117)	22	119	462	740	75	146	79	653	1,753
Loan Debt Owing	9,158	8,278	7,107	5,893	12,882	11,527	10,021	8,433	6,829	5,615	4,929
Debt Ratio	30%	29%	34%	33%	31%	38%	37%	37%	35%	27%	18%

In respect to the operating results (page one) key points of interest are as follows.

- The number of flights and passengers continues to increase and it is assumed that this growth will continue through Jetstar providing an increased Melbourne service in 2014/15. The financial plan makes provision for approximately 22 weekly flights from Jetstar in 2014/15, with an average occupancy of slightly less than 80%.

- Limited increases in flight numbers are included for the years after 2014/15 (i.e. increase by one in 2017/18, 2019/20 and 2021/22). This represents a conservative estimate based on the recent growth in passenger numbers.

- The summary shows an increase of 12% in passenger numbers for 2014/15 as compared to 2013/14. The 2013/14 numbers are now trending above 390,000 and with Jetstar offering a daily Melbourne Service for the majority of 2014/15 the latest estimate of almost 440,000 is achievable.

- The LTFP for Virgin assumes seven flights per week based on 75% capacity, and for Rex it is based on 19 flights per week at 45% occupancy. The Rex occupancy figure has been lowered from 50% in 2013/14, reflecting current passenger loads.

- Car parking fees are a major contributor to the BBGA's viability. There has been a progressive increase in income and this growth is anticipated to increase substantially in 2014/15, if Council approves an extension to the existing car park. This is dealt with in more detail later in this report.

- Security income and expense are comparable to each other as the airlines make a contribution to the security infrastructure. As passenger numbers increase, so does the security income and expense, with Council earning a 16% margin on the income.

- Operating expenses, including salaries and maintenance increases are largely limited to CPI.

- Loan repayments in 2013/14 will represent 30% of forecast revenue and this figure could increase to 34% if Council approves an additional loan for car parking. The Council benchmark for this ratio is less than 12% from an overall organisation perspective, so the business is leveraged well past normal levels.

In respect to capital expenditure (page two) very little is forecast for the next few years, with the major item being $725,000 in 2014/15 for the extension of the existing car park. For items other than the car park the Airport Manager acknowledges that the business now needs to consolidate after a period of rapid expansion and the plan is to minimise capital expenditure to allow the airport reserves to accumulate to a reasonable level.

An allowance of $200,000, plus CPI, is provided each year from 2015/16 onwards to recognise that there will always be a need to provide some form of capital improvements due to the large asset base at the BBGA.

Car Park Extension

A key issue for this report is whether Council wishes to finance an extension to the public car park, including undercover parking, to meet present and future parking demand. The estimated cost of this work is $725,000 (excl GST). Once constructed, the works will deliver:

- an additional 72 long-term (overnight) parking positions, including undercover parking for 34 (overnight) long term parking positions

- an additional 72 short-term parking positions

- an estimated $183,960 pa in additional parking revenue (based on 36 cars parked overnight which is equivalent to a 25% occupancy rate for the new car park).

A plan showing the proposed car park extension is included in the detailed design drawing as per attachment two.

This project is the first stage in the proposed landside upgrade of the BBGA which includes the additional paid public car park, new entrance road and terminal expansion. The future layout of the completed car park expansion and new entrance road are shown in attachment two.

The terminal expansion is included in the capital expenditure program in 2017/18, subject to the airlines agreeing to finance the loan repayments. The new entrance road is considered to be a Commercial Services issue as part of the on-going development of the Southern Cross Industrial Estate. The timing of those works will be dependent on land sales at Southern Cross.

The main focus of the car park expansion proposal is to provide additional long-term (overnight) covered parking for BBGA passengers, as the existing long-term parking area is exceeding capacity on weekends and during school holiday periods. The current parking issues facing the BBGA are that:

- there is no undercover parking in the main car park
- existing long-term car park is over-capacity on weekends and during school holiday periods

- patronage of the car park has increased and its growth has increased at a higher rate than the increase in passenger numbers
- there is the potential for people to believe there is not enough long-term car parking at BBGA and therefore they may prefer to use Gold Coast
- the completion of the recent Apron Extension Project has provided the opportunity for more flights, more often.

The Ballina Byron Gateway Airport (BBGA) currently has an existing public car park with a total of 198 parking positions, as follows:

- 90 long-term parking positions
- 108 short-term parking positions (including six disabled positions).

Utilisation data has been collated by BBGA staff for the past 15 months. During this period, the average utilisation rate (including weekdays and weekends) of the existing BBGA long-term car park has increased from approximately 50 overnight cars to 69 overnight cars.

Utilisation is higher on weekends and numbers regularly reach over 120 cars per night on Fridays and Saturdays. When the long-term car park of 90 spaces is full, patrons have been parking in the short-term car park, on medians and on the grassed areas for overnight parking. The maximum number of overnight cars recorded in the period was 136 on 18 October 2013.

The current parking rates for the existing paid public car park are as follows:

- Long-term (overnight) rate = $14/night
- Short-term rate = $2 (0 to 2 hours) and $8/day (not overnight).

The income from the existing paid parking (both short-term and long-term) was $363,000 for the 2012/13 financial year. This equates to approximately $30,000/month.

Passenger numbers continue to increase at BBGA for current and forecast passenger numbers. With the expansion of the airside apron and new taxiway there are now no restrictions on aircraft movements in the apron and taxiway areas, which allows for additional flights to be added to the existing schedule.

There is a commitment from Jetstar to provide additional flights to Melbourne, commencing in June 2014. With the continued increase in the number of flights and passengers there will be an increasing demand on the long-term (overnight) car park.

In the November 2012 Research Report conducted by Proof Research, the following was found with respect to the car park facilities at BBGA:

- around 9% [of departing passengers use] the car park
- satisfaction with car parking facilities has dropped in 2012, from 63% to 45%, driven by local residents rather than visitors (who were more likely to be unable to rate this facility)
- 17% of locals would like to see an undercover car park – this is consistent with a 2011 survey (15%)

- in 2012 passengers were asked for their level of interest in two new services. Interest in using the long-term car park at a reduced monthly rate, paid in advance, for regular passengers registers 13% interest overall, significantly higher amongst local residents at 34%
- satisfaction has declined with car parking facilities. However there has been an increase in ‘Don’t know’ responses in relation to car parking (from 23% in 2011 to 47% in 2012), indicating fewer passengers making use of the parking facilities;
- several passengers “Use [the] private car park over the road” (Ballina Airport Car Storage). This means ‘lost revenue’ for the BBGA.

Detailed design of the car park extension has been completed by Ardill Payne and Partners and environmental approval has been received. The next steps for this project are to secure funding and undertake construction.

Should BBGA not deliver the additional parking positions, and as the long-term car park reaches full capacity more often, the following outcomes may be realised:

- Loss of passengers (leakage) to the Gold Coast where there is sufficient undercover long-term parking (and more flights to choose from). This equates to a loss of car park income, a loss of income (from the airlines), a loss of income to retailers at the BBGA, a subsequent loss of income to the local tourism industry and the local community. Gold Coast Airport is spending $1.5 million on shade sails for premium parking in 2013/14. This shows there is a market for providing long term covered car parks. This leakage could also impact on the viability of future airline services

- Loss of parking income as passengers choose another form of transport to the airport or park in an off-airport parking facility

- Passengers may use the short-term car park (for long-term parking) and cause congestion in the short-term car park

- Passengers may utilise the street to park on Southern Cross Drive and risk not having their vehicle in a long-term parking area

- Passengers may attempt to park outside the marked parking bays (eg: grassed areas or kerbs and medians) which may result in fines, safety issues, vehicle damage and customer dissatisfaction

- Loss of reputation in the community for not providing high quality customer service and secure overnight parking.

Legal / Resource / Financial Implications

The proposed investment for the car park is as per the following table.

Table Three – Car Par Expansion Project

Item	Comments	Estimate ($)
Design	Completed	0
Contract management	ROI / RFT process	5,000
Project management	External project manager for 10 weeks	30,000
Construction*	Estimate by Ardill Payne & Partners	481,000
Shade structures, posts and footings	Estimate	119,000
Installation of lighting	Estimate	20,000
Sub-Total		**655,000**
Contingency 10% (approx.)		70,000
TOTAL (excl GST)		**725,000**

The cost of pavement construction for the car park has been reduced from an original estimate following the construction of the pad for the asphalt plant, which formed part of the runway overlay project.

This pad can now be utilised as the sub-base layers of the future car park expansion.

The additional car parking allows for:

- Overflow parking (currently up to 46 cars/night on Fri/Sat/Sun)
- Additional Jet Services
- Introduction of Tigerair (potential)
- Future Air Services to Brisbane (potential) - (with fly in/fly out operations, vehicles park for longer periods)
- Other destinations (potential)
- Increased revenue/operating surplus
- Customer satisfaction and improved service

Importantly:

- The car parking revenue has increased from $192,540 pa in 2009/10 to $362,691 pa in 2012/13, an increase of $170,000.
- The car parking revenue in 2013/14 is forecast to reach $425,000.
- The additional income from 36 cars per night = $183,960 per annum (i.e. 36 cars @ $14 per night x 365 days/year)
- In 2013/14 we expect the passenger numbers to increase to almost 400,000 passengers pa and the long term car parking requirements to increase to approximately 150 car parking spaces per night and approximately 175 in 2014/15.

Funding to undertake the $725,000 in estimated expenditure for the car park will need to be sourced from a loan, either internal or external, as the BBGA reserve is already overdrawn.

The LTFP has the principal on this loan of $725,000 being repaid in full by 2016/17, within three years. This means the preference is not to obtain a standard term for the loan, such as 10 years, as flexibility is needed to allow the loan to be repaid quickly. This makes the proposal ideal for an internal loan from one of Council's other internal reserves, however with all those reserves under financial pressure there are limited options available.

From an internal reserve perspective the quarry reserve is one option as it has an estimated balance of approximately $1.2 million, as at 30 June 2015, which would allow the $725,000 in loan funding to be sourced from this reserve. The concern with this is that the quarry reserve may be rapidly expended if Council pursues dredging of North Creek, along with seeking approvals for the expansion of the existing Council quarries. Therefore this option is not supported.

This being the case Council may well have to borrow the funds from an external institution (i.e. bank), with the terms of the borrowing to be based more on an overdraft facility, that allows the monies to be repaid quickly as revenues are generated through the BBGA.

Options

There is considered to be two main options in respect to this report.

The first option is to endorse the draft LTFP as attached and support the Airport Manager's proposal to seek loan funding to finance the expansion of the existing car park.

The second option is not to pursue the expansion of the car park and remove the $725,000 in loan funding included in the LTFP. This would then result in a deferral of the works until the Airport Reserve was in a stronger financial position.

There are valid concerns that the overall debt for the BBGA is reaching unsustainable levels and this then increases the risk to the community if revenues from the airlines rapidly decline, as Council will need to still repay that debt. The airline business is a very competitive market and Council has already been approached by Virgin to reduce our landing / passenger fees, with that proposal declined.

On the positive side the return from the investment in the car park is estimated at 25% (i.e. $184,000 / $725,000) and with the principal to be repaid within three years, an increase in what is referred to as non-standard income (i.e. income not directly paid by the airlines) helps to make the overall business more sustainable.

The Airport Manager is very confident that the forecast results from the car park expansion will be achieved, if not bettered, and on that basis the recommendation is to endorse the LTFP as presented, for inclusion in Council's Draft Delivery Program and Operational Plan for 2014/15.

RECOMMENDATIONS

1. That Council approves the inclusion of the draft Long Term Financial Plan for the Ballina – Byron Gateway Airport, as attached to this report, in the Draft Delivery Program and Operational Plan for 2014/15.

2. That Council authorises the General Manager to proceed with the construction of the car park extension as outlined in this report, with this expenditure to be financed from a loan / overdraft facility that allows the debt to repaid within a relatively short time frame (i.e. three years).

Attachment(s)

1. Long Term Financial Plan (LTFP)
2. Proposed Car Park Extension Design Drawing
3. Future layout of completed car park and entrance road from industrial estate

Ballina Byron Gateway Airport - Operating Result and Cash Flow Analysis - 2002/03 to 2023/24

					Actual						Estimated						Estimated					
2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Description	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
												OPERATING REVENUES										
	2%	124%	40%	20%	(2%)	6%	(18%)	6%	14%	9%	10%	Passenger Numbers (Percentage Growth)	12%	1%	0%	3%	0%	3%	0%	3%	0%	0%
82,577	84,374	189,202	265,481	319,579	312,548	330,165	271,615	287,226	327,906	356,740	393,400	Passengers	438,600	441,100	441,100	456,100	456,100	471,100	471,100	485,100	485,100	485,100
	(30%)	94%	9%	13%	(4%)	(4%)	(6%)	9%	35%	7%	10%	Landing Fees (Percentage Growth in Income)	6%	2%	0%	1%	0%	1%	0%	1%	0%	0%
818,905	573,442	1,075,375	1,257,290	1,453,706	1,389,802	1,299,623	1,217,840	1,299,255	1,808,451	1,931,200	2,121,000	Passenger Charges	2,263,000	2,307,000	2,307,000	2,333,000	2,333,000	2,359,000	2,359,000	2,385,000	2,385,000	2,385,000
53,724	38,764	113,592	40,681	18,737	42,871	49,805	45,029	60,108	55,036	65,000	75,000	Landing Fees Other	75,000	76,500	78,100	79,700	81,300	83,000	84,700	86,400	88,200	90,000
												Other Fees and Charges										
0	0	256,660	408,635	564,566	649,870	1,099,968	637,841	751,098	881,421	647,700	1,014,000	Security Charges Jet Airlines	1,130,000	1,152,600	1,175,700	1,199,300	1,223,300	1,247,800	1,272,800	1,298,300	1,324,300	1,350,800
8,520	6,607	19,652	21,385	56,103	60,930	64,755	63,462	90,999	184,415	210,300	230,000	Car Rental Franchises	250,000	255,000	260,100	265,400	270,800	276,300	281,900	287,600	293,400	299,300
18,484	23,376	21,267	28,851	25,918	37,444	45,200	48,955	47,915	51,577	56,000	55,000	Hanger Site Rentals	55,000	56,100	57,300	58,500	59,700	60,900	62,200	63,500	64,800	66,100
9,510	9,739	9,964	7,652	10,593	10,778	24,480	24,808	25,527	26,498	27,000	35,000	Airport Fuel Site Rent	35,000	35,700	36,500	37,300	38,100	38,900	39,700	40,500	41,400	42,300
10,505	12,373	10,925	4,521	2,898	7,464	26,836	23,802	25,286	26,622	47,300	55,000	Rental New Terminal Building	55,000	56,100	57,300	58,500	59,700	60,900	62,200	63,500	64,800	66,100
3,687	7,836	14,133	18,380	21,947	26,233	20,807	19,609	20,257	20,442	20,400	24,000	Rental Old Terminal Building	25,000	25,500	26,100	26,700	27,300	27,900	28,500	29,100	29,700	30,300
0	0	3,635	3,600	3,705	4,441	4,173	2,192	6,427	3,823	9,000	2,500	Aviation Security Cards	2,500	2,600	2,700	2,800	2,900	3,000	3,100	3,200	3,300	3,400
0	0	0	0	76,127	172,800	175,916	192,541	238,570	293,618	363,000	425,000	Airport Car Parking	625,000	637,500	650,300	663,400	676,700	690,300	704,200	718,300	732,700	747,400
0	0	0	0	1,497	808	0	0	0	0	56,000	70,000	Advertising	70,000	71,400	72,900	74,400	75,900	77,500	79,100	80,700	82,400	84,100
0	0	0	0	13,979	59,359	67,504	79,561	112,753	111,342	118,000	130,000	Airport Shuttle Bus Rents	130,000	132,600	135,300	138,100	140,900	143,800	146,700	149,700	152,700	155,800
0	0	0	0	0	0	0	0	0	0	3,600	44,000	Contributions to Improvements	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	138,600	259,800	Contributions to Loan Interest NSW LIRS	235,600	210,500	184,400	157,300	129,100	98,700	69,100	37,300	6,300	0
0	0	0	0	0	0	0	0	0	0	88,000	79,000	Interest Earned	0	0	0	0	0	0	0	0	0	0
0	0	0	0	12,045	22,978	20,235	21,319	20,750	20,026	23,200	30,000	Airport Car Parking Fines	30,000	30,600	31,300	32,000	32,700	33,400	34,100	34,800	35,500	36,300
0	0	0	0	0	0	0	0	0	0	0	0	**Terminal Recoupment Charges**	0	0	0	320,000	935,000	935,000	935,000	935,000	935,000	935,000
923,335	674,137	1,525,223	1,760,995	2,281,821	2,465,378	2,899,302	2,376,779	2,718,945	3,483,273	4,005,300	4,849,300	**Total Operating Revenues**	4,981,100	5,049,700	5,075,000	5,446,400	6,086,400	6,137,400	6,162,300	6,212,900	6,239,500	6,291,900
												OPERATING EXPENSES										
												Management										
9,828	17,121	3,132	68,325	80,390	132,877	165,944	277,623	356,584	399,989	436,000	427,000	Salaries and Oncosts	443,000	456,300	470,000	484,100	498,600	513,600	529,000	544,900	561,200	578,000
1,290	2,770	(764)	3,890	4,384	3,495	7,376	7,554	13,321	9,773	17,000	14,000	Conferences and Seminars	15,000	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700
0	0	0	0	0	0	1,357	5,195	20,231	45,554	45,000	30,000	Office Expenses	30,000	30,900	31,800	32,800	33,800	34,800	35,800	36,900	38,000	39,100
0	0	0	0	0	0	12,504	12,504	21,000	21,500	21,600	19,500	Vehicle	20,100	20,700	21,300	21,900	22,600	23,300	24,000	24,700	25,400	26,200
												Buildings and Facilities - Maintenance										
39,221	39,104	49,506	64,647	89,330	105,575	129,747	134,131	142,589	121,994	121,100	120,000	Cleaning	125,000	128,800	132,700	136,700	140,800	145,000	149,400	153,900	158,500	163,300
30,244	41,198	49,180	47,498	52,197	55,742	74,606	94,680	96,018	132,401	144,500	79,000	Airport Building M & R	75,000	77,300	79,600	82,000	84,500	87,000	89,600	92,300	95,100	98,000
18,972	12,670	22,179	22,267	46,394	26,253	33,791	35,772	44,920	59,608	40,700	42,000	Airport Building Area, Roads & Services	30,000	30,900	31,800	32,800	33,800	34,800	35,800	36,900	38,000	39,100
												Operation Expenses										
0	0	0	0	0	0	0	0	0	0	0	130,000	Reporting Officers	165,000	170,000	175,100	180,400	185,800	191,400	197,100	203,000	209,100	215,400
4,843	2,957	0	4,248	1,444	0	0	0	6,400	4,911	15,000	10,000	Legal Fees	10,000	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
2,948	3,331	3,707	4,035	4,390	8,158	4,480	5,289	7,775	7,894	7,700	8,000	Telephone Airport	8,000	8,200	8,400	8,700	9,000	9,300	9,600	9,900	10,200	10,500
36,325	10,005	40,000	40,764	36,007	43,577	19,633	16,978	39,877	85,919	76,600	65,000	Consultancies	65,000	67,000	69,000	71,100	73,200	75,400	77,700	80,000	82,400	84,900
0	0	0	0	0	0	0	1,343	1,500	2,034	4,200	5,000	Bank Fees	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
6,451	7,225	8,803	11,807	10,973	11,550	18,913	23,021	22,753	26,027	23,000	21,000	Insurance	26,000	26,800	27,600	28,400	29,300	30,200	31,100	32,000	33,000	34,000
11,283	9,769	11,584	13,592	9,987	20,092	31,055	28,311	31,703	25,287	28,600	25,000	Rates	27,000	27,800	28,600	29,500	30,400	31,300	32,200	33,200	34,200	35,200
186,229	76,562	248,383	378,486	520,269	590,379	938,520	486,120	546,679	622,890	758,000	820,000	Security in Departure Lounge	950,000	978,500	1,007,900	1,038,100	1,069,200	1,101,300	1,134,300	1,168,300	1,203,300	1,239,400
0	0	0	0	1,619	3,503	33,869	24,007	22,667	21,311	25,500	18,000	Vermin Control	15,000	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700
0	0	2,352	6,325	5,567	6,309	6,715	3,570	5,147	7,494	10,600	5,000	Aviation Security Card	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
0	17,580	21,063	16,247	21,437	29,778	61,508	64,885	77,450	78,141	83,000	80,000	Bird Control Strategy	75,000	77,300	79,600	82,000	84,500	87,000	89,600	92,300	95,100	98,000
0	0	0	0	0	0	2,312	4,519	4,127	618	500	1,000	Drug & Alcohol Management	500	500	500	500	500	500	500	500	500	500
30,560	73,406	70,051	151,269	77,419	55,991	80,157	88,750	79,896	98,435	96,000	45,000	Aircraft Movement Area	50,000	51,500	53,000	54,600	56,200	57,900	59,600	61,400	63,200	65,100
45,691	37,861	32,757	65,202	67,820	74,105	78,623	81,211	78,231	90,050	100,000	69,000	Remainder Of Movement Area	50,000	51,500	53,000	54,600	56,200	57,900	59,600	61,400	63,200	65,100
10,224	21,566	21,031	17,910	16,935	17,888	15,693	19,974	10,536	20,669	21,000	14,000	Fencing and Security	20,000	20,600	21,200	21,800	22,500	23,200	23,900	24,600	25,300	26,100
971	3,964	988	0	9,305	5,441	2,897	3,425	1,267	4,093	5,000	5,000	Approach Clearing	6,000	6,200	6,400	6,600	6,800	7,000	7,200	7,400	7,600	7,800
0	0	1,658	1,094	2,582	5,254	0	0	310	2,211	1,500	500	Approach Survey	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
4,308	3,943	2,026	2,528	4,628	8,701	9,342	7,726	8,681	14,445	8,400	4,000	Extraordinary Inspections	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
0	0	0	1,972	2,030	1,304	33	3,083	3,163	439	100	1,000	Lighting Inspections	2,000	2,100	2,200	2,300	2,400	2,500	2,600	2,700	2,800	2,900
2,661	2,000	569	4,280	5,506	790	3,942	1,407	4,726	4,378	4,000	4,000	Markers, Cones and Wind Indicators	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
165	156	100	697	259	4,126	1,559	4,387	2,676	1,775	2,600	10,000	Service Charges	15,000	15,500	16,000	16,500	17,000	17,500	18,000	18,500	19,100	19,700
0	0	0	0	236	2,102	172	1,420	1,890	480	100	1,000	Airport Emergency Exercises	3,000	3,100	3,200	3,300	3,400	3,500	3,600	3,700	3,800	3,900
24,387	16,292	15,253	13,427	32,286	11,283	17,110	15,399	15,476	17,601	14,500	6,000	Lighting	10,000	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
28,800	24,025	28,963	24,041	31,631	37,835	56,663	80,395	89,628	103,955	132,000	120,000	Electricity Airport Lighting	120,000	123,600	127,300	131,100	135,000	139,100	143,300	147,600	152,000	156,600
0	0	0	0	8,031	8,059	0	1,551	242	3,253	2,100	5,000	Airport Emergency Generator	5,000	5,200	5,400	5,600	5,800	6,000	6,200	6,400	6,600	6,800
5,172	6,592	14,101	3,947	24,541	20,569	33,162	42,975	81,307	142,425	192,000	140,000	Promotion	150,000	154,500	159,100	163,900	168,800	173,900	179,100	184,500	190,000	195,700
3,000	3,000	3,000	3,000	3,000	3,300	3,300	3,300	3,300	3,000	6,000	6,500	Airport Owners Assoc Membership	7,500	7,700	7,900	8,100	8,300	8,500	8,800	9,100	9,400	9,700
0	123	107	270	238	238	238	155	204	204	500	1,000	Aviation Publications	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
0	0	0	0	35,658	59,026	63,714	66,445	55,370	67,201	65,000	65,000	Paid Car Parking	60,000	61,800	63,700	65,600	67,600	69,600	71,700	73,900	76,100	78,400
0	0	0	0	0	0	0	0	0	0	0	40,000	RWP Procedures	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	608	8,108	9,029	7,000	10,000	Airport Signs	10,000	10,300	10,600	10,900	11,200	11,500	11,800	12,200	12,600	13,000
0	0	0	0	0	0	0	4,200	9,128	7,400	6,000	6,500	Airport NDB M and R	13,000	13,400	13,800	14,200	14,600	15,000	15,500	16,000	16,500	17,000
												Overheads and Debt Servicing										
129,480	118,097	134,771	114,000	87,996	156,996	176,003	204,000	213,000	267,996	280,000	295,000	Overheads to Airport	304,000	313,100	322,500	332,200	342,200	352,500	363,100	374,000	385,200	396,800
95,635	69,728	59,000	51,053	41,763	101,791	109,522	243,472	216,952	237,861	423,600	572,900	Interest On Loans Airport	551,600	524,200	451,100	679,800	938,200	775,400	674,300	584,600	495,200	431,000
												Non-Cash										
167,215	167,574	165,000	170,948	270,515	329,373	271,000	555,057	734,952	783,980	830,000	830,000	Depreciation - Airport	854,900	880,500	906,900	934,100	962,100	991,000	1,020,700	1,051,300	1,082,800	1,115,300
893,903	788,419	1,008,698	1,325,769	1,606,767	1,941,460	2,466,678	2,656,645	3,077,889	3,552,223	4,056,000	4,170,900	**Total Operating Expenses**	4,334,600	4,421,200	4,465,000	4,814,400	5,196,900	5,161,900	5,192,100	5,238,100	5,288,200	5,368,100
29,432	(114,282)	516,525	465,226	655,054	523,918	432,624	(279,866)	(358,944)	(68,950)	(50,700)	478,400	***Operating Result - Surplus / (Deficit)***	646,500	628,500	610,000	632,000	889,500	975,500	970,200	974,800	951,300	923,800
167,215	167,574	165,000	170,948	270,515	329,373	271,000	555,057	734,952	783,980	830,000	830,000	*Add Back Depreciation*	854,900	880,500	906,900	934,100	962,100	991,000	1,020,700	1,051,300	1,082,800	1,115,300
196,647	53,292	681,525	636,174	925,569	853,291	703,624	275,191	376,008	715,030	779,300	1,308,400	***Cash Result - Surplus / (Deficit)***	1,501,400	1,509,000	1,516,900	1,566,100	1,851,600	1,966,500	1,990,900	2,026,100	2,034,100	2,039,100
												Capital Movements										
0	0	168,959	175,981	195,852	237,568	251,539	433,076	237,402	250,600	532,100	838,700	Less Loan Principal Repayments	880,700	1,170,500	1,213,600	1,011,000	1,355,600	1,506,300	1,587,500	1,604,100	1,214,000	685,600
196,647	53,292	512,600	460,193	927,841	853,290	703,623	0	142,000	464,430	247,200	469,700	Less Transfer to Reserves	620,700	338,500	303,300	555,100	496,000	460,200	403,400	422,000	820,100	1,353,500
0	0	636,500	617,228	826,810	715,110	1,356,504	254,000	0	76,300	769,900	351,300	Add Transfer from Reserves	400,000	200,000	206,000	212,200	218,600	1,125,200	332,000	489,000	246,200	253,600
0	0	0	0	1,000,000	61,000	2,800,000	0	500,000	655,600	4,996,700	4,647,700	Add Capital Funding	725,000	0	0	8,000,000	0	0	0	0	0	0
0	0	636,466	617,228	1,638,686	538,543	3,804,966	96,115	498,606	731,900	5,786,600	4,999,000	Less Capital Expenditure	1,125,000	200,000	206,000	8,212,200	218,600	1,125,200	332,000	489,000	246,200	253,600
0	0	0	0	0	0	0	0	0	0	0	0	***Cash Result after Capital Movements***	0	0	0	0	0	0	0	0	0	0

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	**Key Financial Indicators**	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
3%	(17%)	34%	26%	29%	21%	15%	(12%)	(13%)	(2%)	(1%)	10%	Operating result as a percentage of income	13%	12%	12%	12%	15%	16%	16%	16%	15%	15%
21%	8%	45%	36%	41%	35%	24%	12%	14%	21%	19%	28%	Operating result as a percentage of income (ex deprec)	30%	30%	30%	29%	30%	32%	32%	33%	33%	32%
10%	10%	15%	13%	10%	14%	12%	28%	17%	14%	24%	30%	Debt Ratio	29%	34%	33%	31%	38%	37%	37%	35%	27%	18%
5%	9%	5%	5%	10%	16%	16%	20%	22%	21%	29%	31%	Non-standard income as a percentage of income	30%	30%	30%	34%	40%	40%	40%	39%	38%	39%
6%	8%	8%	6%	14%	21%	18%	18%	19%	21%	29%	35%	Non-standard income as a percentage of expenses	35%	34%	34%	38%	47%	47%	47%	47%	46%	46%
7%	10%	9%	7%	17%	25%	20%	23%	25%	27%	36%	43%	Non-standard income as a percentage of expenses (ex dep)	43%	43%	43%	47%	58%	59%	59%	58%	58%	58%

Airport - Capital Expenditure Summary

Asset Description	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Ballina Airport											
Apron Extension		90,000					500,000				
Car Park / Entrance Road											
Car Park / Shade Structures (Loan Funded)		725,000									
CCTV											
Drainage Works	9,000										
Electronic Gate											
Fence to Airside	60,000	60,000									
Fire Fighting Infrastructure (contribution etc)		40,000									
Hardstand	214,500										
Land Acquisition											
Landside Terminal Awning											
Lease Area - Stage One	6,500										
Long Term Car Park											
Miscellaneous Infrastructure			200,000	206,000	212,200	218,600	225,200	232,000	239,000	246,200	253,600
Obstacle Tower Lennox Head	100,000										
Overlay to Rental Car Park		130,000									
PAPI / PAALC									250,000		
Pedestrian Crossing											
Runway Lighting							400,000	100,000			
Runway Upgrade	4,511,000										
Storage Containers	8,000	20,000									
Storage Shed	90,000										
Terminal Renovation (Loan Funded)		60,000			8,000,000						
Toilets to Departure Lounge											
Total	4,999,000	1,125,000	200,000	206,000	8,212,200	218,600	1,125,200	332,000	489,000	246,200	253,600

Asset Description	Funding Sources 2013/14 Grants	Loans	Reserves	Funding Sources 2014/15 Grants	Loans	Reserves	Funding Sources 2015/16 Grants	Loans	Reserves	Funding Sources 2016/17 Grants	Loans	Reserves	Funding Sources 2017/18 Grants	Loans	Reserves
Apron Extension			0			90,000			0			0			0
Car Park / Entrance Road			0			0			0			0			0
Car Park / Shade Structures (Loan Funded)			0		725,000	0			0			0			0
CCTV			0			0			0			0			0
Drainage Works			9,000			0			0			0			0
Electronic Gate			0			0			0			0			0
Fence to Airside			60,000			60,000			0			0			0
Fire Fighting Infrastructure (contribution etc)			0			40,000			0			0			0
Hardstand			214,500			0			0			0			0
Land Acquisition			0			0			0			0			0
Landside Terminal Awning			0			0			0			0			0
Lease Area - Stage One			6,500			0			0			0			0
Long Term Car Park			0			0			0			0			0
Miscellaneous Infrastructure			0			0			200,000			206,000			212,200
Obstacle Tower Lennox Head		100,000	0			0			0			0			0
Overlay to Rental Car Park			0			130,000			0			0			0
PAPI / PAALC			0			0			0			0			0
Pedestrian Crossing			0			0			0			0			0
Runway Lighting			0			0			0			0			0
Runway Upgrade		4,511,000	0			0			0			0			0
Storage Containers			8,000			20,000			0			0			0
Storage Shed		36,700	53,300			0			0			0			0
Terminal Renovation (Loan Funded)			0			60,000			0			0		8,000,000	0
Toilets to Departure Lounge			0			0			0			0			0
Total	0	4,647,700	351,300	0	725,000	400,000	0	0	200,000	0	0	206,000	0	8,000,000	212,200

Source of Capital Funding	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Grants and Contributions	1,155,600	2,344,400	0	0	0	0	0	0	0	0	0	0	0
Loan Funds	0	2,652,300	4,647,700	725,000	0	0	8,000,000	0	0	0	0	0	246,200
Reserves	76,300	789,900	351,300	400,000	200,000	206,000	212,200	218,600	1,125,200	332,000	489,000	246,200	0
Total	**1,231,900**	**5,786,600**	**4,999,000**	**1,125,000**	**200,000**	**206,000**	**8,212,200**	**218,600**	**1,125,200**	**332,000**	**489,000**	**246,200**	**246,200**

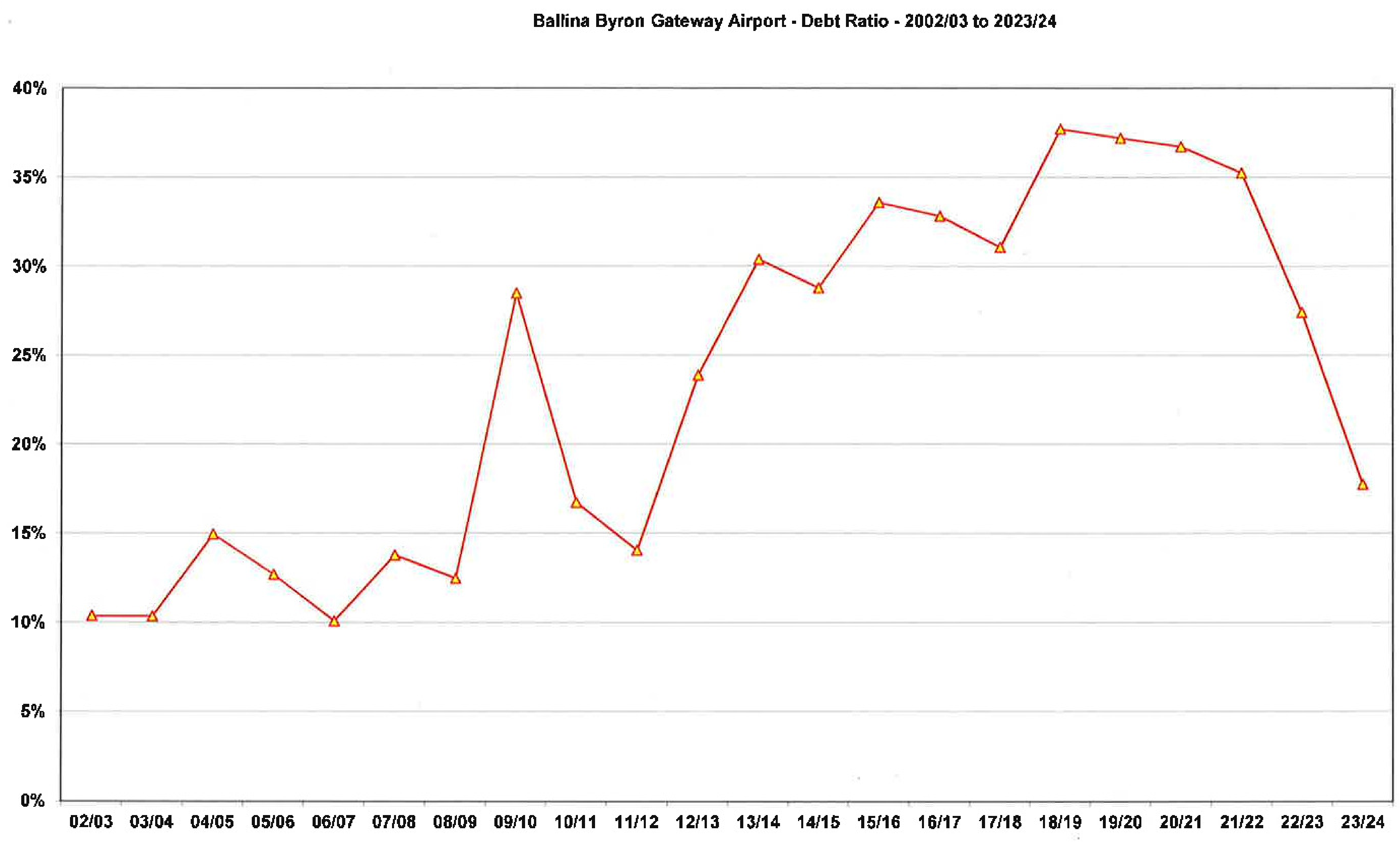
Cash Balance	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Opening Balance	**239,600**	**87,000**	**(455,700)**	**(337,300)**	**(116,600)**	**21,900**	**119,200**	**462,100**	**739,500**	**74,500**	**145,900**	**78,900**	**652,800**
Movement	(152,600)	(542,700)	118,400	220,700	138,500	97,300	342,900	277,400	(665,000)	71,400	(67,000)	573,900	1,099,900
Closing Balance	**87,000**	**(455,700)**	**(337,300)**	**(116,600)**	**21,900**	**119,200**	**462,100**	**739,500**	**74,500**	**145,900**	**78,900**	**652,800**	**1,752,700**
Dissection of Total Cash													
Council Reserve Balance	(454,400)	(455,700)	(337,300)	(116,600)	21,900	119,200	462,100	739,500	74,500	145,900	78,900	652,800	1,752,700
Unexpended Grant Funds	541,400	0	0	0	0	0	0	0	0	0	0	0	0
Unexpended Loan Funds	0	4,647,700	0	0	0	0	0	0	0	0	0	0	0
Total Cash Held	**87,000**	**4,192,000**	**(337,300)**	**(116,600)**	**21,900**	**119,200**	**462,100**	**739,500**	**74,500**	**145,900**	**78,900**	**652,800**	**1,752,700**

Loan Summary	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Loan Principal	250,600	532,100	838,700	880,700	1,170,500	1,213,600	1,011,000	1,355,600	1,506,300	1,587,500	1,604,100	1,214,000	685,600
Loan Interest	234,700	416,400	572,900	551,600	524,200	451,100	679,800	938,200	775,400	674,300	584,600	495,200	431,000
Total	**485,300**	**948,500**	**1,411,600**	**1,432,300**	**1,694,700**	**1,664,700**	**1,690,800**	**2,293,800**	**2,281,700**	**2,261,800**	**2,188,700**	**1,709,200**	**1,116,600**
Total Principal Outstanding - 30 June	**3,229,000**	**9,996,900**	**9,158,200**	**8,277,500**	**7,107,000**	**5,893,400**	**12,882,400**	**11,526,800**	**10,020,500**	**8,433,000**	**6,828,900**	**5,614,900**	**4,929,300**

Loan Repayment Dissection	2011/2012 PRINCIPAL	INTEREST	2012/2013 PRINCIPAL	INTEREST	2013/2014 PRINCIPAL	INTEREST	2014/2015 PRINCIPAL	INTEREST	2015/2016 PRINCIPAL	INTEREST	2016/17 PRINCIPAL	INTEREST
Airport	48,269	54,554	46,791	56,032	50,790	52,033	54,607	48,216	58,464	44,359	62,989	39,834
Airport	166,670	145,782	166,670	134,364	166,670	122,931	166,670	118,000	166,670	105,000	166,670	93,000
Airport	35,692	34,333	38,315	31,709	40,864	29,161	44,006	26,018	47,000	23,000	50,000	20,000
Airport - LIRS			280,300	194,300	580,420	368,813	615,383	333,850	648,346	300,887	683,933	265,300
Airport - Car Park / Shade Covers								25,500	250,000	51,000	250,000	33,000
Airport - Terminal												
	250,631	**234,669**	**532,076**	**416,405**	**838,744**	**572,938**	**880,666**	**551,584**	**1,170,480**	**524,246**	**1,213,592**	**451,134**

Loan Repayment Dissection	2017/2018 PRINCIPAL	INTEREST	2018/2019 PRINCIPAL	INTEREST	2019/2020 PRINCIPAL	INTEREST	2020/21 PRINCIPAL	INTEREST	2021/2022 PRINCIPAL	INTEREST	2022/2023 PRINCIPAL	INTEREST	2023/2024 PRINCIPAL	INTEREST
Airport	67,737	35,087	72,664	30,160	78,492	24,331	84,227	18,597	90,574	12,243	97,045	5,779		
Airport	166,670	82,000	166,670	70,000	166,670	58,000	166,670	40,000	166,670	35,000	166,670	30,000	166,620	15,000
Airport	55,000	15,000	60,000	10,000	63,000	7,000	66,100	2,000	0	0				
Airport - LIRS	721,549	227,684	761,234	188,000	802,141	147,092	847,522	101,711	893,631	55,402	465,310	9,466		
Airport - Car Park / Shade Covers														
Airport - Terminal		320,000	295,000	640,000	396,000	539,000	423,000	512,000	453,000	482,000	485,000	450,000	519,000	416,000
	1,010,956	**679,771**	**1,355,568**	**938,160**	**1,506,303**	**775,423**	**1,587,519**	**674,308**	**1,604,075**	**584,645**	**1,214,025**	**495,245**	**685,620**	**431,000**


Ballina Byron Gateway Airport - Operating Income and Expense Analysis - 2002/03 to 2023/24
60%
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
02/03 03/04 04/05 05/06 06/07 07/08 08/09 09/10 10/11 11/12 12/13 13/14 14/15 15/16 16/17 17/18 18/19 19/20 20/21 21/22 22/23 23/24
Operating result as a percentage of income
Non-standard income as a percentage of income
Non-standard income as a percentage of expenses


Ballina Byron Gateway Airport - Debt Ratio - 2002/03 to 2023/24
40%
35%
30%
25%
20%
15%
10%
5%
0%
02/03
03/04
04/05
05/06
06/07
07/08
08/09
09/10
10/11
11/12
12/13
13/14
14/15
15/16
16/17
17/18
18/19
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20/21
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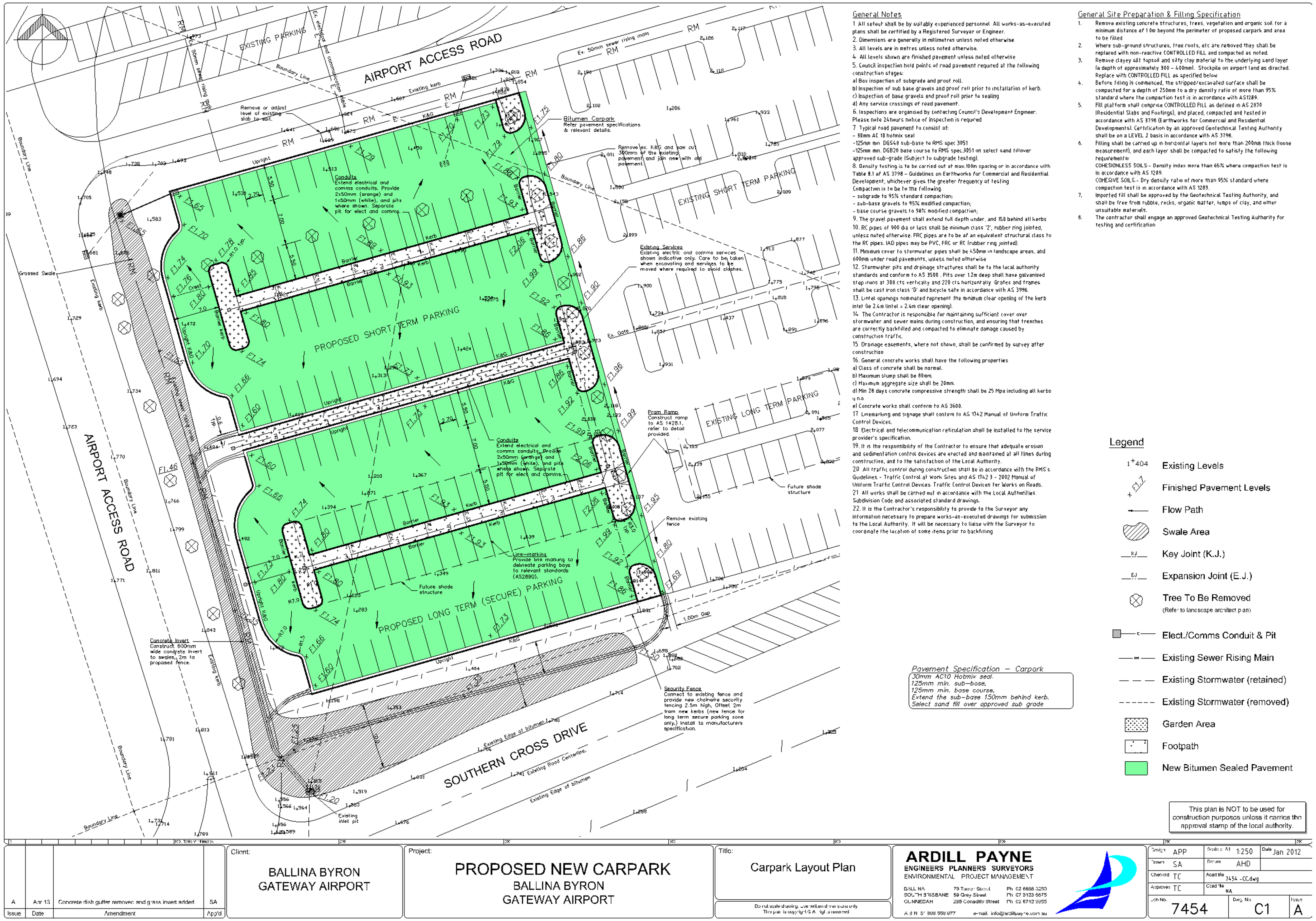
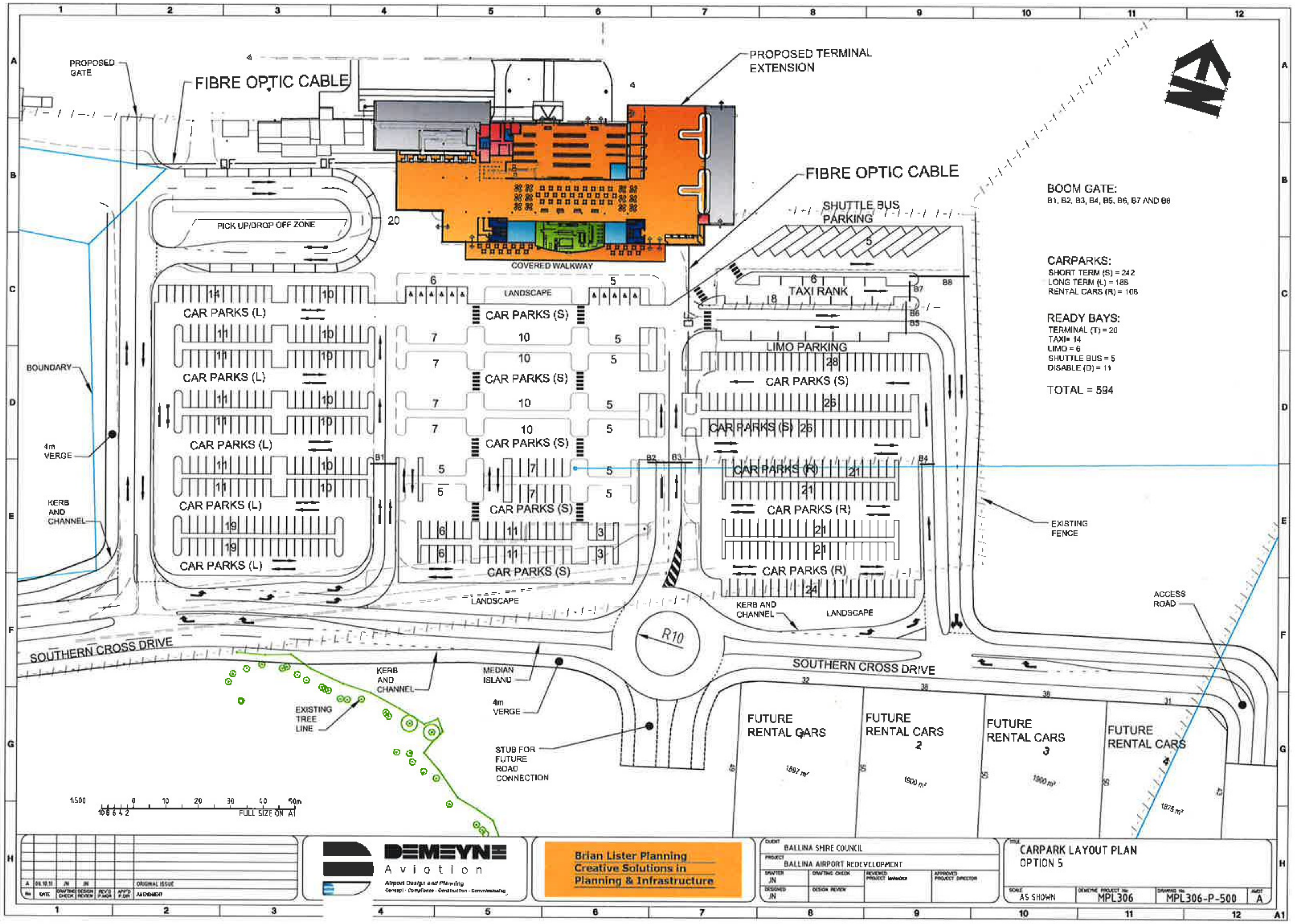
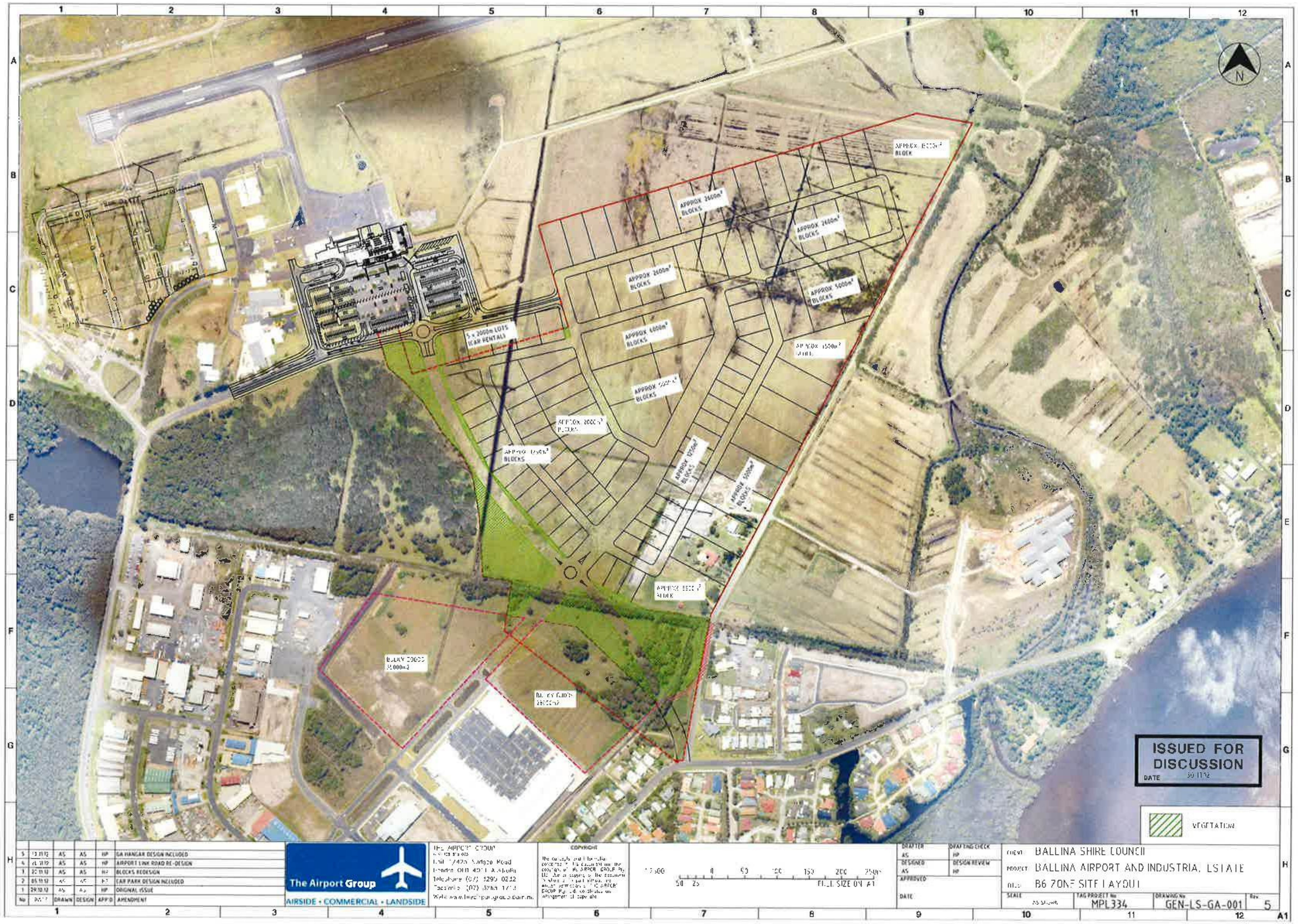
22/23
23/24



AIRPORT ACCESS ROAD
SOUTHERN CROSS DRIVE
EXISTING PARKING
EXISTING SHORT TERM PARKING
EXISTING LONG TERM PARKING
PROPOSED SHORT TERM PARKING
PROPOSED LONG TERM (SECURE) PARKING
General Notes
General Site Preparation & Filling Specification
Pavement Specification – Carpark
30mm AC10 Hotmix seal.
125mm min. sub-base,
125mm min. base course,
Extend the sub-base 150mm behind kerb.
Select sand fill over approved sub grade
Legend
Existing Levels
Finished Pavement Levels
Flow Path
Swale Area
Key Joint (K.J.)
Expansion Joint (E.J.)
Tree To Be Removed
Elect./Comms Conduit & Pit
Existing Sewer Rising Main
Existing Stormwater (retained)
Existing Stormwater (removed)
Garden Area
Footpath
New Bitumen Sealed Pavement
This plan is NOT to be used for construction purposes unless it carries the approval stamp of the local authority.
A | Apr 13 | Concrete dish gutter removed and grass invert added | SA
Issue | Date | Amendment | App'd
Client: BALLINA BYRON GATEWAY AIRPORT
Project: PROPOSED NEW CARPARK BALLINA BYRON GATEWAY AIRPORT
Title: Carpark Layout Plan
ARDILL PAYNE
ENGINEERS PLANNERS SURVEYORS
ENVIRONMENTAL PROJECT MANAGEMENT
Design APP
Scale @ A1 1:250
Date Jan 2012
Drawn SA
Datum AHD
Checked TC
Approved TC
Job No. 7454
Dwg. No. C1
Issue A



PROPOSED GATE
FIBRE OPTIC CABLE
PROPOSED TERMINAL EXTENSION
FIBRE OPTIC CABLE
SHUTTLE BUS PARKING
PICK UP/DROP OFF ZONE
COVERED WALKWAY
LANDSCAPE
TAXI RANK
LIMO PARKING
CAR PARKS (L)
CAR PARKS (S)
CAR PARKS (R)
BOUNDARY
4m VERGE
KERB AND CHANNEL
EXISTING FENCE
ACCESS ROAD
SOUTHERN CROSS DRIVE
MEDIAN ISLAND
EXISTING TREE LINE
STUB FOR FUTURE ROAD CONNECTION
FUTURE RENTAL CARS
BOOM GATE:
B1, B2, B3, B4, B5, B6, B7 AND B8
CARPARKS:
SHORT TERM (S) = 242
LONG TERM (L) = 188
RENTAL CARS (R) = 108
READY BAYS:
TERMINAL (T) = 20
TAXI= 14
LIMO = 6
SHUTTLE BUS = 5
DISABLE (D) = 11
TOTAL = 594
DEMEYNE Aviation
Brian Lister Planning
Creative Solutions in Planning & Infrastructure
BALLINA SHIRE COUNCIL
BALLINA AIRPORT REDEVELOPMENT
CARPARK LAYOUT PLAN
OPTION 5
AS SHOWN
MPL306
MPL306-P-500
A



APPROX 2600m² BLOCKS
APPROX 5000m² BLOCKS
APPROX 4000m² BLOCKS
5 x 2000m LOTS (CAR RENTAL)
ISSUED FOR DISCUSSION
VEGETATION
The Airport Group
AIRSIDE • COMMERCIAL • LANDSIDE
CLIENT BALLINA SHIRE COUNCIL
PROJECT BALLINA AIRPORT AND INDUSTRIAL ESTATE
TITLE B6 ZONE SITE LAYOUT
SCALE AS SHOWN
TAG PROJECT No MPL334
DRAWING No GEN-LS-GA-001
Rev 5

4.2 Regional Express Airlines - Fees and Charges Review

Delivery Program	Commercial Services
Objective	To review the passenger charges and aircraft landing fees for Regional Express (Rex) operations at the Ballina Byron Gateway Airport.

Background

The airline charges and landing fees for Regional Express Airlines have been fixed for several years and are now in need of a review/possible increase.

Unfortunately the timing of this review/increase has come at a very difficult time for many airlines in Australia with some airlines calling for a price reduction in airport charges or, alternatively, a moratorium on passenger charges until regional aviation has recovered.

The following report provides an overview of this review, with the confidential report located elsewhere in this agenda providing details of the confidential negotiations.

Key Issues

- Airline operating losses and sustainability of services
- Airline requests for reduction in Airport fees and charges
- Airline request for moratorium on Airport charges
- Increasing airport operating costs and a need to keep pace with inflation
- Advice to IATA (International Air Transport Association) to load new passenger charges into the reservation system from 1 July
- Advance notice of price increase (for passengers booking 3 months ahead)

Information

Over the past few months, Council has been requested by the various airlines to review the airport fees and charges with a view to lowering or maintaining passenger charges until regional aviation has recovered. The fees and charges are subject to a separate confidential report.

Council has previously negotiated agreements with Virgin Australia and Jetstar. The terms and conditions for these agreements are confidential.

The Airport Manager has now been negotiating with Rex regarding the review of their existing fees and charges.

Legal / Resource / Financial Implications

This negotiation is required to bring Rex up to industry standard and to assist with the increasing costs of the airport.

Consultation

Negotiations with Rex have been undertaken and details are included in the confidential report.

Options

This report is for information only to provide an overview of the confidential report.

RECOMMENDATION

That Council notes the contents of this report on the Regional Express Airlines fees and charges review.

Attachment(s)

Nil

4.3 Fees and Charges - 2014/15

Delivery Program	Financial Management
Objective	To obtain Council aproval to exhibit the draft 2014/15 fees and charges for public comment.

Background

A key element of Council's operations is the establishment of fees and charges for the provision of works and services. The General Rates, Waste, Water and Wastewater charges are the primary income sources for Council and this report deals with the myriad of other fees and charges either required or allowed to be raised for Council services.

A listing of all these fees and charges is compiled annually and advertised for public comment as part of the draft Operational Plan. A copy of that draft document, for 2014/15, is included as an attachment to this agenda.

The Local Government Act and National Competition Policy also require councils to establish pricing categories to allocate against each fee and charge, with the category identifying the nature or level of cost recovery for the fee.

The Council's adopted categories are as follows, with these categories fairly standard for nearly all councils:

- Business/Commercial - Fee set in accordance with the marketplace with the fee aiming to generate a return for Council
- Full Cost Recovery - Fees set to recover the full cost of the service
- Partial Cost Recovery - Fees set at what Council considers is a reasonable cost for the user to bear. The balance of the cost of providing that service is then funded from general revenue
- Rate of return - The price is established to make a contribution towards the cost of providing the infrastructure (typically related to developer contributions)
- Fixed by Legislation - Fees set by legislation

The fees and charges document, as attached, is divided into the major functional areas of Council being the General Managers, Civil Services, Strategic Services and Development and Environmental Health Services Groups.

Key Issues

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

Information

In recent months internal audits have been conducted on the process to review and compile fees and charges. The audit indicated that there was room for improvement in particular in relation to the accuracy of the pricing category indicator. Also there was a lack of evidence that the fee had been assessed in comparison to the cost to provide the service.

In response to the audit recommendations a new software program was purchased to enable the fees and charges to be reviewed, assessed and compiled electronically as opposed to a paper based process. The process takes the section manager through steps to review the fee description, pricing category, fee justification and final fee value.

This is not to say that the previous system was not encouraging this same process, it is just that the electronic system enforces a fee by fee approach and assists with calculations and recording of information.

The 2014/15 fees have been compiled using the software package and at the least the training that accompanied the introduction of the new system highlighted the audit issues that need to be addressed for all managers. It can be seen when reviewing the fees and charges document that in many instances fees have been increased by more than a cost of living adjustment.

Some improvements are being requested to the software that will assist in recording the justifications for fees. Evidences will then be recorded progressively going forward that will be a valuable source of reference in time to come.

The fees document is extensive and the information provided relates only to fees where there are major changes proposed.

Pool Fees

Request to waive a fee

Council has been requested to consider the possibility of waiving pool fees for swimmers aged 90 or over.

On one hand this would achieve valuable social outcomes and in all likelihood have very little impact on revenue. On the other hand if you start to waive fees where do you start and stop; i.e. should fees for 85 year olds or disabled peopled be waived? Also the pool is already being heavily subsidised and should we add to this burden?

As part of the organisational structural review management of pools is in the process of shifting from Civil Services to Strategic and Community Facilities.

The incoming manager is looking to review all pool fees over the course of the next year. The review will look closely at options in respect to seniors, families and disabled amongst other groups.

As that review will most likely only apply for 2015/16, if Council wishes to introduce a new exemption for very elderly people, that recommendation should be included with this report.

Pool fees in general

The proposed 2014/15 fees are in most instances increased by a cost of living adjustment or remain the same. However in some instances it is proposed to decrease fees. Examples include;

Fee Description	2013/14 ($)	2014/15 ($)
Family season ticket cost per additional child	52.00	50.00
Adult ten entry ticket	35.00	30.00
Seniors ten entry ticket	32.00	30.00
Child ten entry ticket	28.00	25.00
Child single entry	3.10	3.00
Child with school	2.60	2.50
Carnivals flat rate per person	3.60	3.50
Child with school learn to swim	2.60	2.50

It is unusual to reduce fees at the pools as it so difficult to raise them. However the rationale is to make fees more equitable and in respect to the pre purchase of 10 entries possibly encourage more sales.

Cemetery Fees

Following complaints Council has been requested to consider the fee 'to be present at the time of placement of ashes' which is currently $55.

The fee was to cover the cost of co-ordinating staff to be on hand to meet with friends and relatives. The fee is proposed to be deleted from the 2014/15 schedule of fees as it is not generating any significant income and is resulting in disgruntled relatives, at a time of significant bereavement for families.

Airport Fees

A new fee is proposed in respect to car parking. The fee is to cover a 12 month period, it is to be paid in advance and it has been set at $2,000. The fee is intended to assist regular users and to improve their travel experience.

Also car parking fees that are currently $2 for two hours are proposed to be changed such that they are $2 for one hour.

This is an effective doubling of the fee in comparison to service and it is part of the business case to provide new and improved parking facilities at the airport (see report this agenda).

Water and Wastewater Connection Fees

New and amended fees are proposed. In respect to drinking water connections the existing connection fee is $835 and following an assessment of current costs it is proposed to increase this charge to $940 and introduce a related charge of $325 to 'dig down to valve within property'.

New fees are proposed in respect to the connection of recycled water services that are identical to the drinking water fees; i.e. $940 for connection and $325 to 'dig down to valve within property'.

Road Closing Application

A review of the cost to process a road closure application together with a change to the process has resulted in the intent to increase the fee by 100% from $160 to $320.

The revised process requires applications to be presented to Council for determination as opposed to being determined by delegated authority.

Rural Fill Levels

A review of the fee has determined that a 26% increase is warranted to achieve cost recovery. The 2013/14 fee is $230 and it is proposed to increase to $290.

On site Sewage Management (OSSM)

The proposal is to increase the annual OSSM charge from $27 to $40. Also the 2013/14 fee for pre purchase inspections was $420 however this service was not offered. The plan in 2014/15 is to commence providing the service and charging a fee for pre purchase inspections of $432.

It is estimated that the increased fees will generate approximately $43,000 per year. This revenue would be used to employ a new person for approximately 2.5 days to progress the OSSM strategic goals and ease the backlog of follow up work.

The actual employment of that resource will be subject to a further report to Council if the proposed fee is adopted at the June Council meeting following the exhibition period.

Food Business Fees

Statutory maximums are set for registration and inspection of food businesses. The 2013/14 fees are well below these a maximums and it is proposed to increase fees by more than cost of living to improve cost recovery. The revised fees will not contravene the legislation.

Exhibition Space	2013/14 ($)	2014/15 ($)	% Increase
Small premises	170	210	24
Medium premises	377	445	18
Large premises	980	1,140	16
Markets under 1 hour	Varied from $95 to $155	210	
Market Lennox Head	710	730	2.8
Casual food vendors	170	210	23

The increase to the market fee under one hour is to match the cost of an inspection for small premises and casual food vendors.

Building Services Fees

The fees for this section have been reviewed and some fees have gone up beyond cost of living increases and there are some new fees.

The fees in the table below have ben increased to more accurately reflect the cost of providing the service.

Fee Description	2013/14 ($)	2014/15 ($)	% Increase
Bed and breakfast inspection	410.00	500.00	22
Final inspection letter- old applications	60.00	75.00	25
Cvan pk licence/inspection fees (initial)	5.40/site	6.00/site	11
As above but minimum fee	65.00	125.00	92
Cvan park licence/inspection fees (renewal)	3.75/site	4.75/site	26

The table below shows new fees for the Building Services section.

Fee Description	2014/15 ($)	Comment
Neighbourhood notification letter	50	NSW Govt requirement to notify adjoining owners of dwelling additions
Pool compliance certificate applic	75	New pool barrier mandatory inspection program
Dual reticulation audit certificate	80	Certificate for when sales occur of properties with dual water supply

Strategic Services

It is proposed to introduce advertising fees for Local Environmental Plan amendments and Development Control Plan (DCP) amendments. The fee has been set at $325. These expenses were previously covered by a process to recover ‘at cost’ and the revised fee structure will be more expedient to administer.

The fee ‘request to amend a DCP’ is proposed to be increased by 41% from $1,575 to $2,700. The revised fee more accurately reflects the cost to provide the service.

Community Gallery

It is proposed to change the fee structure at the Gallery to distinguish between members and non members. It is also the case that the lesser 2014/15 fee (members) represents increases of 15% to 18% from the 2013/14 fee. It is considered that the revised fee is a reasonable price to pay for use of the facility.

Exhibition Space	2013/14 ($)	2014/15 Member ($)	2014/15 Non-Member ($)
Gallery 1 (per month)	200	230	330
Gallery 2 (per month)	420	480	580
Gallery 3 (per month)	160	185	285
Gallery 4 (per month)	540	620	720
Entire Gallery (per month)	1,150	1,360	1,700

It is also proposed to introduce a new fee for casual hire of the entire Gallery for private functions as per the table below. This fee has been included in anticipation of possible opportunities for additional revenue generation and business exposure for the Gallery (and Gallery Café) in allowing the gallery space to be hired for private functions and/or community events outside of operating hours, subject to further investigation and agreement with the café lease holder.

Exhibition Space	**2014/15 ($)**
Entire Gallery per hour community/not for profit	40
Entire Gallery for 6 hours community/not for profit	200
Entire Gallery per hour commercial	80
Entire Gallery for 6 hours hour commercial	400

Ballina Surf Club

A new fee is proposed for function room three at the surf club. This room has not been hired to date and at the current time its future remains undecided. However a fee structure needs to be in place in the event that it becomes available for hire.

Function Room 3* - Off Peak *Midnight Sunday - 5pm Friday* **These prices only valid should this additional venue space become available for public hire during this financial year. Not available to hire at time of print.*	
Commercial / Private Function (per hour)	$65.00
Commercial / Private Function (per day)	$325.00
Community / Not for Profit (per hour)	$30.00
Community / Not for Profit	$160.00
Function Room 3* - Peak *5pm Friday - Midnight Sunday* **These prices only valid should this additional venue space become available for public hire during this financial year. Not available to hire at time of print.*	
Commercial / Private Function (per day)	$550.00
Community / Not for Profit (per half day)	$275.00
Community / Not for Profit (per full day)	$375.00

Community Facilities- General

The fees for the different community facilities Richmond Room, Lennox Head Cultural and Community Centre, Ballina Surf Club and Kentwell Community Centre have been increased and decreased beyond cost of living as well as new fees for sections of the centres that have been combined.

These fees are quite extensive and detailed so it is not proposed to reproduce them as part of this report. They can be viewed in the Strategic and Community Facilities section of the fees and charges document.

Suffice to say that the fee adjustments have been made to both improve the revenue generated by the centres whilst maintaining equity and affordability.

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 meet the requirements of the organisation.

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 as part of the 2014/15 Draft Delivery Program and Operational Plan.

Options

Council may approve the contents of this report or resolve to add, delete or amend the proposed 2014/15 fees and charges.

In reviewing the fees Council needs to be mindful that there are many services provided at a significant cash loss. The issue is whether or not Council wishes to substantially increase fees to lessen the impact of the recurrent deficit whilst also recognising that Council rates also assist in providing these services.

Finally the Independent Panel review into Local Government in NSW highlighted the need for councils to increase fees to reflect the value of services as rates and grants will never be adequate to fully fund all the activities undertaken by Council. Council staff have been mindful of this in reviewing the fees for 2014/15 and ideally every effort should be made to reduce subsidies where possible.

RECOMMENDATION

That Council approves the exhibition of the draft schedule of fees and charges for 2014/15, as attached, including any amendments resulting from this meeting.

Attachment(s)

1. Draft Fees and Charges - 2014/15 (Under separate cover)

4.4 Waste Operations - Long Term Financial Plan

Delivery Program Governance and Finance

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

Background

Council's waste service comprises two distinct programs being Landfill and Resource Management (LRM) and Domestic Waste Management (DWM). LRM is responsible for the waste management facility plus the collection of kerbside non residential waste and DWM is responsible for the collection of kerbside residential waste.

The Local Government Act requires DWM to be treated as a separate program due to the manner in which the revenues are raised via 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 was in the order of $4.7 million, as at the end of the 2012/13 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 in in 2014/15 the levy is estimated to be a massive $65.80 per tonne.

Due to the levy, Council's strategy has been to truck all waste off site, as the levy is not payable if the waste is not deposited into the landfill. Hence in the 2013/14 financial year the levy expense has dropped to a negligible amount and trucking expense has become significant. Trucking the waste off site also preserves the life of the landfill cell.

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

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 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
- Legislative change

Information

Legislative Change

There appears to be State Government proposal to amend the waste legislation that will have important consequences for Council's waste strategy. At this stage it is not certain that the proposed legislation will be put in place, however it is possible that it will be effective from 1 July 2014. The purpose of this section of the report is to alert Council to the possible consequences if the legislation is enacted.

Current legislation in respect to the levy is, as stated previously, only payable for waste that is landfilled at our site and the levy does not apply if it is taken off site. The new provision proposed in the Illegal Waste Disposal Act, considers the treatment occurring off site, when determining whether or not the levy applies.

Under the new provision, waste processing facilities (including recycling facilities) will incur the levy liability for all waste received at the facility, however payment of the levy will not be triggered until material is landfilled, moved off-site for disposal or stockpiled on-site for more than 12 months.

Material that is sent off-site for disposal in another landfill will incur the levy. Material that is sent offsite for reuse or further processing will have its levy liability extinguished.

Our current treatment of the different waste streams is as follows:

- Mixed waste is trucked to south east Queensland where it is landfilled. This treatment would trigger the levy. It is estimated that the levy would increase current expenses by approximately $1.1 million in respect to mixed waste.

- Construction and Demolition waste (C&D) is currently disposed of at Wattle Glen Waste Facility and this treatment would also attract the levy. The estimated increase to operating expenses attributable to the levy is approximately $165,000.

- Recyclable waste is transported to Visy at Carrara and managed on site. This treatment would not attract the levy.

- Green Waste is transported to Lismore and treated on site. This treatment would not attract the levy.

If the new provision is enacted Council will need to consider options in respect to mixed waste and C&D as current arrangements will attract the levy. The Ballina landfill is not set up to process C&D so the immediate options in respect to this waste stream are limited.

It is anticipated that in the short to medium term Council would continue to transport C&D off site as per current arrangements and make provision in the tariff structure to pay the levy.

Mixed waste is the largest waste stream (approximately 16,000 tonnes per annum) and it would be possible to return this waste to the landfill. It is estimated that the remaining useful life of the current cell is four years assuming it only accepts mixed waste and the baling operation is re-commenced. In terms of operational expenses it would mean that we would pay the levy (estimated to be $1.1m) but cease paying the transport costs (estimated to be $1.2m) and commence paying for on site disposal/baling (estimated to be $1.1m). The following table summarises this information.

Table One: Operating Expense for Mixed Waste Options

Options	**Amount ($)**
Truck Off Site (assuming levy payable)	
Trucking Expense	1,200,000
Levy	1,100,000
On Site Preparation/Disposal	770,000
Total Cost	**3,070,000**
Landfill	
Levy	1,100,000
On site preparation/disposal/baler	1,100,000
Total Cost	**2,200,000**

Under this scenario it is anticipated that Council would save approximately $870,000 per annum if the option to use our land fill was chosen. The downside to this is that the available cell space would be consumed, which raises the issue of the value of the cell space.

Based on historical costs, Council expended some $7.1 million to construct the existing cells that provided approximately 376,000 cubic meters of space. The unused portion of the cell is approximately 125,000 cubic meters, which means it has a value of approximately $2.4 million (historical cost). If Council was to consume one quarter of this space per annum (assumes four years remaining useful life) there is an annual cost to fill cell of approximately $600,000.

For comparative purposes, if the historical cost of the cell is increased by a 3% cost of living adjustment for each of the last seven years, the value of the remaining space becomes approximately $730,000 per annum. This is a very crude method of valuation as licencing approval processes may have changed and at that time we had to source clay from offsite which increased the cost substantially. Nevertheless the $730,000 provides a more accurate comparison than the $600,000.

This means the options are to fill the cell and save approximately $900,000 in annual operating costs or continue trucking and save the cell space for emergencies valued at approximately $730,000 per annum.

Council has approvals in place for the additional cells and if the levy is relevant, a cost benefit analysis will need to be completed balancing the cost of creating those new cells, as against a continuation of the trucking.

If Council decided to continue to transport waste off site, the levy will be an additional expense on top of current costs. As stated it is estimated that the levy expense will be in the order of $1.1 million for mixed waste and $165,000 for C&D. To match this cost, prices will need to rise by approximately 20%.

This broad brush outlook indicates that the percentage price increase is huge. This is in part due to the fact that when prices were set in 2012/13 the increasing cost of the levy was not a factor as the trucking option avoided the levy cost.

If we are required to pay the levy in 2014/15 we must catch up the levy increases for two years (the levy is increasing at $10 plus cost of living increases per tonne per annum). This is an issue that was mentioned in reporting this time last year.

Realistically a continuation of trucking, if the levy is payable, remains unlikely as the preferred option will most likely be to recommence operations at the Ballina landfill site and then plan to open the approved cells in four years time.

Importantly the existing loan repayments decrease by approximately $1m per annum at the end of 2016/17, which would then allow Council to take out additional loans from 2017/18 onwards to fund the cell construction. Ideally Council's waste reserves would be increased to a level where minimal loan funds are needed for the cell construction.

The balance of the report is written on the assumption that the legislation will not change and the operation will not incur the levy. If, over the next three months, it becomes evident that we will become liable for the levy a further report will be presented to Council.

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 were taken out 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 for a few years up to 2009/10 and customer resentment ensued. Customers were objecting strongly to the gate prices and the amount of tonnage became even more variable as some commercial operators and residents used other landfill sites, where feasible.

In 2009/10 Council adopted a strategic approach with regard to pricing, where it was agreed that the tariff for waste deposited by DWM would be higher than 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.

The following table provides the tonnage charges over recent years and differentiates between the internal charges levied on DWM and self haul. It can be seen that the charge levied on DWM is higher than self haul.

Table Two - Charges Per Tonne ($)

Description	10/11 ($)	11/12 ($)	12/13 ($)	13/14 ($)
DWM Recycled	200	200	185	194
Self Haul Recycled	148	74	75	79
DWM Mixed Waste	222	222	220	245
Self Haul Mixed Waste	169	174	190	217
DWM Green Waste	222	222	220	245
Self Haul Green Waste	58	60	60	63

Prices have been adjusted during each year for the DWM gate fees depending on how the DWM and LRM finances have been trending. This comes back to the two businesses being interdependent and ensuring that each remains viable.

In 2011/12 Council resolved to subsidise the price of self haul recycled material to ensure that the price did not become unaffordable, primarily for residents disposing of waste at the landfill site. This decision then adds a little more confusion to the comparison between prices for self haul and DWM.

Green waste also has a very large price variation between DWM and self haul. This difference has been justified on the basis that the green waste collected via the kerbside collection has a high level of contamination however the latest data in respect to the collection service is that the level of contamination has dropped considerably. This means the level of price discrepancy currently in place is now difficult to justify on the grounds of contamination.

Any price differentials between DWM and self haul are not desirable. This is particularly the case if Council is contemplating taking a dividend from LRM (the 2013/14 budget assumes a $50,000 dividend from LRM for business marketing). This is because it is illegal to take a dividend from DWM.

Council has introduced this differential as it is more palatable to spread the cost of operating LRM across all the DWM customers. However, if DWM is paying more to take waste to the landfill than other customers, it could be argued that funds paid by DWM are being taken as a dividend. On the other hand, it can be argued that Council as the landfill owner can set appropriate prices for its clients and DWM is just one client, albeit the largest client.

The preferred approach is not to take a dividend until the price cross subsidies are eliminated. A process has been in place to gradually bring the price of mixed waste to be the same for both DWM and self haul. This process has been effective and the proposed 2014/15 rates per tonne are getting reasonably close as shown in Table Six (refer to the self haul mixed waste charges for over 300 kg in that table).

It is proposed to commence a similar process in respect to green waste such that prices for self haul are increased to a much greater extent than DWM. Given the current differential it may take some time to achieve this outcome but it is important to establish the strategy.

To avoid the issue that this will result in residents paying far higher price for disposing of green waste, Council may well need to take a similar approach to that currently occurring for mixed waste, where there is a threshold of over 300 kgs for the higher price. This then means the large commercial users such as Council pay the higher fee.

Long Term Financial Plan - LRM

Table three shows the recent financial results for LRM together with the forecast for 2013/14 as at 31 December 2013.

Table Three - LRM Operating Results ($'000)

Description	2011/12 Actual $000	2012/13 Actual $000	2013/14 Estimate $000
Operating Revenues	5,718	6,866	6,735
Operating Expenses (include dep)	5,890	7,120	7,034
Operation Surplus / (Deficit)	**(172)**	**(254)**	**(299)**
Excl Depreciation / Remediation	1,016	1,537	1,482
Cash Surplus / (Deficit)	**844**	**1,283**	**1,183**
Less Loan Principal	1,209	982	1,053
Less Capital Expenditure	10	430	717
Less Dividend to General Fund	0	0	50
Capital income	644	212	287
Cash Increase / (Decrease)	**269**	**83**	**(350)**
Reserve Balance	**1,981**	**2,064**	**1,714**

This table indicates that the operating result exclusive of depreciation is around $1.2 million and the cash surplus is primarily required to pay off the loan principal (approximately $1m). This leaves very little in the way of discretionary funds for improvements or refurbishments.

A significant amount of the estimated 2013/14 reserve balance is a combination of State Government levy reimbursements ($366,600) and unexpended grant funds ($212,500) for the Biochar Project, so these funds are restricted in their use.

It has been estimated that approximately $2 million will be required to remediate the existing cells once full. Current loans will be repaid in 2016/17, after which time the pressure on the operating result will ease, assuming that more loans are not required.

One of the benefits of transporting the waste is that the cells will last, at least, as long as the loan, which has been in doubt over previous years.

In summary the current operating position for the service is still showing a deficit, with depreciation included, therefore the strategy should be to improve this outlook; albeit that once the current loans are repaid a reasonable cash surplus will be achieved. Hence the future financial strategy will be heavily influenced by the proposed waste treatment options in the medium to long term.

These options may include the Biochar Project, new cells, a regional waste facility or possibly a long term approach to transportation. The continuing uncertainties about the future of our waste stream long term forecasting for waste prices difficult.

The first attachment to this report provides the long term financial plan for LRM.

In reviewing this plan some of the major considerations include:

- the State Government waste levy is set to increase by $10 plus CPI to approximately $65.80 dollars per tonne. However it is anticipated that the amount paid will be relatively small as it is assumed that Council will not be liable for the levy. As stated, if this situation changes, a further report to Council will be required.
- there will be no levy refund
- LRM will pay transport and treatment expenses for mixed waste, green waste, recyclates and construction / demolition
- there are proposed capital works relating to new cell construction of $2.1 million in 2017/18 and remediate the existing cell of $2.1 million in 2018/19
- it is assumed that the gross quantity of waste coming in the gate will remain reasonably consistent with the current financial year.

The next table is the preferred long term financial plan for LRM. This plan is based on a 10% increase for self haul fees and 8% for most other fees.

Table Four: LRM – Summary Long Term Financial Plan
8% Price increase for DWM and 10% Increase to Gate Fees

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	6,735	7,113	7,355	7,614	7,881	8,159	8,445	8,745	9,056	9,379	9,714
Operating Expenses	7,035	7,139	7,185	7,269	7,418	7,625	7,849	8,077	8,314	8,559	8,811
Operating Result	(299)	(27)	170	345	463	534	597	668	742	819	903
Add Back Deprec	1,482	1,497	1,501	1,501	1,546	1,593	1,641	1,690	1,741	1,793	1,847
Cash Surplus	**1,183**	**1,471**	**1,672**	**1,846**	**2,010**	**2,127**	**2,237**	**2,358**	**2,483**	**2,613**	**2,750**
Capital Income	288	0	0	0	0	0	0	0	0	0	0
Loan Principal	1,053	1,127	1,206	1,112	194	0	0	0	0	0	0
Capital Expenditure	412	508	100	105	2,110	2,115	120	125	130	135	140
Net Reserve M'ment	6	(164)	366	629	(294)	12	2,117	2,233	2,353	2,478	2,610
Total Reserves	**2,019**	**1,854**	**2,220**	**2,849**	**2,555**	**2,567**	**4,684**	**6,917**	**9,270**	**11,748**	**14,358**
Debt Owing	4,691	3,638	2,511	1,305	194	0	0	0	0	0	0
Debt Ratio	20	19	18	16	3	0	0	0	0	0	0

These figures assume that the State levy will not be incurred however fees will be increased in 2014/15 by 8% (DWM) and 10% (self haul), which are extremely high increases to improve profitability.

4.4 Waste Operations - Long Term Financial Plan

Importantly the DWM increase is only the internal charge to Council, with the DWM annual charge only estimated to increase by 3.5% as outlined later in this report. The gate fees increase of 10% is an increase that will be paid directly by customers at the landfill site, both private citizens and commercial operators.

The years following 2014/15 assume approximate cost of living increases (3% for DWM and 5% for self haul to close the price gap). Major loan repayments cease in 2016/17 and in the following two years significant capital expenditure is proposed to create new cells and remediate existing cells.

One pleasing point is that adequate reserves are on hand to avoid borrowings for remediation or creation of the new cells. This is partially due to limiting capital expenditure until the current loans are completed.

An important consideration in Table Four is that actual income from gate fees for self haul customers will only increase by 5% from the current 2013/14 budget figure of $1.362 million. The 2013/14 income is currently trending under budget and an assumption of 2% loss of income from price elasticity has also been included for 2014/15 based on historical reactions to price increases.

This means even though operating expenses have only increased by 1% from 2013/14 it has been necessary to increase gate fees by 10% to generate the income required for the business.

This is a conservative financial model and as per the reserve balance significant reserves are retained in the business. This is considered essential due to the uncertain future of future landfilling.

Table Five provides an alternative model based on a 3% price increase to DWM and a 5% increase to self haul charges.

Table Five: LRM – Summary Long Term Financial Plan
3% Price Increase for DWM and 5% Increase to Self Haul

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	6,735	6,854	7,050	7,261	7,477	7,700	7,930	8,168	8,412	8,665	8,932
Operating Expenses	7,035	7,139	7,185	7,269	7,418	7,625	7,849	8,077	8,314	8,559	8,811
Operating Result	(299)	(285)	(135)	(8)	59	75	81	91	98	106	121
Add Back Deprec	1,482	1,497	1,501	1,501	1,546	1,593	1,641	1,690	1,741	1,793	1,847
Cash Surplus	1,183	1,212	1,367	1,493	1,606	1,668	1,722	1,781	1,839	1,899	1,968
Capital Income	288	0	0	0	0	0	0	0	0	0	0
Loan Principal	1,053	1,127	1,206	1,112	194	0	0	0	0	0	0
Capital Expenditure	412	508	100	105	2,110	2,115	120	125	130	135	140
Net Reserve M'ment	6	(423)	61	276	(698)	(447)	1,602	1,656	1,709	1,764	1,828
Total Reserves	**2,019**	**1,596**	**1,657**	**1,933**	**1,235**	**788**	**2,390**	**4,046**	**5,755**	**7,519**	**9,347**
Debt owing	4,691	3,638	2,511	1,305	194	0	0	0	0	0	0
Debt Ratio	**20**	**20**	**19**	**16**	**3**	**0**	**0**	**0**	**0**	**0**	**0**

4.4 Waste Operations - Long Term Financial Plan

The forecast suggests that the service will remain viable and be able to cope with proposed capital works. It does however mean that the operating result is very marginal and reserves on hand are considerably less then in the previous scenario. Also if ever the levy does come into being the impact on prices will be very significant.

The recommended long term financial plan for LRM assumes an 8% increase to DWM charges and 10% to self haul as per Table Four.

Other major considerations included in the long term financial plan are:

- fees are set to improve the operating result to a more sustainable position in the short term and reduce the subsidy between DWM and self haul gate fees. Also it is important to keep pace to some extent with the State levy, as it is likely that we may incur this charge at some time in the future and prices may then have to rise quickly.

- reserves accumulate rapidly in later years, however the plan has very little in the way of capital works, other than remediating the current cell and constructing a new cell. It is likely that as funds become available capital works will ensue.

- estimating income is not an exact science and it needs to be accepted that there will be variances. This is particularly the case with self haul gate fees and how customers react to price changes.

The anticipated revenue from payments by DWM equates to over 60% of all income received by LRM. This figure highlights the importance of DWM to LRM.

Fees and Charges

The preferred option is to increase all waste charges by approximately 10% with the DWM fees being slightly less to reduce the cross subsidy. Exceptions to this rule include self haul mixed waste over 300kg and green waste self haul. These fees are proposed to rise by 15% to reduce the DWM cross subsidy.

Table Six - Waste Charges

Charge Type	2013/14 ($)	2014/15 ($)	% Change
Kerbside Non Domestic Mixed Waste (Annual)	333	360	8
Kerbside Non Domestic Recycling (Annual)	165	178	8
Kerbside Non Domestic Green Waste (Annual)	292	315	8
DWM Gate Fee Mixed Waste	245/tonne	264/tonne	8
Self Haul Mixed Waste Under 300kg Over 300kg	200/tonne 217/tonne	220/tonne 250/tonne	10 15
DWM Gate Fee Recyclates	194/tonne	210/tonne	8
Self Haul Recyclates	79/tonne	87/tonne	10
DWM Green Waste	245/tonne	264/tonne	8
Self Haul Green Waste	63/tonne	73/tonne	10
Remaining Gate Fees	Various	Various up to 10	Up to 10

Domestic Waste Management (DWM)

The major costs confronted by the business are collection (vehicles and staff 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 Seven - DWM Operating Results ($'000)

Item	**2010/11 Actual $000**	**2011/12 Actual $000**	**2012/13 Actual $000**	**2013/14 Estimate $000**
Operating Revenues	5,631	6,396	7,100	7,294
Operating Expenses	5,725	5,621	6,684	6,908
Operating Surplus / (Deficit)	**(94)**	**775**	**416**	**386**
Less Depreciation	227	110	251	268
Cash Surplus / Deficit)	**133**	**885**	**667**	**654**
Less Loan Principal	118	125	134	143
Less Capital Expenditure	0	1,417	0	0
Cash Increase / (Decrease)	**15**	**(657)**	**533**	**511**
Reserve Balance	**997**	**340**	**873**	**1,384**

This table indicates that since 2011/12 DWM has been making an operational cash surplus of over $600,000 per annum which is a strong result. Once the loan repayment is deducted the cash surplus falls to approximately $500,000. It must be remembered that DWM has specific legislative constraints and Council can only generate a surplus sufficient to meet current and future needs. Hence a high surplus is not permitted.

DWM owns five collection vehicles and must generate sufficient cash to replace these trucks. In 2011/12 four new trucks were purchased (see capital expense in that year) at a cost of approximately $1.4 million or $350,000 per truck. It is anticipated that a truck will last approximately six years. So very roughly DWM requires an annual transfer to reserve of $350,000 per annum to provide for vehicle replacement.

The 2014/15 budget takes this information into account and looks to achieve a surplus of $498,000 to pay for one new truck and meet the loan capital repayment. This position will need to be revisited if the waste levy legislation is altered. 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 3.5% for next year and thereafter at 3% which is quite modest given that gate fees will increase by 8%
- waste streams will remain similar to the current year
- costs for labour and plant to rise by approximately 3%, although the new Manager for Open Spaces and Resource Recovery is 50% funded from this program, which is an increase on the distribution for the previous manager where the cost was spread over water, wastewater and waste
- elevated gate fees in comparison to self haul users
- purchase of one new truck at $350,000

Table Eight - DWM Operating Result for 2014/15 ($'000)

Item	$000
Operating Revenues	7,549
Operating Expenses	7,302
Operating Surplus / (Deficit)	**247**
Less Depreciation	251
Cash Surplus / Deficit)	**498**
Less Loan Principal	152
Less Capital Expenditure	350
Cash Increase / (Decrease)	**(4)**
Reserve Balance	**1,380**

Annual Charges

Based on the assumptions outlined in the financial plan the proposed 2014/15 charges as compared to 2013/14 are as follows.

Table Nine - Domestic Waste Charges

Charge Type	2013/14 Charge $	2014/15 Charge $	% Increase
DWM - Rural (excludes green)	364	377	3.5
DWM – Urban (all three collections)	408	422	3.5
Additional Extra Mixed Waste Urban – Fortnight	152	157	3.5
Additional Mixed Waste Rural – Weekly	303	314	3.5
Additional Domestic Recycling	147	152	3.5
Additional Green Waste Collection - Urban Only	265	274	3.5
DWM – Vacant Land	37	38	3.5

Comparison

The next table provides a comparison of our existing DWM charges to our immediate neighbours. It is difficult to get a fair comparison in terms of service provided however the table that follows outlines the charges for urban domestic waste annual charges where mixed, recycling and green waste services are provided.

Table Nine – Comparison of Urban Domestic Waste Charges (2013/14)

Ballina	Lismore	Byron	Richmond Valley	Tweed
408	447	385	370	379

Legal / Resource / Financial Implications

Council needs to consider carefully the financial implications of any proposed changes in waste charges and the need to meet appropriate legislative environmental standards.

Consultation

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

Options

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

The current forecasting for LRM is complicated by various factors including:

- uncertainty regarding legislation in respect of the waste to the levy
- the impact that the escalating levy is having on prices and how our structure is left behind if we avoid the levy
- the fact that a million dollar loan repayment will cease in three years
- Council's position in respect to what is expected from LRM as a business. For example is the intent to set prices to make the service sustainable only or is there intent to take a dividend.

The recommended option of price increases for LRM of 10% for self haul and 8% for DWM is seen to be a middle ground. This option will improve the operating result positioning the business for a dividend and it is elevating the fee structure substantially on the assumption that we will not avoid the levy permanently. However it can be argued that the price adjustment should be higher or lower, depending on your perspective.

In respect to DWM the financial position is quite reasonable and so a modest price increase is justified.

RECOMMENDATIONS

That Council endorses the inclusion of the DWM and LRM long term financial plans, as attached to this report, and the following waste charging structure, in the draft 2014/15 Delivery Program and Operational Plan for public exhibition:

LRM Waste Charges

Charge Type	2013/14 Charge $	2014/15 Charge $	% Increase
Kerbside Non Domestic Mixed Waste (Annual)	333	360	8
Kerbside Non Domestic Recycling (Annual)	165	178	8
Kerbside Non Domestic Green Waste (Annual)	292	315	8
DWM Gate Fee Mixed Waste	245/tonne	264/tonne	8
Self Haul Mixed Waste Under 300kg Over 300kg	200/tonne 217/tonne	220/tonne 250/tonne	10 15
DWM Gate Fee Recyclates	194/tonne	210/tonne	8
Self Haul Recyclates	79/tonne	87/tonne	10
DWM Green Waste	245/tonne	264/tonne	8
Self Haul Green Waste	63/tonne	73/tonne	10
Remaining Gate Fees	Various	Various up to 10	Up to 10

4.4 Waste Operations - Long Term Financial Plan

Domestic Waste Charges

Charge Type	**2013/14 Charge $**	**2014/15 Charge $**	**% Increase**
DWM - Rural (excludes green)	364	377	3.5
DWM – Urban (all three collections)	408	422	3.5
Additional Extra Mixed Waste Urban- Fortnightly	152	157	3.5
Additional Mixed Waste Rural - Weekly	303	314	3.5
Additional Domestic Recycling	147	152	3.5
Additional Green Waste Collection - Urban Only	265	274	3.5
DWM – Vacant Land	37	38	3.5

Attachment(s)

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

LANDFILL AND RESOURCE MANAGEMENT															
ACTUAL	ACTUAL	ESTIMATE	LEDGER	BUDGET ITEMS	ESTIMATED										
2011/12	2012/13	2013/14	ACCOUNT		2014/15	%	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
				OPERATING REVENUES											
				Fees and Charges											
412,000	444,000	462,000	22280	Annual Charges - Commercial Properties	497,000	8	503,000	518,000	534,000	550,000	566,000	583,000	600,000	618,000	636,000
41,000	2,000	17,000	22281	Bulk Waste Collection Service	18,500	9	19,000	20,000	21,000	21,700	22,400	23,100	23,800	24,600	25,400
479,000	841,000	913,500	22283	Fees - Recyclables From Council (DWM)	990,000	8	1,020,000	1,051,000	1,083,000	1,115,000	1,148,000	1,182,000	1,217,000	1,254,000	1,292,000
1,215,000	1,250,000	1,362,000	22283	Fees - Self Haul Fees	1,430,000	5	1,502,000	1,577,000	1,656,000	1,739,000	1,826,000	1,917,000	2,013,000	2,114,000	2,220,000
302,000	505,000	332,300	22283	Fees - Self Haul Council (Works)	360,000	8	371,000	382,000	393,000	405,000	417,000	430,000	443,000	456,000	470,000
2,477,000	3,024,000	2,999,000	22283	Fees - Self Haul Council (DWM)	3,225,000	8	3,322,000	3,422,000	3,525,000	3,631,000	3,740,000	3,852,000	3,968,000	4,087,000	4,210,000
347,000	326,000	453,000	22283	Fees - Self Haul Construction and Demolition	400,000	(12)	420,000	441,000	463,000	486,000	510,000	536,000	563,000	591,000	621,000
239,000	253,000	5,000	22284	Contributions and Grants	0	(100)	0	0	0	0	0	0	0	0	0
50,000	79,000	70,000	22281	Interest On Investments	67,000	(4)	70,000	72,000	72,000	74,000	76,000	78,000	80,000	82,000	84,000
156,000	141,000	121,500	22281	Sundry Fees	125,000	3	128,000	131,000	134,000	137,000	140,000	144,000	148,000	152,000	156,000
5,718,000	**6,867,000**	**6,735,300**		**Total Operating Revenues**	**7,112,500**	**6**	**7,365,000**	**7,614,000**	**7,881,000**	**8,158,700**	**8,445,400**	**8,745,100**	**9,055,800**	**9,378,600**	**9,714,400**
				OPERATING EXPENSES											
				Waste Administration											
255,000	340,000	408,000	32340	Administration	410,000	0	420,000	431,000	442,000	453,000	464,000	475,000	487,000	499,000	511,000
433,000	505,000	525,000	32340	Internal Overheads	555,000	6	572,000	589,000	607,000	625,000	644,000	663,000	683,000	703,000	724,000
444,000	369,000	306,700	32340	Interest on Loans	232,200	(24)	154,000	74,200	10,400	0	0	0	0	0	0
				Waste Received											
187,000	194,000	222,600	32342	Weighbridge	228,000	2	235,000	241,000	247,000	254,000	261,000	268,000	275,000	282,000	289,000
158,000	165,000	169,000	32342	Transfer Stations	189,000	12	195,000	201,000	207,000	213,000	219,000	225,000	231,000	239,000	247,000
				Waste Collection											
165,000	148,000	175,000	32344	Collection Kerbside	169,000	(3)	174,000	179,000	184,000	189,000	194,000	199,000	204,000	210,000	216,000
130,000	68,000	64,000	32344	Collection Other	66,000	3	68,000	70,000	72,000	74,000	76,000	78,000	80,000	82,000	84,000
37,000	0	10,000	32344	Collection Recycling	0	(100)	0	0	0	0	0	0	0	0	0
				Waste Recycling											
418,000	525,000	460,000	32345	Material Recovery Facility	442,000	(4)	455,500	470,000	484,000	499,000	514,000	530,000	546,000	563,000	580,000
				Debt Servicing											
10,000	0	0	32340	Interest on Loans - Recycling	0	0	0	0	0	0	0	0	0	0	0
				Waste Disposal											
1,020,000	1,316,000	413,000	32348	Solid Waste Landfill Operations	412,000	(0)	425,000	438,000	451,000	464,000	478,000	492,000	507,000	522,000	537,000
0	0	1,117,000	32348	Waste Bale and Transfer	1,182,000	6	1,217,000	1,254,000	1,292,000	1,331,000	1,371,000	1,412,000	1,454,000	1,498,000	1,543,000
659,000	812,000	50,000	32348	State Government Levy	100,000	100	103,000	106,000	109,000	112,000	115,000	118,000	122,000	126,000	130,000
360,000	411,000	370,000	32348	Green Waste Transfer to Lismore	400,000	8	412,000	424,000	437,000	450,000	464,000	478,000	492,000	507,000	522,000
9,000	15,000	12,000	32348	Deposit	16,600	38	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000	17,000
14,000	1,000	9,000	32348	Special Rubbish Clean-ups	3,000	(67)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
161,000	238,000	814,000	32348	Reuse Green Wste, Soil and Concrete	747,000	(8)	770,000	794,000	818,000	843,000	868,000	894,000	921,000	948,000	977,000
26,000	64,000	12,000	32348	Landfill Closures, Leachate and Remediation	50,000	317	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
403,000	393,000	415,000	32348	Waste Transport - Construction and Demolition	440,000	6	453,000	467,000	481,000	495,000	510,000	525,000	541,000	557,000	574,000
				Non-Cash Expenses											
1,016,000	1,538,000	1,482,200	32340	Depreciation	1,497,200	1	1,501,200	1,501,200	1,546,400	1,593,000	1,640,900	1,690,200	1,741,000	1,793,400	1,847,300
6,907,000	**7,122,000**	**7,034,600**		**Total Operating Expenses**	**7,139,000**	**1**	**7,164,700**	**7,269,400**	**7,417,800**	**7,625,000**	**7,848,900**	**8,077,200**	**8,314,000**	**8,559,400**	**8,811,300**
(189,000)	**(255,000)**	**(299,200)**		***Operating Result - Surplus / (Deficit)***	**(26,500)**	**(91)**	**170,300**	**344,600**	**463,200**	**533,700**	**596,500**	**667,900**	**741,800**	**819,200**	**903,100**
1,016,000	1,538,000	1,482,200		*Add Back Depreciation*	1,497,200	1	1,501,200	1,501,200	1,546,400	1,593,000	1,640,900	1,690,200	1,741,000	1,793,400	1,847,300
827,000	**1,283,000**	**1,183,000**		***Cash Result - Surplus / (Deficit)***	**1,470,700**	**24**	**1,671,500**	**1,845,800**	**2,009,600**	**2,126,700**	**2,237,400**	**2,358,100**	**2,482,800**	**2,612,800**	**2,750,400**
				Capital Movements											
1,210,000	982,000	1,053,000		Less Loan Principal Repayments	1,127,400		1,205,600	1,111,500	193,900	0	0	0	0	0	0
827,000	1,496,000	130,000		Less Transfer to Reserves	343,300		465,900	734,300	1,815,700	2,126,700	2,237,400	2,358,100	2,482,800	2,612,600	2,750,400
577,000	1,412,000	124,500		Add Transfer from Reserves	507,600		100,000	105,000	2,110,000	2,115,000	120,000	125,000	130,000	135,000	140,000
643,000	213,000	287,500		Add Capital Income	0		0	0	0	0	0	0	0	0	0
10,000	430,000	412,000		Less Capital Expenditure	507,600		100,000	105,000	2,110,000	2,115,000	120,000	125,000	130,000	135,000	140,000
0	**0**	**0**		***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

DOMESTIC WASTE MANAGEMENT

ACTUAL 2011/12	ACTUAL 2012/13	ESTIMATE 2013/14	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2014/15	%	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
				OPERATING REVENUES											
5,919,000	6,497,000	6,802,000	22290	Domestic Waste Management Charges	7,040,000	3	7,251,000	7,469,000	7,693,000	7,924,000	8,162,000	8,407,000	8,659,000	8,919,000	9,167,000
(303,000)	(309,000)	(310,000)	22290	Pensioner Abandonments	(311,000)	0	(312,000)	(312,000)	(315,000)	(318,000)	(321,000)	(324,000)	(327,000)	(330,000)	(333,000)
17,000	18,000	19,000	22290	Vacant Property Charges	19,000	0	19,000	19,000	20,000	21,000	22,000	23,000	24,000	25,000	26,000
530,000	699,000	583,000	22292	Waste Trucks - Internal Charges and Profit	600,000	3	618,000	637,000	656,000	676,000	696,000	717,000	739,000	761,000	784,000
167,000	170,000	170,000	22291	State Goverment Grant - Pensioner Subsidy	171,000	1	171,000	171,000	173,000	175,000	177,000	179,000	181,000	183,000	185,000
65,000	25,000	30,000	22292	Interest on Investments	30,000	0	30,000	17,400	18,000	18,600	19,200	19,800	20,400	21,100	21,800
6,395,000	**7,100,000**	**7,294,000**			**7,549,000**	**3**	**7,777,000**	**8,001,400**	**8,245,000**	**8,496,600**	**8,755,200**	**9,021,800**	**9,296,400**	**9,579,100**	**9,870,800**
				OPERATING EXPENSES											
				Administration											
146,000	142,000	162,500	32360	Administration - Salaries and Other Costs	201,800	24	207,000	212,000	217,000	223,000	229,000	235,000	241,000	247,000	253,000
44,000	43,000	45,000	32360	North East Waste Membership	46,000	2	47,000	48,000	49,000	50,000	52,000	54,000	56,000	58,000	60,000
370,000	387,000	405,500	32360	Indirect Expenses - Overheads	420,000	4	433,000	446,000	459,000	473,000	487,000	502,000	517,000	533,000	549,000
2,000	3,000	8,000	32361	Promotion	8,000	0	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
				Debt Servicing											
45,000	36,000	27,800	32361	Interest on Loans	18,200	(35)	8,000	0	0	0	0	0	0	0	0
				Collection											
17,000	15,000	0	32364	Rural Sticker	0	0	0	0	0	0	0	0	0	0	0
532,000	497,000	586,000	32364	Collection Kerbside - Mixed Waste	605,000	3	623,000	642,000	661,000	681,000	701,000	723,000	745,000	767,000	790,000
603,000	771,000	708,000	32364	Collection Kerbside - Green Waste	730,000	3	752,000	775,000	799,000	823,000	848,000	874,000	900,000	927,000	955,000
2,477,000	3,024,000	2,999,000	32364	Collection Kerbside - Disposal Fees	3,225,000	8	3,322,000	3,422,000	3,525,000	3,631,000	3,740,000	3,852,000	3,968,000	4,087,000	4,210,000
356,000	350,000	362,000	32364	Collection Kerbside - Recycling	373,000	3	384,000	395,000	407,000	419,000	432,000	445,000	458,000	472,000	486,000
479,000	841,000	913,500	32364	Collection Kerbside - Recycling Disposal Fees	990,000	8	1,020,000	1,051,000	1,083,000	1,115,000	1,148,000	1,182,000	1,217,000	1,254,000	1,292,000
58,000	19,000	21,000	32364	Collection Kerbside - Bin Purchases / Distn	22,000	5	23,000	24,000	25,000	26,000	27,000	28,000	29,000	30,000	31,000
382,000	305,000	400,000	32364	Waste Trucks - Operating Expenses	412,000	3	424,000	437,000	450,000	464,000	478,000	492,000	507,000	522,000	538,000
				Non-Cash Expenses											
110,000	251,000	267,800	32360	Depreciation	251,000	(6)	251,000	258,600	266,400	274,400	282,700	291,200	300,000	309,000	318,300
5,621,000	**6,684,000**	**6,908,100**		**Total Operating Expenses**	**7,302,000**	**6**	**7,502,000**	**7,718,600**	**7,949,400**	**8,187,400**	**8,432,700**	**8,686,200**	**8,946,000**	**9,214,000**	**9,490,300**
774,000	**416,000**	**385,900**		***Operating Result - Surplus / (Deficit)***	**247,000**	**(36)**	**275,000**	**282,800**	**295,600**	**309,200**	**322,500**	**335,600**	**350,400**	**365,100**	**380,500**
110,000	251,000	267,800		*Add Back Depreciation*	251,000	(6)	251,000	258,600	266,400	274,400	282,700	291,200	300,000	309,000	318,300
884,000	**667,000**	**653,700**		***Cash Result - Surplus / (Deficit)***	**498,000**	**(24)**	**526,000**	**541,400**	**562,000**	**583,600**	**605,200**	**626,800**	**650,400**	**674,100**	**698,800**
				Capital Movements											
125,000	134,000	142,600		Less Loan Principal Repayments	152,500		162,600	0	0	0	0	0	0	0	0
760,000	533,000	510,900		Less Transfer to Reserves	345,500		363,400	541,400	562,000	583,600	605,200	626,800	650,400	674,100	698,800
1,418,000	0	0		Add Transfer from Reserves	350,000		0	600,000	625,000	650,000	675,000	700,000	725,000	750,000	775,000
0	0	0		Add Capital Income	0		0	0	0	0	0	0	0	0	0
1,417,000	0	0		Less Capital Expenditure	350,000		0	600,000	625,000	650,000	675,000	700,000	725,000	750,000	775,000
0	**0**	**0**		***Cash Result after Capital Movements***	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

4.5 Water Operations - Long Term Financial Plan

Delivery Program Governance and Finance

Objective To review the long term financial plan for Council's water operations and to consider a pricing strategy for 2014/15.

Background

Council's water operations are a distinct business where Council is in a position to set mandatory charges for the provision of water services. Water operations form a significant part of Council's finances and the purpose of this report is to review the long term financial plan for the business.

Water is anticipated to have accumulated reserves of approximately $8.8 million and no loans outstanding at the end of the current financial year (2013/14). This means the business is in a sound financial position to plan for the future.

The major financial issue is that the operating result is not strong and needs to be improved. The business struggled for a number of years with 10% to 15% increases in the contributions paid to Rous Water for the bulk water supply. Council's pricing structure increased as a result of the Rous contributions and also through on-going reductions to water consumption per capita. This reduction in consumption meant that the revenue generated from water consumption (largest income source for the business) did not increase in accordance with price increases.

The high bulk water price increases from Rous ceased in 2012/13 and this provides Council the opportunity to improve our operating position. However the estimated contribution to Rous for 2014/15 is an increase of 5.7%. This is due to Ballina's share of total consumption increasing in comparison to the other member councils, as opposed to Rous seeking an above average increase to income; i.e. Ballina Shire must accept a greater proportion of Rous's expenses than was the case in 2013/14. The table below shows water consumption figures presented by Rous for the four member councils over the last two years (February to February). Ballina's gross consumption has increased whilst the others have declined or remained similar.

Table One: Water Consumption of Rous Member Councils

Council	2012/13 Consumption KL	2013/14 Consumption KL	Change %	Prop of Total Consumption %	Rous 13/14 costs apportioned @ $1.53 /kl	Rous 14/15 costs apportioned @ $1.55 /kl	Change over last year %
Ballina	3,529,899	3,686,227	4.43	37.40	$5,419,100	$5,727,600	5.69
Lismore	3,185,076	3,159,178	(0.81)	32.05	$4,889,800	$4,908,700	0.39
Byron	2,421,244	2,394,684	(1.10)	24.30	$3,717,100	$3,720,800	0.10
Richmond Valley	614,438	615,550	0.18	6.25	$943,300	$956,400	1.39
Total	**9,750,657**	**9,855,639**	**1.08**	**100**	**$14,969,300**	**15,313,600**	**2.30**

Other points of interest from this table include:

- Rous is seeking a modest increase of just 2.3% in total
- Ballina Shire is the largest consumer of water.

The report that follows provides an overview of the water business in respect to the long term financial plan.

Key Issues

- Pricing Structure
- Affordability
- Financial Performance

Information

The cash operating result has been marginal 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.

Table Two - Water Supply Operating Results

Item	2009/10 Actual ($'000)	2010/11 Actual ($'000)	2011/12 Actual ($'000)	2012/13 Actual ($'000)	2013/14 Estimate ($'000)
Operating Revenues	7,404	7,899	8,614	9,633	9,404
Operating Expenses	8,858	9,815	10,467	10,754	11,126
Operating Result (Deficit)	**(1,454)**	**(1,916)**	**(1,853)**	**(1,121)**	**(1,722)**
Remove Depreciation	2,132	2,246	2,266	1,883	1,810
Cash Surplus / (Deficit)	**678**	**330**	**413**	**762**	**88**

The operating deficit is always over $1 million and the current forecast for 2013/14 is a deficit of $1.7 million. The 2013/14 result could be substantially better than forecast (in the order of $300,000) if water consumption in the second half of the year replicates the first six months.

The cash surplus (i.e. once depreciation is eliminated) varies from approximately $330,000 to $762,000 (excluding the 2013/14 estimate). This is the total amount of recurrent discretionary funds available to spend on upgrading or providing new assets for the business.

This result also includes interest earned on accumulated section 64 developer contributions, which is typically around $250,000 per annum. These monies are restricted and can only be used for specific purposes in specific localities relating to capital works.

The last valuation had the carrying value of water assets at over $100 million. This represents a vast amount of infrastructure that needs to be maintained in a satisfactory condition.

Water infrastructure has been in a part of the life cycle that has not required a great deal of funding. The 2012/13 infrastructure renewal ratio (funds spent on asset renewals divided by depreciation) was 0.06 for Water Fund. This indicates that very little funding is being applied to renew infrastructure. At some point the water infrastructure will require major funding.

One debate is the extent to which the current generation should contribute to these future costs. Looking at the recent operating results the indication is that the current generation is getting off lightly and it would be more equitable to improve the operating performance so that monies can be placed in reserve to meet future liabilities.

Long Term Financial Plan (LTFP)

A LTFP is included as an attachment to this report. The plan represents the preferred financial model for 2014/15. Later in this report different scenarios are presented however the main variable in the scenarios is the pricing structure for the annual availability and consumption charges. Hence the alternate options are presented in summary only.

In preparing the draft LTFP key considerations have been:

- a continuation of the existing tariff structure based on fixed and consumption charges. This structure is weighted such that the majority of the income is sourced from consumption charges, which means that the primary income source is subject to large variations depending on the weather and population trends. Best practice guidelines from the State Government set a target of deriving 75% of annual charge income from the consumption charge. At this stage we are deriving approximately 65%
- maintenance and operation expenses have increased by approximately 3%. It has been assumed that in general terms current practices will continue in 2014/15
- as mentioned the advice from Rous Water is that our contribution will increase by 5.7% to $5.7 million. This contribution equates to 60% of the total operating expenses, excluding depreciation
- it has been assumed that in future years each member council will maintain similar proportions of the total Rous consumption
- income from section 64 capital contributions is forecast at $600,000. This forecast could prove to be ambitious and if so it may mean that other aspects of the financial plan, such as proposed capital works / future price increases / borrowings, will need to be modified
- there is an assumption of a growth in assessments of 0.75%
- it has been assumed that if price increases by 9% consumption income will only rise by 8%; i.e. consumption will adjust slightly down due to the price increase
- in respect to capital works the plan is to spend $15 million over the next five years
- there are no loan borrowings and consequently no interest and loan principal repayments
- the modelling makes no provision for taking a non compulsory dividend. Council is entitled to take a dividend of approximately $400,000 if various benchmarks are achieved. One such benchmark is that a surplus must be achieved over a rolling three year period. The business has not been sufficiently profitable to meet this benchmark.

The attached LTFP is the recommended option and assumes increases to the annual charges of 9% in 2014/15 and then 6% for a number of years.

A summary of the major outcomes from this model are outlined in the following table.

4.5 Water Operations - Long Term Financial Plan

Table Three - 9% Increase to Annual Charges for 2014/15

Description	**13/14 $'000**	**14/15 $'000**	**15/16 $'000**	**16/17 $'000**	**17/18 $'000**	**18/19 $'000**	**19/20 $'000**	**20/21 $'000**	**21/22 $'000**	**22/23 $'000**	**23/24 $'000**
Operating Revenues	9,405	9,975	10,452	11,111	11,805	12,523	13,290	14,015	14,743	15,616	16,547
Operating Expenses	11,127	11,473	11,746	11,974	12,336	12,709	13,094	13,490	13,898	14,317	14,750
Operating Result	(1,722)	(1,499)	(1,294)	(863)	(531)	(186)	196	525	845	1,298	1,797
Add Back Deprec	1,810	1,900	1,900	1,957	2,016	2,076	2,139	2,203	2,269	2,337	2,407
Cash Surplus	**88**	**402**	**606**	**1,094**	**1,485**	**1,890**	**2,334**	**2,728**	**3,114**	**3,635**	**4,204**
Capital Income	952	736	743	620	620	620	620	740	740	740	740
Capital Expenditure	(3,058)	(3,909)	(1,496)	(2,591)	(3,450)	(4,020)	(2,981)	(3,468)	(878)	(903)	(999)
Net Reserve Movement	(2,018)	(2,771)	(146)	(876)	(1,345)	(1,509)	(27)	0	2,976	3,472	3,945
Total Reserves	**8,800**	**6,029**	**5,883**	**5,007**	**3,661**	**2,152**	**2,126**	**2,126**	**5,102**	**8,574**	**12,519**
% Deprec Funded	**5**	**21**	**32**	**56**	**74**	**91**	**109**	**124**	**137**	**156**	**175**
Debt owing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt Ratio	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Key points in this model are:

- a gradual improvement in the operating result such that there is a surplus inclusive of depreciation by 2019/20
- The first positive reserve movement is not until 2021/22
- the minimum reserve balance is $2.1 million, which is considered satisfactory in terms of a buffer to meet budget shocks
- the maximum reserve balance rises to $12.5 million in 2023/24, which is arguably necessary, as it is likely that our spending on assets will rise as the system ages.
- the 9% increase in 2014/15 takes into consideration the cost of bulk water increasing by 5.7%. We need to match this increase plus improve the operating result.

If Council were to adopt this model for inclusion in the draft 2014/15 Operational Plan the primary water charges would be as per the next table.

Table Four - Draft Water Supply Charges

Charge Type	**2013/14 $**	**2014/15 $**	**% Increase**
Water Access Charge 20mm meter *	178	194	9
Water Consumption under 350kl	1.91	2.08	9
Water Consumption over 350kl	2.87	3.12	9
Vacant Land Charge	178	194	9

* Access charges vary depending on meter size. The figures shown above reflect a 20mm meter which is the typical residential size meter. The same percentage increase would be applied to larger meters.

Water is in a sound financial position in terms of the balance sheet. This does mean that there is no driving urgency to improve the operating position to meet a particular deadline, although the proposed capital works program will start to put pressure on the finances. Council has a variety of pricing options and the next two tables present a brief summary of the key indicators for two alternative scenarios.

4.5 Water Operations - Long Term Financial Plan

Table Five - 6% Increase to Annual Charges for 2014/15

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	9,405	9,693	10,228	10,875	11,554	12,256	12,896	13,599	14,304	15,105	15,989
Operating Expenses	11,127	11,473	11,746	11,974	12,336	12,709	13,094	13,490	13,898	14,317	14,750
Operating Result	(1,722)	(1,781)	(1,518)	(1,099)	(783)	(454)	(198)	109	406	788	1,240
Add Back Deprec	1,810	1,900	1,900	1,957	2,016	2,076	2,139	2,203	2,269	2,337	2,407
Cash Surplus	**88**	**120**	**382**	**858**	**1,233**	**1,623**	**1,941**	**2,312**	**2,675**	**3,125**	**3,647**
Capital Income	952	736	743	620	620	620	620	740	740	740	740
Capital Expenditure	(3,058)	(3,909)	(1,496)	(2,591)	(3,450)	(4,020)	(2,981)	(3,468)	(878)	(903)	(999)
Net Reserve Movement	(2,018)	(3,053)	(371)	(1,112)	(1,597)	(1,777)	(420)	(416)	2,537	2,962	3,388
Total Reserves	**8,800**	**5,747**	**5,377**	**4,264**	**2,668**	**891**	**470**	**55**	**2,592**	**5,554**	**8,942**
% Deprec Funded	**5**	**6**	**20**	**44**	**61**	**78**	**91**	**105**	**118**	**134**	**152**
Debt owing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt Ratio	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

This scenario relies on a price increase of 6% for six years and the indications are that the business would manage. The model indicates that an operating surplus is achieved in 2020/21. Reserves maintain a positive balance however in the period from 2018/19 to 2020/21 the balance is less than $1 million, which is considered less than adequate. This model is presenting a base case that indicates that price increases of 6% are the minimum that could be contemplated and in all likelihood future years would need to exceed 6%.

The next table assumes Council wants to improve the operating position quicker than the preferred model. The model is based on an 11% increase for the 2014/15 financial year and thereafter a series of years at 6%.

Table Six - 11% Increase to Annual Charges for 2014/15

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	9,405	10,138	10,627	11,294	12,000	12,731	13,511	14,248	15,017	15,913	16,865
Operating Expenses	11,127	11,473	11,746	11,974	12,336	12,709	13,094	13,490	13,898	14,317	14,750
Operating Result	(1,722)	(1,336)	(1,118)	(680)	(337)	21	416	758	1,120	1,595	2,115
Add Back Deprec	1,810	1,900	1,900	1,957	2,016	2,076	2,139	2,203	2,269	2,337	2,407
Cash Surplus	**88**	**565**	**782**	**1,277**	**1,679**	**2,097**	**2,555**	**2,961**	**3,388**	**3,932**	**4,523**
Capital Income	952	736	743	620	620	620	620	740	740	740	740
Capital Expenditure	(3,058)	(3,909)	(1,496)	(2,591)	(3,450)	(4,020)	(2,981)	(3,468)	(878)	(903)	(999)
Net Reserve Movement	(2,018)	(2,608)	29	(694)	(1,151)	(1,302)	194	233	3,251	3,769	4,263
Total Reserves	**8,800**	**6,192**	**6,221**	**5,528**	**4,377**	**3,075**	**3,269**	**3,502**	**6,753**	**10,522**	**14,785**
% Deprec Funded	**5**	**30**	**41**	**65**	**83**	**101**	**119**	**134**	**149**	**168**	**188**
Debt owing	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Debt Ratio	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

This scenario has a higher price in 2014/15, which means that an operating surplus is achieved in 2018/19. Reserves are higher in this scenario and it a matter of how much is reasonable given generational equity issues.

There are a number of scenarios that can be used to achieve similar outcomes. Price increases will always remain a year to year decision but there is an opportunity to work towards a long term goal of improving the operating position.

Annual and Consumption Charges

The next table provides a comparison of our existing water charges to our immediate neighbours. Ballina's price structure compares favourably and perhaps is another indicator that our infrastructure has been in a 'low cost' part of the life cycle.

Table Seven – Comparison of Water Charges 2013/14

Item	Ballina	Byron	Lismore	Richmond Valley
Access	$178	$150	$185	$120
Consumption per kilolitre	$1.91 to 350kl $2.87 350kl +	$2.21 to 450kl $3.32 450kl +	2.72	$1..85 to 200k $2.78 200kl +
Charge based on 200kl	382	442	544	370

Our low price as compared to Byron and Lismore may well justify large increases to try and decrease demand for water. By having a lower charge Council could actually be indirectly increasing our operating expenses, as the Rous contribution then increases due to our higher consumption. Increased prices may well have a double benefit of reducing our own operating costs by reducing our proportionate contribution to Rous.

Legal / Resource / Financial Implications

This report provides a financial overview of the water business. Modelling for the business is never going to be precise. The primary assumption liable to significant fluctuations will be the revenue sourced from water consumption. A conservative approach has been taken in respect to the modelling. Also Council has agreed to a program to reduce Council's water leakage percentage. It is expected that over time this program should result in significant savings in the contribution paid to Rous.

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. Based on the information outlined in this report, and particularly considering the Rous Water increase of almost 6%, it is recommended that for the purposes of public exhibition Council endorse a 9% increase in annual and consumption charges for water.

This option has been recommended as it positions the business to achieve an operational surplus in five years and it is a middle ground in terms of inter generational equity; i.e. it looks to accumulate reasonable reserves whilst still accepting that borrowings will most likely be required if and when a major refurbishment of the asset system is required.

If Council is concerned about this magnitude of increase Table Five, being a 6% increase, is considered to be the base level increase that should be applied, particularly considering that the Rous contribution has increased by 5.7%. Council could take this approach and then make every effort to reduce our operating costs, and our Rous contribution, through improved operating practices and asset management.

As a monopoly Council has a responsibility not to take the easy option in respect to pricing and every effort should be made to reduce costs where possible. The only concern with this approach is that our pricing does appear to be well below comparable councils, such as Byron and Lismore and keeping prices low could impact on the low term sustainability of the business.

RECOMMENDATION

That Council endorses the inclusion of the draft water long term financial plan, as attached to this report, and the following water charging structure, in the draft 2014/15 Delivery Program and Operational Plan.

Charge Type	**2013/14 $**	**2014/15 $**	**% Increase**
Water Access Charge - 20mm meter	178	194	9
Water Consumption under 350kl	1.91	2.08	9
Water Consumption over 350kl	2.87	3.12	9
Vacant Land Charge	178	194	9

Attachment(s)

1. Long Term Financial Plan

Water Operations - Long Term Financial Plan (2013/14 to 2023/24)												
ESTIMATE	ITEMS	ESTIMATED										
2013/14		2014/15	%	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	OPERATING RESULTS											
9,124,500	Operating Revenues	9,792,500	7	10,318,600	10,970,600	11,667,800	12,410,800	13,202,500	13,927,200	14,692,600	15,547,700	16,461,300
9,316,500	Less Operating Expenses	9,573,000	3	9,845,600	10,017,100	10,320,600	10,633,100	10,955,600	11,287,300	11,629,000	11,980,400	12,342,400
(192,000)	**Operating Result before Capital Amounts**	**219,500**	**(214)**	**473,000**	**953,500**	**1,347,200**	**1,777,700**	**2,246,900**	**2,639,900**	**3,063,600**	**3,567,300**	**4,118,900**
	Add Developer Contributions - Operating Revenues											
280,000	Section 64 Interest Earned on Contributions Held	182,000	(35)	133,400	140,700	137,500	112,600	87,500	87,700	50,100	67,800	85,500
88,000	**Operating Result before Depreciation**	**401,500**	**356**	**606,400**	**1,094,200**	**1,484,700**	**1,890,300**	**2,334,400**	**2,727,600**	**3,113,700**	**3,635,100**	**4,204,400**
1,810,000	Depreciation Expense	1,900,000	5	1,900,000	1,957,000	2,015,800	2,076,300	2,138,600	2,202,800	2,268,900	2,337,000	2,407,200
(1,722,000)	**Operating Result after Depreciation**	**(1,498,500)**	**(13)**	**(1,293,600)**	**(862,800)**	**(531,100)**	**(186,000)**	**195,800**	**524,800**	**844,800**	**1,298,100**	**1,797,200**
	Add Capital Grants and Contributions											
200,000	Capital Grants and Contributions	0	(100)	0	0	0	0	0	0	0	0	0
614,000	Section 64 Contributions Collected	600,000	(2)	620,000	620,000	620,000	620,000	620,000	740,000	740,000	740,000	740,000
	Add Non-operating Funds Employed											
137,600	Transfer from Section 64 Recoupments BBRC	136,200	(1)	123,000	0	0	0	0	0	0	0	0
0	Loan Funds Applied	0	0	0	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes											
(2,886,000)	Capital Expenditure	(3,738,500)	30	(1,338,800)	(2,556,500)	(3,415,900)	(3,985,600)	(2,946,900)	(3,433,500)	(843,600)	(869,000)	(965,200)
(137,600)	Contributions - Section 64 Recoupments BBRC	(136,200)	(1)	(123,000)	0	0	0	0	0	0	0	0
0	Repayment of Principal on Loans	0	0	0	0	0	0	0	0	0	0	0
(34,000)	Dividends Paid	(34,000)	0	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)	(34,000)
	Add Back Non-Cash Expense											
1,810,000	Depreciation	1,900,000	0	1,900,000	1,957,000	2,015,800	2,076,300	2,138,600	2,202,800	2,268,900	2,337,000	2,407,200
(2,018,000)	**Reserves Movement - Increase / (Decrease)**	**(2,771,000)**	**37**	**(146,400)**	**(876,300)**	**(1,345,200)**	**(1,509,300)**	**(26,500)**	**100**	**2,976,100**	**3,472,100**	**3,945,200**
	Movement in Reserves - Increase / (Decrease)											
(721,400)	Water Reserves	(1,788,500)		(471,800)	(733,300)	(241,700)	(393,400)	(34,000)	1,672,400	2,186,000	2,664,300	3,119,700
(1,296,600)	Developer Contributions - Section 64	(982,500)		325,400	(143,000)	(1,103,500)	(1,115,900)	7,500	(1,672,300)	790,100	807,800	825,500
(2,018,000)	**Total Movement in Reserves (incl Section 64)**	**(2,771,000)**		**(146,400)**	**(876,300)**	**(1,345,200)**	**(1,509,300)**	**(26,500)**	**100**	**2,976,100**	**3,472,100**	**3,945,200**
	Reserves - Balances as at 30 June											
1,891,000	Water Reserves	102,500		(369,300)	(1,102,600)	(1,344,300)	(1,737,700)	(1,771,700)	(99,300)	2,086,700	4,751,000	7,870,700
6,909,200	Developer Contributions - Section 64	5,926,700		6,252,100	6,109,100	5,005,600	3,889,700	3,897,200	2,224,900	3,015,000	3,822,800	4,648,300
8,800,200	**Total Reserves**	**6,029,200**		**5,882,800**	**5,006,500**	**3,661,300**	**2,152,000**	**2,125,500**	**2,125,600**	**5,101,700**	**8,573,800**	**12,519,000**

WATER OPERATIONS															
ACTUAL 2011/12	ACTUAL 2012/13	ESTIMATE 2013/14	LEDGER ACCOUNT	BUDGET ITEMS	ESTIMATED 2014/15	%	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
				OPERATING REVENUES											
2,433,000	2,603,000	2,831,000	10000	Annual Charges	3,099,000	9	3,244,000	3,453,700	3,676,900	3,914,800	4,168,100	4,400,800	4,646,400	4,905,600	5,179,300
4,919,000	5,582,000	5,454,000	10010	User Charges	5,904,000	8	6,302,600	6,728,000	7,182,200	7,667,000	8,184,500	8,655,100	9,152,800	9,679,000	10,235,500
148,000	155,000	150,000	10003	Operating Grants	150,500	0	152,100	153,700	155,300	156,900	158,500	160,100	161,800	163,500	165,200
143,000	302,000	212,000	10011	Regulatory Fees and Fines	202,000	(5)	208,100	214,400	220,900	227,600	234,500	241,600	248,900	256,400	264,200
203,000	367,000	371,500	10012	Other Revenues	361,000	(3)	372,000	383,300	395,000	407,000	419,400	432,100	445,200	458,700	472,700
769,000	624,000	386,000	10004	Interest	258,000	(33)	173,200	178,200	175,000	150,100	125,000	125,200	67,600	152,300	229,900
8,615,000	**9,633,000**	**9,404,500**		**Total Operating Revenues**	**9,974,500**	**6**	**10,452,000**	**11,111,300**	**11,805,300**	**12,523,400**	**13,290,000**	**14,014,900**	**14,742,700**	**15,615,500**	**16,546,800**
				OPERATING EXPENSES											
				Direct Expenses											
191,000	287,000	310,000	50000	Engineering Management	304,300	(2)	313,600	323,200	333,100	343,300	353,800	364,600	375,800	387,300	399,200
410,000	372,000	530,400	50005	Administration and Customer Service	500,000	(6)	515,900	532,100	548,900	566,000	584,100	602,600	621,600	641,000	660,700
186,000	436,000	210,600	50000	Engineering and Technical	185,200	(12)	173,800	52,300	54,000	55,800	57,600	59,400	61,300	63,200	65,200
5,035,000	5,143,000	5,420,000	50100	Purchase of Water	5,730,000	5.7	5,901,900	6,079,000	6,261,500	6,449,500	6,643,100	6,842,500	7,047,800	7,259,300	7,477,200
36,000	50,000	46,500	50102	Energy Costs	49,000	5	50,900	52,800	54,700	56,800	59,100	61,400	63,800	66,200	68,600
42,000	49,000	45,000	50101	Groundwater Bores	55,000	22	57,000	59,000	61,000	63,100	65,300	67,500	69,800	72,100	74,500
47,000	68,000	62,000	50105	Reservoirs	64,000	3	66,000	68,000	70,100	72,300	74,500	76,800	79,200	81,600	84,100
69,000	80,000	153,500	50107	Water Treatment Plants	86,500	(44)	89,200	92,100	95,100	98,100	101,200	104,400	107,700	111,100	114,600
317,000	415,000	400,000	50110	Water Supply Mains	410,000	3	422,300	435,000	448,200	461,800	475,800	490,200	505,000	520,200	535,900
777,000	803,000	912,000	50109	Water Supply Operations	900,000	(1)	927,400	955,900	985,200	1,015,300	1,046,300	1,078,100	1,110,900	1,144,700	1,179,600
10,000	15,000	20,000	50112	Telemetery Operations	16,000	(20)	16,500	17,000	17,600	18,200	18,800	19,400	20,000	20,600	21,300
9,000	8,000	9,500	50008	Miscellaneous	9,000	(5)	9,300	9,600	9,900	10,200	10,600	11,000	11,400	11,800	12,200
				Indirect Expenses - Overheads											
1,072,000	1,145,000	1,197,000	50005	Overheads Distributed	1,264,000	6	1,302,000	1,341,100	1,381,300	1,422,700	1,465,400	1,509,400	1,554,700	1,601,300	1,649,300
				Debt Servicing											
0	0	0	50010	Interest On Loans	0	0	0	0	0	0	0	0	0	0	0
				Non-cash Expenses											
2,266,000	1,883,000	1,810,000	50112	Depreciation	1,900,000	5	1,900,000	1,957,000	2,015,800	2,076,300	2,138,600	2,202,800	2,268,900	2,337,000	2,407,200
10,467,000	**10,754,000**	**11,126,500**		**Total Operating Expenses**	**11,473,000**	**3**	**11,745,600**	**11,974,100**	**12,336,400**	**12,709,400**	**13,094,200**	**13,490,100**	**13,897,900**	**14,317,400**	**14,749,600**
(1,852,000)	**(1,121,000)**	(1,722,000)		***Operating Result - Surplus / (Deficit)***	(1,498,500)	**(13)**	(1,293,600)	(862,800)	(531,100)	(186,000)	195,800	**524,800**	**844,800**	**1,298,100**	**1,797,200**
2,266,000	1,883,000	1,810,000		*Add Back Depreciation*	1,900,000	5	1,900,000	1,957,000	2,015,800	2,076,300	2,138,600	2,202,800	2,268,900	2,337,000	2,407,200
414,000	**762,000**	**88,000**		***Cash Result - Surplus / (Deficit)***	**401,500**	**356**	**606,400**	**1,094,200**	**1,484,700**	**1,890,300**	**2,334,400**	**2,727,600**	**3,113,700**	**3,635,100**	**4,204,400**
				Capital Movements											
4,000	4,000	0		Less Loan Principal Repayments	0		0	0	0	0	0	0	0	0	0
404,000	364,000	280,000		Less Transfer to Reserves	182,000		133,400	140,700	137,500	112,600	87,500	1,760,100	2,236,100	2,732,100	3,205,200
465,000	530,000	859,000		Add Transfer from Reserves	1,924,700		594,800	733,300	241,700	393,400	34,000	0	0	0	0
274,000	48,000	2,253,000		Add Capital Income	1,628,300		305,000	903,700	1,861,000	1,848,500	700,000	2,500,000	0	0	0
711,000	895,000	2,886,000		Less Capital Expenditure	3,738,500		1,338,800	2,556,500	3,415,900	3,985,600	2,946,900	3,433,500	843,600	869,000	965,200
34,000	**77,000**	**34,000**		***Cash Result after Capital Movements***	**34,000**	**0**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**	**34,000**

WATER - CAPITAL EXPENDITURE

Expenditure Description	Expenditure Summary										
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Water Storage											
Recycled Water Distribution & Storage	1,850,000										
Reservoirs - Pacific Pines							878,500				
Reservoirs - Ross Lane (New)		500,000						2,500,000			
Water Pump and Bore Stations											
Pumping Stations - Ballina Heights Booster		228,400									
Pumping Stations - North Creek Road Booster						398,500					
Pumping Stations - Basalt Court Booster	30,000	158,300									
Pumping Stations - Pacific Pines Booster											
Pumping Stations - East Ballina Booster	40,000	345,000									
Pumping Stations - Russellton Booster				385,000							
Pumping Stations - Wollongbar Booster							223,600				
Bore - Lindendale							150,000				
Bore - Ellis Road							150,000				
Pressure Management Zones (PMZs)											
Lumley's Lane PMZ		100,000									
Southern Cross Dr PMZ		100,000									
Fox Street PMZ		25,000	125,000								
Temple Street PMZ		0	125,000								
Owen Street PMZ		25,000	125,000								
Bassalt Court Reservoir DMA		90,000									
Silver Gull Drive DMA		90,000									
Seaview Street DMA		90,000									
Pressure and Demand Mgmt- Preliminaries	180,000	130,000	30,000								
Water Trunk Mains - Extension											
Ballina - WD01 Ballina Hts Trunk Main		100,000									
Ballina - Ballina Hts Distribution Main					611,000						
Water Trunk Mains - Augmentation											
Ballina Island Distribution Augmentation		100,000		503,700	500,000	500,000	500,000	500,000			
North Ballina Distibution Augmentation		100,000		500,000	2,000,000	1,000,000					
West Ballina Loop Main						1,707,900					
Lennox Head Distibution Augmentation	133,000	395,000									
Lennox Heights Distibution Augmentation				732,800							
Skenners Head Distibution Augmentation							597,600				
Wardell Distibution Augmentation							123,500	100,000			
East Ballina Boosted Pressure Zone	120,000	900,000									
Russelton Booster Pressure Zone				139,000							
Miscellaneous											
Vehicle and Plant Replacement		30,000	55,000	50,000	51,500	53,100	54,700	56,400	58,100	59,900	61,700
Fluoride Dosing Plant	250,000										
Smith Drive			640,000								
Pipeline Rehabilitation Study	58,000					65,000					70,000
Mains Renewal Longer Term									500,000	515,000	530,500
Water Mains Renewal Program	225,000	231,800	238,800	246,000	253,400	261,100	269,000	277,100	285,500	294,100	303,000
Total Capital Expenditure	**2,886,000**	**3,738,500**	**1,338,800**	**2,556,500**	**3,415,900**	**3,985,600**	**2,946,900**	**3,433,500**	**843,600**	**869,000**	**965,200**

4.6 Wastewater Operations - Long Term Financial Plan

Delivery Program Governance and Finance

Objective To review the long term financial plan for wastewater operations and to consider a pricing strategy for 2014/15.

Background

Council's wastewater business forms a major part of our total operations with assets amounting to approximately 25% of the organisation's total. Council is in a position to set mandatory charges for the provision of these services, which provides the opportunity to manage in a financially sustainable way. The purpose of this report is to review the long term financial plan for the business.

Wastewater is coming towards the end of a major capital expenditure program to provide new and expanded services. The table below shows capital expenditure in recent years.

Table One - Wastewater Capital Expenditure ($ millions)

2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Estimate	Total
9.9	28.8	25.0	10.6	74.3

By the end of the current year Council will have expended in the order of $74 million on capital improvements to the wastewater system, over the last four years, largely funded from borrowings. This has been a massive undertaking.

The primary income source for wastewater is annual charges and these charges have been increased each year to enable the business to cope with the borrowings. The strategy has been to increase the charges over a number of years in an effort to smooth out the impost on customers, as much as possible. The next table shows the annual charges and the increases that have occurred in recent years.

Table Two - Annual Residential Charge and Percentage Price Increase

Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Annual Charge	$440	$480	$550	$630	$674	$734
% Change	N/A	9%	14.5%	14.5%	7%	8%

The capital expenditure program is now slowing to a more typical level and it is a matter of evaluating our current financial position and forecasting where we are heading. The report that follows provides an overview of the latest review of the long term financial plan.

Key Issues

- Pricing Structure
- Affordability
- Financial Performance

Information

The next table shows operating results in recent years. Both revenues and expenses have been increasing quickly and prior to 2012/13 the cash surplus was also increasing rapidly. Since that time the surplus has declined dramatically as borrowings start to impact the result, with interest paid on those included in the Operating Expenses and therefore impacting on the net Operating Result.

Table Three - Wastewater Operating Results

Item	2009/10 Actual ($'000)	2010/11 Actual ($'000)	2011/12 Actual ($'000)	2012/13 Actual ($'000)	2013/14 Estimate ($'000)
Operating Revenues	9,517	10,729	12,439	13,787	14,319
Operating Expenses	11,060	11,944	12,937	16,126	17,370
Result – Surplus / (Deficit)	**(1,543)**	**(1,215)**	**(498)**	**(2,339)**	**(3,052)**
Remove Depreciation	3,363	4,113	4,172	3,277	3,104
Cash Surplus / (Deficit)	**1,820**	**2,898**	**3,674**	**938**	**52**

The pricing strategies set for 2012/13 and 2013/14 have accepted that the business will run at a cash loss once the loan principal repayment is included.

It must be remembered that the principal portion of the loan repayment is not shown in the figures above as the table is focussed on the operating result. If we look at the 2013/14 column the forecast cash surplus is $52,000 and this includes interest expense on loans of $4,767,000. The loan capital repayment is $2,385,000. Hence reserves will need to fund loan principal repayments of over $2.3 million plus any capital expenditure needed.

Despite the best intentions with constant price increases over a long period of time the business remains well short of achieving the operating result that is required to meet loan repayments and to finance future capital works.

A significant contributor to this situation has been a substantial increase in operating costs. The next table shows operating costs exclusive of depreciation, loan interest and the Building Better Regional Cities (BBRC) contribution expense. The BBRC contributions are associated with the Section 64 contribution refunds for the grants received for works at Ballina Heights and Wollongbar. These expenses are funded by transfers from Section 64 reserves and it is anticipated that this expense will cease in 2015/16.

Table Four - Operating Expenses Adjusted

Item	2010/11 Actual ($'000)	2011/12 Actual ($'000)	2012/13 Actual ($'000)	2013/14 Estimate ($'000)
Operating Expenses	11,944	12,937	16,126	17,370
Less Interest Expense	8	1,174	3,266	4,767
Less Depreciation	3,603	3,698	2,841	2,710
Less BBRC (extraordinary item)	0	0	1,473	560
Adjusted Operating Expenses	**8,333**	**8,065**	**8,546**	**9,333**

The table indicates that aside from loan interest and other abnormal items operating expenses have increased by quite a margin in 2013/14. Electricity, maintenance and overheads expense have all contributed and it is assumed that the 2013/14 level of expense is the new norm.

However in saying this it is also important to acknowledge that in recent years the final operating expenses for the year have typically been below budget. The actual operating expenses as at 30 June, as compared to budget, in recent years have been 97% of budget for 2012/13, 98% for 2011/12 and 96% for 2010/11.

These are all reasonably good results and what it does mean is if the recent trend continues for 2013/14 and actual operating expenses are, for example, 3% under budget, this represents a saving of $280,000 on the adjusted operating expense budget of $9.333 million as per table four. This can then impact heavily on the assumptions in the long term financial plan.

Even with an adjustment of $280,000 the predicted operating expenses are still well above 2012/13. The major contributor to this appears to be electricity expenses with the actual expenses for 2012/13 being $1.192 million and the forecast for 2013/14 at $1.348 million, an increase of $156,000.

The feasibility of installing a significant number of solar panels is being investigated for the Ballina Treatment Plant. It is hoped that that investigation will allow Council to install panels which will in turn reduce this electricity expense.

Council's recently appointed Manager – Water and Wastewater is also reviewing the 2013/14 budget for the 31 March 2014 Quarterly Financial Review and there may well be savings realised this financial year.

Nevertheless as no savings have been confirmed at this point in time, the assumption is that the existing operating budget must be the basis for moving forward.

Long Term Financial Plan (LTFP)

A LTFP is included as an attachment to this report. The plan represents the preferred financial model for 2014/15. Later in this report different scenarios are presented however the main variable in the scenarios is the pricing structure for the annual availability and consumption charges. Hence the alternate options are presented in summary only.

In preparing the draft LTFP the key considerations have been:

- revenues other than annual charges are increased by CPI (generally 3%)
- section 64 contributions are predicted to be around the $700,000 mark
- annual loan repayments will be approximately $7.1 million
- operating expenses will be similar to the current year, allowing for CPI
- there is an assumption of a growth in assessments of 0.75%
- forecast capital expenditure is based on the most recent assessment, which includes the works nominated in the section 64 plan.

4.6 Wastewater Operations - Long Term Financial Plan

The recommended scenario includes a 10% increase to the annual charges for 2014/15 through to 2017/18 and thereafter at 5%.

The modelling indicates that substantial price increases are necessary and it is a matter of how quickly the business achieves a sustainable operating position.

A summary of this model follows.

Table Five - 10% Increase for 2014/15

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	14,319	14,884	16,086	17,625	19,562	20,679	21,928	22,802	23,616	24,572	25,607
Operating Expenses	17,371	17,329	17,390	16,966	17,103	17,281	17,437	17,601	17,830	18,056	18,263
Operating Result	(3,052)	(2,445)	(1,304)	659	2,459	3,399	4,491	5,201	5,786	6,516	7,344
Add Back Deprec	3,104	3,249	3,201	3,049	3,044	3,070	3,093	3,114	3,208	3,304	3,403
Cash Surplus	**52**	**804**	**1,897**	**3,708**	**5,503**	**6,468**	**7,584**	**8,315**	**8,993**	**9,820**	**10,748**
Capital Income	1,947	697	714	740	765	788	812	836	861	887	914
Loan Principal	(2,385)	(2,495)	(2,613)	(2,741)	(2,879)	(3,024)	(3,186)	(2,374)	(2,562)	(2,768)	(3,004)
Capital Expenditure	(11,224)	(7,054)	(2,093)	(3,745)	(2,911)	(1,830)	(6,982)	(3,623)	(2,104)	(2,121)	(2,139)
Net Reserve Movement	(11,610)	(8,047)	(2,095)	(2,039)	478	2,403	(1,773)	3,155	5,188	5,819	6,519
Total Reserves	**13,842**	**5,795**	**3,700**	**1,661**	**2,139**	**4,542**	**2,769**	**5,924**	**11,112**	**16,930**	**23,449**
% Deprec Funded	**2**	**25**	**59**	**122**	**181**	**211**	**245**	**267**	**280**	**297**	**316**
Debt owing	**67,510**	**65,015**	**62,402**	**59,661**	**56,783**	**53,759**	**50,573**	**48,199**	**45,636**	**42,869**	**39,865**
Debt Ratio	**50**	**48**	**44**	**41**	**37**	**35**	**33**	**27**	**26**	**25**	**24**

The model indicates that an operating surplus will be achieved in 2016/17. This is also the first year that the forecast cash surplus will exceed the capital portion of the loan repayment ($2.6 million in that year). As mentioned previously, reserves will fund part of the loan principal repayment, until the business becomes sufficiently profitable.

Reserves remain at a satisfactory level with 2016/17 being the low point of $1.7 million.

A reserve balance of $1 to $2 million is considered to be the minimum balance that should be on hand to support the business and a higher balance is preferred when capital works programs are underway.

Other points for consideration in the model include:

- capital expenditure includes $2 million in the budget for reverse osmosis
- the level of debt gradually decreases over the life of the model
- a single reserve balance is shown which includes section 64 reserves
- a non compulsory dividend has not been contemplated for any year.

The next table presents a summary of a scenario based on an 8% increase to annual charges in 2014/15 and then three years at 10%: i.e. the same as scenario one except for the 2014/15 annual charge.

4.6 Wastewater Operations - Long Term Financial Plan

Table Six - 8% Increase for 2014/15

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	14,319	14,554	15,757	17,270	19,154	20,257	21,486	22,302	23,128	24,016	25,021
Operating Expenses	17,371	17,329	17,390	16,966	17,103	17,281	17,437	17,601	17,830	18,056	18,263
Operating Result	(3,052)	(2,775)	(1,633)	304	2,051	2,976	4,049	4,700	5,298	5,960	6,758
Add Back Deprec	3,104	3,249	3,201	3,049	3,044	3,070	3,093	3,114	3,208	3,304	3,403
Cash Surplus	**52**	**474**	**1,568**	**3,353**	**5,095**	**6,046**	**7,141**	**7,815**	**8,506**	**9,264**	**10,161**
Capital Income	1,947	697	714	740	765	788	812	836	861	887	914
Loan Principal	(2,385)	(2,495)	(2,613)	(2,741)	(2,879)	(3,024)	(3,186)	(2,374)	(2,562)	(2,768)	(3,004)
Capital Expenditure	(11,224)	(7,054)	(2,093)	(3,745)	(2,911)	(1,830)	(6,982)	(3,623)	(2,104)	(2,121)	(2,139)
Net Reserve Movement	(11,610)	(8,377)	(2,424)	(2,394)	70	1,981	(2,215)	2,654	4,701	5,262	5,933
Total Reserves	**13,842**	**5,465**	**3,041**	**647**	**717**	**2,698**	**482**	**3,137**	**7,838**	**13,100**	**19,032**
% Deprec Funded	**2**	**15**	**49**	**110**	**167**	**197**	**231**	**251**	**265**	**280**	**299**
Debt owing	**67,510**	**65,015**	**62,402**	**59,661**	**56,783**	**53,759**	**50,573**	**48,199**	**45,636**	**42,869**	**39,865**
Debt Ratio	**50**	**49**	**45**	**41**	**37**	**35**	**33**	**28**	**27**	**26**	**25**

It can be seen that this scenario also 'works' and the main difference between the 10% and 8% increase is the forecast reserve balance. In this model reserves fall to below $1 million for a few years. This is a reasonably risky approach and leaves little margin for error given the size of the business.

The next scenario looks at a 12% increase in the 2014/15 year. This achieves similar results to the previous models although it places the business in a much stronger position in terms of the operating result and reserve balance.

Table Seven - 12% Increase for 2014/15

Description	13/14 $'000	14/15 $'000	15/16 $'000	16/17 $'000	17/18 $'000	18/19 $'000	19/20 $'000	20/21 $'000	21/22 $'000	22/23 $'000	23/24 $'000
Operating Revenues	14,319	15,049	16,250	17,803	19,766	20,900	22,164	23,053	23,881	24,852	25,903
Operating Expenses	17,371	17,329	17,390	16,966	17,103	17,281	17,437	17,601	17,830	18,056	18,263
Operating Result	(3,052)	(2,280)	(1,140)	837	2,663	3,619	4,727	5,452	6,051	6,796	7,640
Add Back Deprec	3,104	3,249	3,201	3,049	3,044	3,070	3,093	3,114	3,208	3,304	3,403
Cash Surplus	**52**	**969**	**2,061**	**3,886**	**5,707**	**6,688**	**7,819**	**8,566**	**9,259**	**10,100**	**11,043**
Capital Income	1,947	697	714	740	765	788	812	836	861	887	914
Loan Principal	(2,385)	(2,495)	(2,613)	(2,741)	(2,879)	(3,024)	(3,186)	(2,374)	(2,562)	(2,768)	(3,004)
Capital Expenditure	(11,224)	(7,054)	(2,093)	(3,745)	(2,911)	(1,830)	(6,982)	(3,623)	(2,104)	(2,121)	(2,139)
Net Reserve Movement	(11,610)	(7,882)	(1,931)	(1,861)	682	2,623	(1,537)	3,406	5,453	6,099	6,814
Total Reserves	**13,842**	**5,960**	**4,029**	**2,168**	**2,850**	**5,473**	**3,936**	**7,342**	**12,795**	**18,894**	**25,708**
% Deprec Funded	**2**	**30**	**64**	**127**	**187**	**218**	**253**	**275**	**289**	**306**	**324**
Debt owing	**67,510**	**65,015**	**62,402**	**59,661**	**56,783**	**53,759**	**50,573**	**48,199**	**45,636**	**42,869**	**39,865**
Debt Ratio	**50**	**48**	**44**	**40**	**36**	**34**	**32**	**27**	**26**	**25**	**24**

In all three models the first positive reserve movement occurs in 2017/18 and the loan is completely funded from the operating surplus in 2016/17. If Council wanted to speed up this process, higher increases would be required than those presented in this report.

Clearly there are options open to Council in terms of pricing structures. The balance is between trying to minimise the impact on residents whilst setting a financially responsible path for the business.

A 10% increase has been chosen as is the minimum increase that still maintains a reasonable reserve balance. It must also be remembered that the business is going through significant change and operating expenses are fluctuating. So there could be budget shocks from both operating and capital expenditure.

In many respects a higher increase would be preferred from a financial management perspective however it is acknowledged that a 10% increase will still be difficult to manage from a resident's perspective.

Council's adopted 2013/14 long term financial plan for wastewater had flagged an increase in the annual charges of 9% for 2014/15. Therefore the 10% represents an increase on that figure.

Council may well wish to revert back to the 9%, as it is based on our original forecast and is between the 10% and 8% modelled in tables five and six.

Ultimately the percentage increase is a matter for Councillors to determine based on considerations such as affordability to the community and the financial sustainability of the business.

Annual Charges

If Council were to adopt the 10% increase for inclusion in the draft 2014/15 Operational Plan, the primary annual charges would be as per the next table.

Table Eight - Draft Wastewater Charges

Charge Type	2013/14 ($)	2014/15 ($)	% Increase
Residential Annual Charge	734	807	10
Vacant Land	553	608	10
Annual Non Residential Access*	553	608	10
Annual Non residential Usage Charge	1.86	2.05	10

* Wastewater charges for non residential customers are based on four elements being the usage charge, access charge, water consumed and discharge factor. The element of the charge relating to access is based on meter size. The different access charges (not shown above for brevity) will all be increased by 10%.

The following table provides a comparison of our existing wastewater charge, as compared to our immediate neighbours.

Each charging structure has its own nuisances and it is not always easy to compare apples with apples, however the table provides an idea of the relative charging levels.

Table Nine – Comparison of Annual Charge 2013/14 Residential urban

Council	Ballina	Byron	Lismore	Richmond
Residential Charge	734	1,102	738	870

Ballina's charge compares favourably despite the hefty rises that have been occurring over many years.

Unfortunately the major concern is that the LTFP now assumes 10% increases for 2015/16, 2016/17 and 2017/18 and 5% for 2018/19 and 2019/20. This will then result in an annual charge of $1,190 in 2019/20. This may well be comparable to the Byron Shire charge, but it does raise the question of affordability for the community.

This being the case the recommendations for this report also support a Councillor briefing to review the entire wastewater financial plan and associated strategies to determine whether savings can be made and works deferred. That briefing can be held prior to the June 2014 Council meeting as Council well may be able to make savings to the 2014/15 estimates prior to formal adoption of the Draft Delivery Program and Operational Plan at the June 2014 Council meeting.

Finally Council has resolved to receive further information on the reverse osmosis expenditure included in the capital expenditure program. As further background to this the Ballina Wastewater Treatment Plant has been upgraded to supply high quality recycled water for urban dual reticulation and urban open space irrigation, as part of the Ballina-Lennox Head Recycled Water Master Plan (RWMP) target of reusing 80% of average dry weather flow by 2026.

High rates of saline groundwater infiltration and inflow into the sewage collection system in Ballina, has resulted in moderate salinity of the recycled water – to levels which will limit its use as garden water.

Early planning identified the possible need for end treatment to reduce salinity via a process such as reverse osmosis, however the preferred position was to firstly attempt to reduce infiltration through sewer rehabilitation and relining.

This was undertaken and whilst the volume of infiltration has been reduced this program has not been able to reduce salinity levels. Recent laboratory measurements indicate the recycled water has salinity in the range of 1,400 to 2,200 EC, higher than Council's target salinity of 1,000 EC.

The existing treatment processes in the treatment plant are not designed to reduce salinity, and therefore an alternative treatment process is required.

Options originally considered included, dilution with potable water and the implementation of an additional reverse osmosis process. Recent studies now confirm that a reverse osmosis treatment plant at the end of the existing recycled water treatment train is required.

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 variety of options available to Council in respect to both the estimated income and expenditure and the pricing structure for wastewater. The report has looked to draw out different assumptions and rationales in respect to the modelling and the operations of the business. The intent is to advise Councillors of different options that could be chosen and enable an informed decision.

The first recommendation is to endorse the draft budget and fees and charges for formal exhibition, with the second recommendation seeking a Councillor briefing to review the entire operations of the wastewater business prior to the adoption of the 2014/15 fees and charges at the June 2014 Ordinary Council meeting.

RECOMMENDATIONS

1. That Council endorses the inclusion of the draft wastewater long term financial plan, as attached to this report, and the following wastewater charging structure, in the draft 2014/15 Delivery Program and Operational Plan.

Charge Type	2013/14 $	2014/15 $	% Increase
Residential Annual Charge	734	807	10
Vacant Land	553	608	10
Annual Non Residential Access	553	608	10
Annual Non residential Usage Charge	1.86	2.05	10

That Council hold a Councillor briefing to review the Wastewater Long Term Financial Plan and associated strategies, prior to the adoption of the 2014/15 fees and charges at the June 2014 Ordinary Council meeting.

Attachment(s)

1. Long Term Financial Plan

Wastewater Operations - Long Term Financial Plan (2013/14 to 2023/24)

ESTIMATE 2013/14	ITEMS	ESTIMATED 2014/15	%	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	OPERATING RESULTS											
14,114,000	Operating Revenues	14,848,000	5	16,042,421	17,625,321	19,516,421	20,647,416	21,877,416	22,757,508	23,564,304	24,500,800	25,515,700
14,266,900	Less Operating Expenses	14,079,800	(1)	14,189,000	13,917,400	14,059,000	14,211,300	14,344,100	14,486,900	14,622,100	14,751,800	14,859,700
(152,900)	**Operating Result before Capital Amounts**	**768,200**	**(602)**	**1,853,421**	**3,707,921**	**5,457,421**	**6,436,116**	**7,533,316**	**8,270,608**	**8,942,204**	**9,749,000**	**10,656,000**
	Add Developer Contributions - Operating Revenues											
205,000	Section 64 Interest Earned on Contributions Held	36,000	(82)	43,100	0	45,600	32,000	50,300	44,500	51,200	71,100	91,600
52,100	**Operating Result before Depreciation**	**804,200**	**1,444**	**1,896,521**	**3,707,921**	**5,503,021**	**6,468,116**	**7,583,616**	**8,315,108**	**8,993,404**	**9,820,100**	**10,747,600**
3,104,000	Depreciation Expense	3,249,000	5	3,201,000	3,049,000	3,044,000	3,069,500	3,092,600	3,114,400	3,207,900	3,304,200	3,403,400
(3,051,900)	**Operating Result after Depreciation**	**(2,444,800)**	**(20)**	**(1,304,479)**	**658,921**	**2,459,021**	**3,398,616**	**4,491,016**	**5,200,708**	**5,785,504**	**6,515,900**	**7,344,200**
	Add Capital Grants and Contributions											
0	Capital Grants and Contributions	0	0	0	0	0	0	0	0	0	0	0
697,000	Section 64 Contributions Collected	697,000	0	714,000	739,500	765,000	788,000	811,700	836,100	861,200	887,100	913,800
	Add Non-operating Funds Employed											
559,700	Transfer from Section 64 Recoupments BBRC	0	(100)	0	0	0	0	0	0	0	0	0
690,000	Loan Funds Applied	0	(100)	0	0	0	0	0	0	0	0	0
	Subtract Funds Deployed for Non-operating Purposes											
(10,644,300)	Capital Expenditure	(7,033,800)	(34)	(2,065,600)	(3,718,000)	(2,884,100)	(1,802,600)	(6,955,300)	(3,595,500)	(2,077,000)	(2,094,000)	(2,112,000)
(559,700)	Contributions - Section 64 Recoupments BBRC	0	(100)	0	0	0	0	0	0	0	0	0
(2,384,800)	Repayment of Principal on Loans	(2,494,700)	5	(2,613,200)	(2,741,000)	(2,878,800)	(3,023,700)	(3,186,200)	(2,373,900)	(2,562,400)	(2,767,700)	(3,003,500)
(20,000)	Dividends Paid	(20,000)	0	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)	(27,000)
	Add Back Non-Cash Expense											
3,104,000	Depreciation	3,249,000	0	3,201,000	3,049,000	3,044,000	3,069,500	3,092,600	3,114,400	3,207,900	3,304,200	3,403,400
(11,610,000)	**Sewer Reserves - Increase / (Decrease)**	**(8,047,300)**	**(31)**	**(2,095,279)**	**(2,038,579)**	**478,121**	**2,402,816**	**(1,773,184)**	**3,154,808**	**5,188,204**	**5,818,500**	**6,518,900**
	Movement in Reserves - Increase / (Decrease)											
(11,207,300)	Wastewater Reserves	(7,630,000)		(2,204,629)	(1,435,079)	(332,479)	2,657,416	(2,071,084)	2,274,208	4,275,804	4,860,300	5,513,500
(402,700)	Developer Contributions - Section 64	(417,300)		109,350	(603,500)	810,600	(254,600)	297,900	880,600	912,400	958,200	1,005,400
(11,610,000)	**Total Movement in Reserves (incl Section 64)**	**(8,047,300)**		**(2,095,279)**	**(2,038,579)**	**478,121**	**2,402,816**	**(1,773,184)**	**3,154,808**	**5,188,204**	**5,818,500**	**6,518,900**
	Reserves - Balances as at 30 June											
11,507,100	Wastewater Reserves	3,877,100		1,672,471	237,392	(95,088)	2,562,328	491,244	2,765,452	7,041,255	11,901,555	17,415,055
2,335,000	Developer Contributions - Section 64	1,917,700		2,027,050	1,423,550	2,234,150	1,979,550	2,277,450	3,158,050	4,070,450	5,028,650	6,034,050
13,842,100	**Total**	**5,794,800**		**3,699,521**	**1,660,942**	**2,139,062**	**4,541,878**	**2,768,694**	**5,923,502**	**11,111,705**	**16,930,205**	**23,449,105**

WASTEWATER OPERATIONS

ACTUAL	ACTUAL	ESTIMATE	LEDGER	BUDGET ITEMS	ESTIMATED										
2011/12	2012/13	2013/14	ACCOUNT		2014/15	%	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
				OPERATING REVENUES											
9,763,000	10,570,000	11,616,000	12000	Annual Charges	12,847,000	11	14,083,811	15,623,211	17,328,611	18,337,306	19,404,106	20,138,704	20,901,004	21,692,000	22,512,800
839,000	970,000	1,029,000	12010	User Charges	1,122,000	9	1,232,410	1,353,810	1,487,310	1,624,310	1,774,710	1,844,004	1,916,100	1,991,000	2,068,800
150,000	150,000	150,000	12002	Operating Grants	150,000	0	150,000	152,000	154,000	156,000	158,000	160,000	162,000	164,000	166,000
65,000	76,000	72,000	12012	Regulatory Fees and Fines	80,500	12	82,900	85,400	88,000	90,700	93,500	96,400	99,300	102,300	105,400
347,000	316,000	527,000	12014	Other Revenues	316,500	(40)	326,100	335,900	345,900	356,500	367,400	378,600	390,200	402,100	414,400
1,275,000	1,703,000	925,000	12004	Interest	368,000	(60)	210,300	75,000	158,200	114,600	130,000	184,300	146,900	220,500	339,900
12,439,000	**13,787,000**	**14,319,000**		**Total Operating Revenues**	**14,884,000**	**4**	**16,085,521**	**17,625,321**	**19,562,021**	**20,679,416**	**21,927,716**	**22,802,008**	**23,615,504**	**24,571,900**	**25,607,300**
				OPERATING EXPENSES											
				Direct Expenses											
406,000	378,000	397,500	55000	Engineering Management	458,000	15	472,000	483,000	496,000	511,600	527,200	543,900	560,600	578,500	596,400
720,000	885,000	734,500	55002	Administration and Customer Service Costs	760,000	3	782,000	804,000	826,000	852,000	878,300	905,400	933,100	962,000	991,500
325,000	1,847,000	979,700	55002	Engineering and Technical Costs	671,000	(32)	678,000	271,000	278,000	286,300	284,800	293,600	302,600	311,900	321,400
888,000	1,193,000	1,347,500	55012	Energy Costs	1,387,000	3	1,428,700	1,471,600	1,515,600	1,561,400	1,608,600	1,657,400	1,707,500	1,759,100	1,812,300
1,221,000	1,201,000	1,372,000	55011	Pumping Stations	1,372,000	0	1,372,000	1,411,000	1,453,000	1,497,100	1,542,400	1,589,100	1,637,100	1,686,800	1,737,900
1,719,000	1,737,000	1,862,000	55015	Reuse Water Facilities	1,897,000	2	1,954,000	2,013,000	2,073,000	2,135,500	2,199,900	2,266,300	2,334,700	2,405,200	2,477,700
523,000	501,000	546,000	55010	Mains	562,000	3	579,000	596,000	614,000	632,500	651,500	671,100	691,300	712,100	733,500
42,000	59,000	62,000	55022	Telemetery Operations	64,000	3	66,000	68,000	70,000	72,100	74,300	76,600	78,900	81,300	83,800
22,000	21,000	24,000	55004	Donations	25,000	4	26,000	27,000	28,000	28,900	29,800	30,700	31,700	32,700	33,700
0	0	6,000	55004	Legal Costs	1,000	(83)	1,000	1,000	1,000	1,100	1,200	1,300	1,400	1,500	1,600
126,000	105,000	95,000	55004	Conservation Promotion	59,000	(38)	60,000	62,000	64,000	66,000	68,100	70,300	72,500	74,800	77,100
50,000	76,000	41,000	55004	Preparation of Plans and Investigations	52,000	27	53,000	54,300	55,700	57,500	59,400	61,300	63,300	65,300	67,300
247,000	277,000	304,000	55022	Other Costs	312,000	3	322,000	332,000	342,000	352,400	363,400	374,600	386,100	398,000	410,200
				Indirect Expenses - Overheads											
1,302,000	1,503,000	1,729,000	55002	Overheads Distributed	1,803,000	4	1,857,000	1,913,000	1,970,000	2,029,100	2,090,000	2,152,700	2,217,300	2,283,800	2,352,300
				Debt Servicing											
1,174,000	3,266,000	4,766,700	55006	Interest on Loans	4,656,800	(2)	4,536,300	4,410,500	4,272,700	4,127,800	3,965,200	3,792,600	3,604,000	3,398,800	3,163,000
				Non-cash Expenses											
474,000	436,000	394,000	55022	Unwinding Interest Free Loan	349,000	(11)	301,000	249,000	194,000	134,000	69,000	0	0	0	0
3,698,000	2,841,000	2,710,000	55022	Depreciation	2,900,000	7	2,900,000	2,800,000	2,850,000	2,935,500	3,023,600	3,114,400	3,207,900	3,304,200	3,403,400
12,937,000	**16,126,000**	**17,370,900**		**Total Operating Expenses**	**17,328,800**	**(0)**	**17,390,000**	**16,966,400**	**17,103,000**	**17,280,800**	**17,436,700**	**17,601,300**	**17,830,000**	**18,056,000**	**18,263,100**
(498,000)	**(2,339,000)**	**(3,051,900)**		***Operating Result - Surplus / (Deficit)***	**(2,444,800)**	**(20)**	**(1,304,479)**	**658,921**	**2,459,021**	**3,398,616**	**4,491,016**	**5,200,708**	**5,785,504**	**6,515,900**	**7,344,200**
4,172,000	3,277,000	3,104,000		*Add Back Depreciation*	3,249,000	5	3,201,000	3,049,000	3,044,000	3,069,500	3,092,600	3,114,400	3,207,900	3,304,200	3,403,400
3,674,000	**938,000**	**52,100**		***Cash Result - Surplus / (Deficit)***	**804,200**	**1,444**	**1,896,521**	**3,707,921**	**5,503,021**	**6,466,116**	**7,583,616**	**8,315,106**	**8,993,404**	**9,820,100**	**10,747,600**
				Capital Movements											
985,000	985,000	2,384,800		Less Loan Principal Repayments	2,494,700		2,813,200	2,741,000	2,878,800	3,023,700	3,186,200	2,373,900	2,562,400	2,767,700	3,003,500
19,382,000	239,000	205,000		Less Transfer to Reserves	36,000		43,100	0	45,800	2,689,416	50,300	2,316,708	4,327,004	4,931,400	5,605,100
0	6,860,000	11,767,000		Add Transfer from Reserves	7,630,000		2,613,629	1,435,079	332,479	0	2,071,084	0	0	0	0
45,569,000	18,800,000	1,435,000		Add Capital Income	1,150,300		238,750	1,343,000	0	1,074,600	564,100	0	0	0	0
28,751,000	25,324,000	10,644,300		Less Capital Expenditure	7,033,800		2,065,600	3,718,000	2,884,100	1,802,600	6,955,300	3,595,500	2,077,000	2,094,000	2,112,000
125,000	**50,000**	**20,000**		***Cash Result after Capital Movements***	**20,000**	**0**	**27,000**	**27,000**	**27,000**	**27,000**	**27,000**	**27,000**	**27,000**	**27,000**	**27,000**

WASTEWATER - CAPITAL EXPENDITURE

Asset Description	Expenditure Summary										
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Wastewater Strategy - Technical Consultancies											
Recycled Water Distn Systems - Design	57,000										
Recycled Water Distn Systems - Consultants	25,000										
Ballina Wastewater Treatment Plant											
Ballina Upgrade - Project Management	320,000										
Ballina - Other	333,000										
Ballina - Civil Const	600,000										
Ballina - Mech Const	350,000										
Ballina - Elect Const	11,000										
Ballina - Commissioning	750,000										
Ballina - Post Completion Works		230,000									
Lennox Head Wastewater Treatment Plant											
Detailed Design	1,500										
Capacity Upgrade - Other	17,000										
Capacity Upgrade - Elect Const	64,000										
Capacity Upgrade - Telemetery	3,500										
Capacity Upgrade - Commissioning	360,000										
Post Completion Works		97,000									
Alstonville WWTP											
Alstonville Biosolids Management					332,600						
Alstonville Maturation Pond		100,000									
Urban Dual Reticulation (UDR) Program											
UDR - Project Management	120,000										
Distribution Systems Ballina / Lennox							4,887,200				
Construct Dual Retic Res - Ross Lane								2,462,400			
Ballina Heights Booster Pump RWRBP2		222,800									
Ballina Heights Recycled WPZ Boundary Adj	140,000										
Recycled Water Implementation - Open Space											
Open Space Irrigation - Connection Audits	190,000										
OSR Reuse Ballina Heights Sportsfield			58,000								
OSR Reuse Saunders Oval	113,000										
OSR Reuse Williams Reserve Irrigation	20,000										
Alstonville Recycled Water Scheme		50,000	100,000	50,000							
Recycled Water Communication	20,000	145,000									
Wastewater - Capital Expenditure Carried Forward											

WASTEWATER - CAPITAL EXPENDITURE (continued)

Asset Description	Expenditure Summary										
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Pumping Stations											
SP3102 - Upgrade Pumps	20,700										
SP2101 - Pump Upgrade	80,000										
SP2105 - Pump Upgrade		16,100									
SP2108 - Storage Capacity Upgrade		117,100									
SP3001 - Pumps - Byron Street, Lennox	20,000	1,600,000									
SP3002 - Emerg Storage - Rutherford St	3,500	100,000									
SP2309 - Emerg Storage - Anderson St		103,500									
SP3101 - Emerg Storage - Skennars Hd Rd		50,000	125,000								
SP3101 - Upgrade Pumps - Skeannars Hd Rd		50,000	125,000								
SP4106 - Upgrade Pumps - Kays Lane	71,000										
SP2001 - Polyurea Lining Pump - Swift Street		50,000	100,000								
SP2301 - Upgrade Pumps - Angels Bch Drive		25,000	206,200								
SP2002 - Pump Capacity Upgrade		15,000									
SP2012 - Pump Capacity Upgrade		20,700									
SP2009 - Pump Capacity Upgrade	20,700										
SP2202 - Upgrade Pumps - Racecourse Road	15,000										
SP2205 - Upgrade Pumps - Piper Drive	15,000										
SP2206 - Upgrade Pumps - Dehavilland Cr	15,000										
SP2207 - Upgrade Pumps - Sthn Cross Dr	10,300										
SP2210 - Upgrade Pumps - Whiting Way	20,700										
SP4002 - Upgrade Pump Station - Coral St	15,500										
SP4004 - Emergency Storage - Graneda Pl		103,500									
SP4003 - Storage Capacity Upgrade		103,500									
SP4001 - Storage & Pump Upgrade	103,500										
North Ballina - New Pumping Station							300,000				
SP2306 - Emerg Storage - Serpentine, Ballina		103,500									
SP2309 - Upgrade Pumps - Anderson St			60,000								
SP2312 - Pump Capacity Upgrade		51,800									
SP2313 - Storage Capacity Upgrade		50,000	200,000								
SP2311 - Storage Capacity Upgrade		103,500									
SP2013 - Upgrade Pumps - Skinner St		20,700									
SP3102 - Storage Capacity Upgrade				107,100							
SP3103 - Storage Capacity Upgrade		107,100									
SP3110 - Upgrade Pumps					289,800						
SP3110 - Storage Capacity Upgrade					458,500						
SP2001 - Upgrade Pump Motors - Swift St			80,000								
SP4004 - Upgrade Pumps		15,500									
SP2006 - Pump Capicity Upgrade		15,500									
SP2109 - Pump Capicity Upgrade		16,100									
SP2112 - Pump Capicity Upgrade		27,400									
SP2305 - Storage Capacity Upgrade		250,000									
SP2317 - Pump Capicity Upgrade			32,400								
SP2401 - Pump Capicity Upgrade				62,300							
SP2401 - Storage Capacity Upgrade								362,600			
SP2402 - Pump Capicity Upgrade								210,500			
SP2402 - Storage Capacity Upgrade						200,000					
PMP-BHE-PS3 - SPS through to Ballina STP						758,600					
PMP-BHE-PS3 - Storage for New Pump Station						316,000					
	Wastewater - Capital Expenditure Carried Forward										

WASTEWATER - CAPITAL EXPENDITURE (continued)

Asset Description	Expenditure Summary										
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Trunk Mains											
SP2001 - Rising Main - Rehab - Swift Street	120,000	240,000									
New Rising Main North Ballina to Ballina	4,723,000										
SPN B2 Rising Main North Ballina							231,800				
Diversion of Ballina Heights to Ballina	260,000										
SP3110 - Parallel Gravity Main - Hutley Dr					391,200						
Rising Main - Skennars Ridge Sthn		16,000									
Contingency - Wollongbar	15,000										
SP4004 - Gravity Trunk Main Alstonville	13,600										
SP4006 - Gravity Trunk Main Alstonville		132,500									
WUEA Transfer Mains		80,000	300,000	1,343,000							
SP2301 Duplicate Gravity Main East Ballina		59,800		400,000	400,000						
SP2102 New Gravity Main West Ballina							412,500				
SP2101 Duplicate Gravity Main West Ballina				140,200							
Alstonville STW Gravity Main	50,000		200,000	961,000							
SP2402 New Sewer RM 300mm,				157,400							
New Sewer RM, 300mm, to BHE-PS3	907,800										
New Sewer RM, 300mm, to BHE-PS3							362,700				
Rising Main New Nth Creek SPS Skennars Hd							201,400				
SP3004 - New Rsing Main Lennox Hd							9,200				
SPS1 - New Rising Main Lennox Hd							6,500				
SP3001 - New Rising Main Lennox Hd					500,000						
SP3111 - New Rising Main Lennox Hd		28,200									
Wastewater Mains - Renewals											
Sewer Mains - Miscellaneous Renewals	100,000								1,500,000	1,500,000	1,500,000
Gravity Pipe Rehab	60,000										
Inflow and Infiltration Program - Renewals	100,000	412,000	424,000	437,000	450,000	464,000	478,000	492,000	507,000	522,000	538,000
Inflow and Infiltration Program - Project Mgmt		10,000									
Plant and Equipment											
Telemetry Installation	125,000										
Reverse Osmosis Plant	50,000	1,950,000									
Plant Replacement Sewer	184,000	145,000	55,000	60,000	62,000	64,000	66,000	68,000	70,000	72,000	74,000
Other Miscellaneous Works											
Backlog	30,000										
Total Capital Expenditure	10,644,300	7,033,800	2,065,600	3,718,000	2,884,100	1,802,600	6,955,300	3,595,500	2,077,000	2,094,000	2,112,000

4.7 Draft 2014/15 General Fund Budget - Other Considerations

Delivery Program	Governance and Finance
Objective	To report on matters that have not yet been considered in respect to the formulation of the draft 2014/15 General Fund budget.

Background

Since the preparation of the reports on the General Fund budget presented to the 4 and 18 March 2014 Finance Committee meetings other matters have arisen or been identified that relate to that draft budget.

This report provides an overview of those matters.

Key Issues

- Nature of matters
- Overall priorities
- Existing General Fund deficit of $380,000 with the replacement of staff vacancies deferred to reduce the deficit to $164,000

Information

Matters that Council has not considered in respect to the draft 2014/15 General Fund budget are as follows.

Richmond River County Council (RRCC)

Attached is a request for Council to provide a variety of funding for implementation of the Coastal Zone Management Plan (CZMP). A ten year financial plan forms part of that attachment, which highlights that matching Office of Environment and Heritage funding should be available if Council funds those works.

The on-going criticism that Council staff have with RRCC is that there appears to be ad hoc requests for funding from Council, rather than there being a holistic approach to the county council footprint, which is the main reason why Council is a member of RRCC in the first place.

When Council receives one-off requests such as this the natural reaction is to respond that we have no money in the budget to fund the request as there is no recurrent allocation for the works. There are also many other priorities for Council to fund and it is unclear as to what the benefits of this work would bring as against other priorities of Council.

RRCC should be taking the approach of steadily increasing the member council's contributions to allow additional works to be funded as required by the CZMP, which Council is a signatory to, as are Richmond Valley and Lismore. The following table highlights that the benefits that could be obtained by RRCC taking a more proactive approach to increasing the membership contributions.

Richmond River County Council – Ballina Contributions

Item	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**
General Contribution	175,000	183,000	187,500	193,000	198,800	204,800	211,000	217,400
Cont to Unions	31,000	33,000	34,000	35,000	36,200	37,200	38,000	39,600
Total	**206,000**	**216,000**	**221,500**	**228,000**	**235,000**	**242,000**	**249,000**	**257,000**
Percentage Change		5	3	3	3	3	3	3
Higher Percentage				10	10	10	10	10
Revised Contribution				244,000	268,000	295,000	324,000	358,000
Variance from Current				16,000	33,000	53,000	75,000	101,000
Cumulative Benefit					49,000	102,000	175,000	276,000

What this table highlights is that by RRCC aggressively increasing contributions (in this example by 10%) they are in a position within a relatively short time frame (five years) to be generating another additional $100,000 per annum from Ballina Shire Council for CCZM and other related works. This approach should be applied to the other member councils to ensure equity across the region which means the total pool of funds would be increased substantially.

As a Council it is far easier to adjust budgets over time by manageable amounts rather than being asked for big lumps of money when there is no recurrent funding stream of available. If the RRCC contribution was increasing by this amount the assumption would be that the RRCC delegates were supporting a program of works that benefited our shire and the entire region.

These thoughts have been conveyed to RRCC on a number of occasions and may well have resulted in this ten year plan being submitted to Council. The difficulty with the plan is that it immediately requires a contribution of $35,000 when no funding is available. Therefore Councillors need to determine whether they wish to support this request and thus require staff to seek funding options.

Chapel

In August 2013 Council resolved to receive a report on the concept of constructing a Chapel in a location with a water backdrop. The chapel would be used for ceremonies such as weddings and funerals.

There is already regular use of public open space in scenic locations where approval is granted to hold weddings and funerals. There is a concern that any structure of this nature will detract from the location in which it is situated. Funding for a Chapel has not been included in the 2014/15 budget and a Chapel is not on the immediate agenda for the Cemetery.

Reprint of Across Three Bridges

In September 2013 Council resolved to investigate the possibility of doing a reprint and E version of the historical book 'Across Three Bridges'. Staff have researched this matter and it is estimated that a reprint would conservatively cost in the order of $20,000. Also to provide saleable quality books the original photos would need to be sourced. This is because the photos in the book are pixelated and if these images were reproduced or scanned the quality would be less than what is in the original book. It may be expensive and potentially impossible to locate the original photos. The 2014/15 budget does not make provision for a reprint of the book.

Alstonville Pre-School

Council is still waiting for the quantity surveyor's report for the Alstonville Pre-school. Once that information is available a report will be submitted to Council to clarify the estimated cost of that project.

Legal / Resource / Financial Implications

The items raised have not been funded. If Council wishes to include one or more of these projects a funding source will need to be identified.

Consultation

Various members of staff have been consulted in respect to this report. The Draft 2014/15 Delivery Program and Operational Plan will be advertised for public comment and Council will consider the draft document in light of submissions received.

Options

Council may choose to include one or more of the projects raised in this report in the Draft 2014/15 Operational Plan or alternatively the report may be noted.

The recommendation is for noting as the matters raised are not funded and with the budget already in deficit a further extension of that deficit is not supported.

RECOMMENDATION

That Council notes the contents of this report in respect to other considerations for the General Fund budget.

Attachment(s)

1. Richmond River County Council - Request for funding
2. Richmond River County Council - 10 Year Financial Plan

RICHMOND RIVER COUNTY COUNCIL
Floodplain Services

SUBMISSION TO BALLINA SHIRE COUNCIL FOR FUNDING OF COASTAL ZONE MANAGEMENT PLAN IMPLEMENTATION

Richmond River County Council
PO Box 230, Lismore 2480 • Phone 6621 8314
email: floodplain@rrcc.nsw.gov.au • web: www.rrcc.nsw.gov.au

Priority Works - CZMP

Priority 6A & 7A Riparian Revegetation - Regeneration

Year 1

Empire Vale 2.8 km approx. cost $52,000 ($26,000 per year)
including 3,000 new plants (over 2 years)

Priority Works - CZMP

Priority 6A & 7A Riparian Revegetation - Regeneration

Year 2

Teven 500m approx. cost $10,500

Priority Works - CZMP

Priority 6A & 7A Riparian Revegetation - Regeneration

Year 3

Teven 1 km approx. cost $18,000 including 1,500 new plants

North Creek 1 km approx. cost $18,200 including 900 new plants

Priority Works - CZMP

Priority 8A Community Education

(Ongoing)
Field days, media campaign (traditional and web), videos, newsletters, brochures, apps, schools and universities engagement, estimated at $7,000 annually.

Priority 3A Eco Health Monitoring

Program monitors Richmond Catchment water quality at various sites, information utilised as report cards and State of the Environment reporting in individual LGA's supported by Richmond River County Council, Rous Water, Ballina Shire Council, Kyogle Shire Council, Lismore City Council and Richmond Valley Council.

Funding required every 3 years from 2017/18

Priority 11A Urban Run-off

Year 1

Feasibility study for incorporation of new flood gates on storm water outlets to reduce the effects of tidal inundation for Ballina Island initial work as an investigations report estimated $20,000.

Emigrant Creek rock fillets to reduce river bank erosion estimated $17,000.

Year 2

Feasibility study to determine the placement and effectiveness to reduce the incidence of blackwater events through construction of a deflector wall at Ballina Keys initial work as an investigations report estimated $30,000.

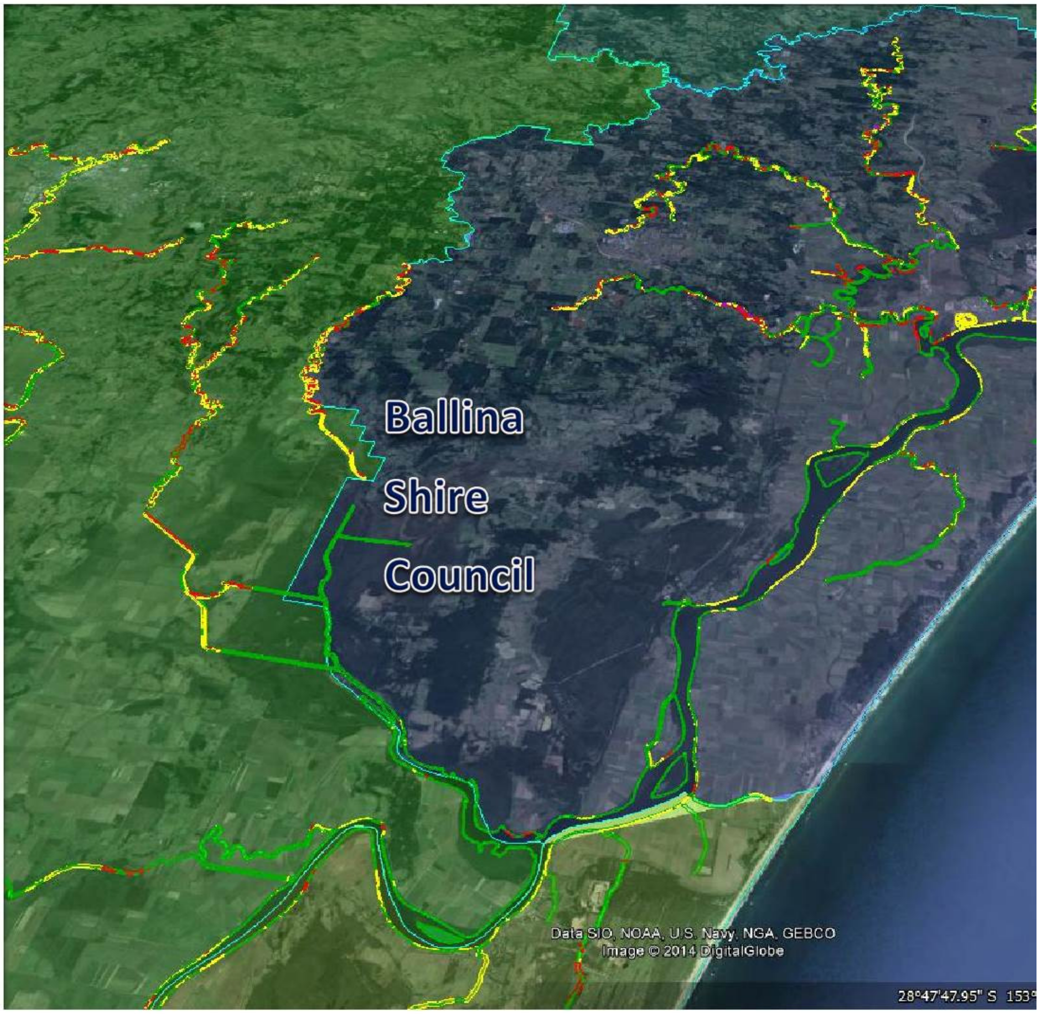
Year 3

Teven rock fillets to reduce river bank erosion estimated $17,000.

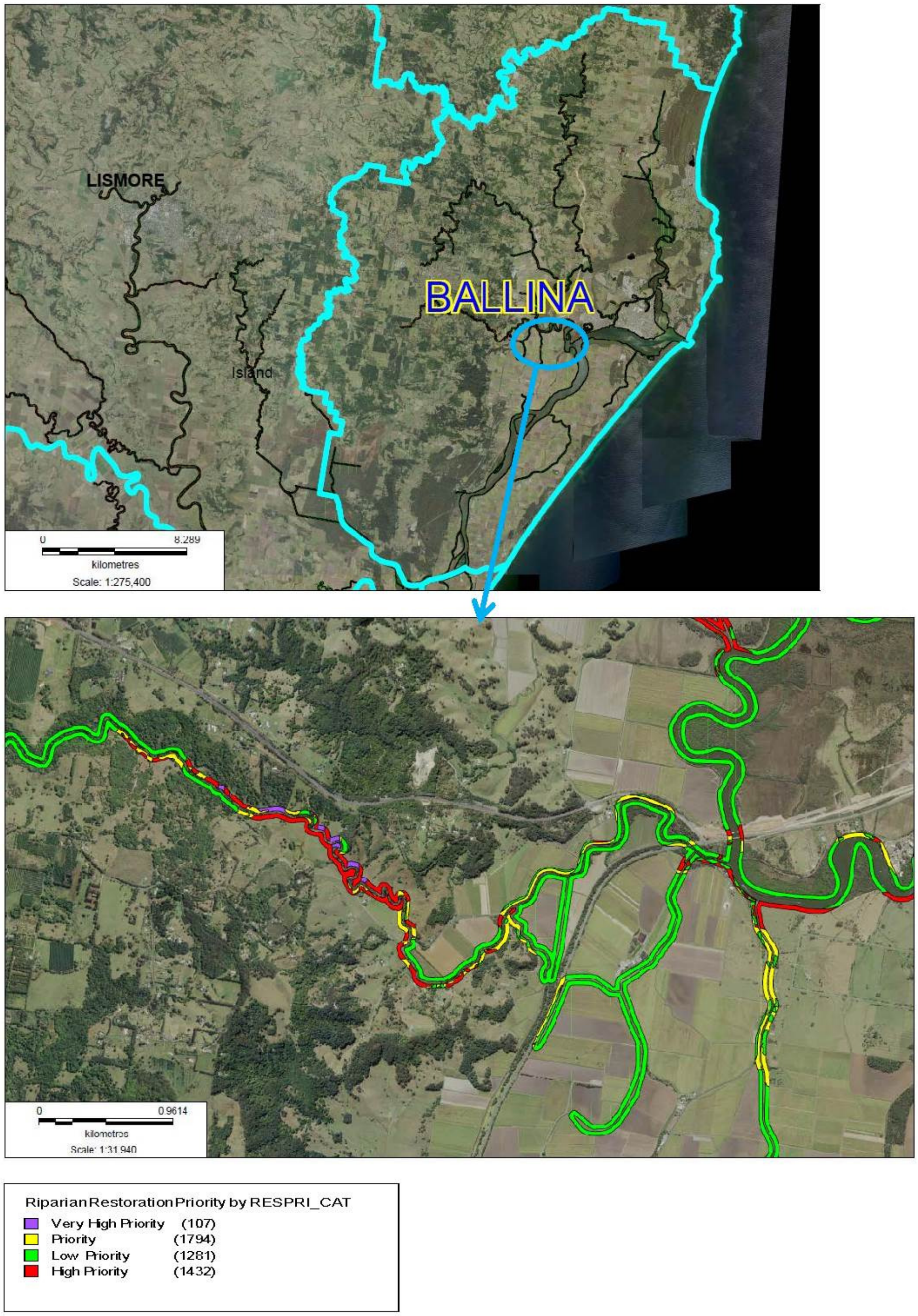
South Ballina rock fillets to reduce river bank erosion estimated $17,000.

    .

CZMP - PRIORITY LOCATIONS



MAPPING CAPABILITY EXAMPLE



Priority Works - Coastal Zone Management Plan for the Richmond River Estuary

Ballina Shire Council - CZMP Implementation Plan												
CZMP Reference	CZMP Strategy	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	TOTAL FUNDED AMOUNT
Priority 6A & 7A	Riparian Revegetation-Regeneration	Richmond River Riparian- - Empire Vale	Richmond River Riparian- - Empire Vale - Teven	Richmond River Riparian- - Teven - North Creek	Richmond River Riparian-	Richmond River Riparian-	Richmond River Riparian-	Richmond River Riparian-	Richmond River Riparian-	Richmond River Riparian-	Richmond River Riparian-	
Priority 8A	Community Education	Estuary wide community consultation and education program										
Priority 3A	Ecohealth Monitoring**				Ecohealth Monitoring of Richmond catchment			Ecohealth Monitoring of Richmond catchment			Ecohealth Monitoring of Richmond catchment	
Priority 11A	Urban Run-Off	Tidal Incursion / Floodgates feasibility study for Ballina Island Emigrant Creek rock fillets	Blackwater Deflector Wall feasibility study at Ballina Quays	Teven rock fillets South Ballina rock fillets								
	CZMP Funding Required	**$70,000**	**$73,500**	**$77,200**	**$91,000**	**$85,100**	**$89,300**	**$103,800**	**$98,500**	**$103,400**	**$118,600**	**$910,400**

Funding Sources												
	Ballina Shire Council	35,000	36,750	38,600	45,500	42,550	44,650	51,900	49,250	51,700	59,300	**$455,200**
	Office of Environment & Heritage	35,000	36,750	38,600	45,500	42,550	44,650	51,900	49,250	51,700	59,300	**$455,200**
	Total Sources (excluding GST)	**70,000**	**73,500**	**77,200**	**91,000**	**85,100**	**89,300**	**103,800**	**98,500**	**103,400**	**118,600**	**$910,400**

** Program committed to three year cycle

EcoHealth **Monitoring Sites**	North Creek	NC 1	Hill St Bridge
		NC 2	Angel Beach Drive
		NC 3	Oyster Lease
		CHC 1	Chickiba Creek @ Angels Beach Drive
		NC 4	Airport, Output From Ballina NR
		NC 5	Ross Lane, u/s Drain Plus Input to Ballina NR
	Emigrant/Maguires	EC 1	Emigrant Ck, End Of System
		EC 2	Tintenbar Rd near Tintenbar
		EC 3	Friday Hut Rd
		MC 1	Tintenbar Rd near Teven
		MC 2	Rifle Range Rd

4.8 Special Rate Variation - Options

Delivery Program	Governance and Finance
Objective	To respond to a Council resolution seeking information on a proposal for a special rate variation to fund improvements to the Ballina and Alstonville swimming pools.

Background

At the Finance Committee meeting held 18 March 2014, Council resolved as follows:

That Council support a redevelopment of the Ballina and Alstonville pools as soon as practicable seeking Federal and State Government Grants, along with receiving a report on the use of special rate variations to assist in funding this work.

This resolution was the result of a report that identified the likely costs of upgrading the Ballina and Alstonville Pools could be in the vicinity of $4m per pool.

The report that follows focuses on the special rate component of the March 2014 resolution, as there are no known specific grant programs available that could assist with funding the pool upgrades.

As currently occurs, Council applies for grant opportunities as they arise and if grant funds are obtained they can then free up existing Council funds for other projects or increase the scope of the existing project.

Key Issues

- Requirements for a special rate variation

Information

The process for obtaining special rate variations is managed by the Independent Pricing and Regulatory Tribunal (IPART) based on guidelines produced by the Office of Local Government (OLG).

The OLG guidelines and process details are located on the IPART website (www.ipart.nsw.gov.au). The actual link to the relevant section of the website is as follows:

http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Application_Forms_Guidelines

The various documents in this section are extensive so they have not been included as attachments to this report, with the one attachment being the IPART factsheet that outlines IPART's role in the process.

Some of the key points from the IPART website and factsheet are as follows:

a) There are two special variation options under the Local Government Act:

- a single year increase under section 508(2), or
- a multi-year increase (of between 2 and 7 years) under section 508A.

b) Councils had until COB Friday **13 December 2013** to notify of IPART of any proposed increases for 2014/15. A similar timeframe can be expected for 2015/16.

c) Council's Delivery Program and Long Term Financial Plan must show both the baseline scenario (without the special variation) and the special variation scenario.

d) There must be evidence that the community is aware of the proposal and the community must demonstrate an appropriate level of community engagement

All of these requirements are achievable and Council has followed similar processes in the past. The key question then is to determine what increase Council wishes to pursue.

The Works Program

The report to the 18 March 2014 Finance Committee reproduced information from a December 2011 Facilities Committee meeting that highlighted a preferred program of works for the swimming pools as follows.

Table One – Preferred Works Program

Location	Description	Ballina	A'ville
50 metre pool	Access ramp and steps	85,000	85,000
50 metre pool	New water reticulation piping	42,000	42,000
50 metre pool	Additional lane	150,000	150,000
50 metre pool	Pool heating	195,000	195,000
50 metre pool	Remove and reinstate concourse	115,500	124,000
50 metre pool	Remove coping and relining	940,000	940,000
50 metre pool	Covered spectator tiered seating	120,000	120,000
Site	Storm water drainage to concourse	23,000	23,000
Site	Replacement boundary fence	95,000	30,000
Plant room	Backwash water disposal to sewer	0	45,000
Plant room	Plant room – full upgrade	500,000	500,000
Existing toddlers pool area	Children's wet play area	240,000	240,000
Existing training pool area	Expand to a multi use pool 16x16m	0	400,000
Existing training pool area	Expand to a 25 metre training pool	450,000	0
New extended pool	Pool heating – heat pump	96,000	85,000
New extended pool	Balance tank and new reticulation	55,000	50,000
New extended pool	Pool plant	275,000	250,000
New extended pool	Remove and reinstate concourse	33,000	33,000
New extended pool	Remove coping and relining	224,000	175,000
Various	BBQ / Picnic Facilities / Piping	30,000	30,000
Total		**3,668,500**	**3,517,000**

Assuming a 10% increase in costs since 2011, results in revised budgets of approximately $4m per pool.

There is still a lot of work needed before Council confirms the exact scope of works and an amount of $200,000 has been included in the draft budget for 2014/15 to allow Council to engage a specialist firm to begin the design process for the works program for Ballina.

This funding was originally included in the 2013/14 budget, however it was deferred as predicted land sales did not eventuate.

The expenditure in 2014/15 is not quite as dependent on land sales, albeit that Council still needs to manage its cash flows, as the funds available in the property sales are being depleted due to sluggish land sales.

In looking at special rate variations for swimming pool improvements, the magnitude of the funds needed, means that the only way this work could be managed is for Council to use loan funds and then offset the extra principal and loan repayments through the additional rate revenue generated. This ensures there is no deterioration in Council's recurrent budget.

The rating structure report to the 4 March 2014 Finance Committee provided the following rate income forecast for 2014/15 based on a rate pegging limit of 2.3%, as previously announced by IPART.

Table Two - Proposed 2014/15 Income per Category (Cat) at 2.3%

	2013/14				2014/15			
Rate Category	**5.9% increase**	**Cat.% from base**	**Cat % of yield**	**Ave Rate**	**2.3% increase**	**Cat % from base**	**Cat % of yield**	**Ave Rate**
Residential	12,722,924	49.84	72.19	841	13,124,373	49.83	72.34	861
Business	3,525,028	14.76	20.00	2,793	3,628,551	14.67	20.00	2,815
Farmland	1,377,220	32.63	7.81	1,287	1,389,886	32.53	7.66	1,320
Mining	0	0	0.00	0.00	0.00	0.00	0.00	0.00
Total	**17,625,172**	**N/A**	**100.0**	**1,010**	**18,142,810**	**N/A**	**100.00**	**1,031**

The repayments on a loan of $4 million, based on a term of 15 years, at an interest rate of 7.5% equates to annual interest and principal repayments of approximately $453,000.

Assuming that the rate pegging limit for 2015/16 is 3.0%, the revised total rate yield for that year is approximately $18.68m. In order to then finance loan repayments of $453,000 Council would need an additional rate increase of approximately 2.5%. This results in a total rate increase for that year of 5.5% (i.e. 3.0% rate pegging plus 2.5% special variation).

A similar increase would be needed for the following year for the Alstonville works, assuming Council wishes to complete both projects in a two year period. Another option could be to have a one year break and undertake the Alstonville works a further year out.

There are actually a wide range of options when loan funds are used as a loan can be taken out halfway through the year, which means only 50% of the loan repayments are required in year one and 100% in year two.

The following tables highlight some of the options available.

Table Three – Works completed in 2015/16 and 2016/17

Description	15/16 ($'000)	16/17 ($'000)	17/18 ($'000)	18/19 ($'000)
Starting Rate Yield	18,142	19,140	20,192	20,798
Rate Pegging Increase	3.00%	3.00%	3.00%	3.00%
Base Yield	**18,686**	**19,714**	**20,798**	**21,422**
Special Variation	2.50%	2.50%	0.00%	0.00%
Additional Revenue	454	478	0	0
Revised Yield	**19,140**	**20,192**	**20,798**	**21,422**
Loan Funds Borrowed	4,000	4,100	0	0
Annual P and I Repayment	453	464	0	0
Cumulative Repayment PA	453	917	917	917

Table Four – Works completed in 2015/16 and 2017/18

Description	15/16 ($'000)	16/17 ($'000)	17/18 ($'000)	18/19 ($'000)
Starting Rate Yield	18,142	19,140	19,714	20,798
Rate Pegging Increase	3.00%	3.00%	3.00%	3.00%
Base Yield	**18,686**	**19,714**	**20,305**	**21,422**
Special Variation	2.50%	0.00%	2.50%	0.00%
Additional Revenue	454	0	493	0
Revised Yield	**19,140**	**19,714**	**20,798**	**21,422**
Loan Funds Borrowed	4,000	0	4,250	0
Annual P and I Repayment	453	0	481	0
Cumulative Repayment PA	453	453	934	934

Table Five – 50% of works completed each year

Description	15/16 ($'000)	16/17 ($'000)	17/18 ($'000)	18/19 ($'000)
Starting Rate Yield	18,142	18,913	19,717	20,555
Rate Pegging Increase	3.00%	3.00%	3.00%	3.00%
Base Yield	**18,686**	**19,480**	**20,308**	**21,171**
Special Variation	1.25%	1.25%	1.25%	1.25%
Additional Revenue	227	236	246	257
Revised Yield	**18,913**	**19,717**	**20,555**	**21,428**
Loan Funds Borrowed	4,000	0	4,250	0
Annual P and I Repayment	226	227	240	241
Cumulative Repayment PA	226	453	693	934

In Table Five the loan funds are borrowed half way through the year the works are taking place, based on the assumption that the works will be spread over two financial years. This results in the initial year only having 50% of the annual loan repayment.

There is little difference in the ultimate rate yield by Council under the various options.

One benefit of a rate variation funding a loan repayment is that the rate variation continues to compound and grow, whereas the loan repayment is a fixed amount. This then steadily frees up some funds for other Council projects.

Another option for Council is that the special rate variation can be for a fixed period (i.e. say 15 years to match the term of the loan) with that variation then ceasing once the loan repayments are finalised.

This is not a preferred option as there will always be additional projects to finance when the loan repayments cease. It will then be a matter for the Council of the day to determine how best to use those additional funds.

Another key consideration is the assumed rate pegging increase that would be built into Council's special variation. In applying for a variation over a defined number of years Council must determine the overall increase it is applying for each year, as the rate pegging limit will not apply during the period of the approved variation.

The advice from IPART is that they work on a forecast of 3% and Council should follow a similar approach.

Another key consideration is Council's overall debt ratios. If Council is committed to upgrading both swimming pools in a relatively short time frame we are talking about additional borrowings of $8m, if not more.

Our current debt ratios, on a consolidated basis and for the General Fund only are forecast as follows:

Table Six – Forecast Debt Ratios – Current Long Term Financial Plan

Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Consolidated	8.4%	12.8%	15.1%	15.0%	14.0%	12.1%	11.8%
General Fund	6.7%	10.4%	10.6%	11.1%	10.3%	7.7%	7.9%

Council's Financial Planning Policy has a recommended debt ratio of less than 12%. The consolidated result is currently above that benchmark largely due to the significant borrowings undertaken by the wastewater program for the Ballina and Lennox Head Treatment Plant upgrades.

Once the $8m in loan borrowings is included in Council's Long Term Financial Plan the revised forecast debt ratios are as follows:

Table Seven – Forecast Debt Ratios – Revised Long Term Financial Plan

Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Consolidated	8.4%	12.8%	15.1%	15.1%	14.3%	12.3%	12.1%
General Fund	6.7%	10.4%	10.6%	11.9%	12.0%	9.4%	9.5%

It is interesting to note that from a General Fund perspective Council's debt ratio does not go over the 12% benchmark and the primary reason for this is that the additional rate revenue generated significantly offsets the additional loan repayments.

The final issue is affordability. The second attachment to this report is the OLG's latest comparative information report, which includes rating information. As per page two of that information Ballina Shire Council is well below comparable councils on an average rate basis.

However that report is for 2011/12 and since that year Council has had the benefits of 5.7% and 6.1% rate increases for 2012/13 and 2013/14, therefore the gap may have narrowed, although this depends on what variations other councils received during that period. The actual rate pegging increases for 2012/13 and 2013/14 were 3.6% and 3.4%.

At a regional level Council rating staff have provided the following residential rate comparisons for the current financial year (i.e. 2013/14).

- Ballina - $841
- Byron - $1,055
- Coffs Harbour - $930
- Lismore - $1,106
- Richmond Valley - $708
- Tweed - $1,210

If for example, Council applied for a 2.5% variation for two years, on top of the rate pegging limit, our average residential rate would still be well below every council listed, excluding Richmond Valley. Richmond Valley has proposed a special variation of 10% above the rate cap in 2014/15 and 3% above the cap for the following three years.

However Council also needs to be mindful of all our other fees and charges with areas such as domestic waste, water and wastewater all looking at increases above CPI as per the reports elsewhere in this agenda.

Legal / Resource / Financial Implications

From an overall budget perspective the benefits of special variations should not be understated. During the past ten years Council has received approval for a significant number of variations, which has resulted in a range of expanded services to the community. Those additional services include:

- Extended lifesaving services
- Creation of the Council Compliance Program and associated staff
- Additional Strategic and Planning staff
- Creation of recurrent funding for the operation of the Lennox Head Cultural and Community Centre
- Recurrent funding for playground equipment improvements – previously no funding existed
- Recurrent funding for sports field improvements – previously no funding existed
- Asset Management Program for community buildings and other infrastructure – previously no funding existed
- Substantial increase in the roads reconstruction budget
- Substantial increase in the footpaths and cycleways reconstruction budget

Without these increases Council may well have been rated as financially unsustainable as were many other councils, as part of the 2012 NSW Treasury Corporation review. Similarly there would be many millions of infrastructure not delivered to the community.

From an overall budget perspective Council now has recurrent funding programs in place for almost every key infrastructure category.

The one area where there is still considered to be a deficiency is in relation to what could be termed miscellaneous community infrastructure. This relates to projects such as the Missingham Car Park Upgrade, Bicentennial Park Upgrade, Town Entrance Improvement Program, Newrybar Traffic Plan, etc.

Typically Council has used the cemetery or quarry reserves to fund works of this nature, or alternatively they have not been funded. Ideally Council should have a recurrent budget of around $300,000 to finance this type of work on an annual basis.

Council's original special rate variation for the four year period from 2010/11 to 2013/14 included a proposal to generate over $400,000 for the asset management program for community buildings and other infrastructure, however based on community feedback at that time the Council reduced the amount of the variation to make it more affordable.

This now means that the recurrent funding for this program is currently $200,000, whereas ideally an amount of around $500,000 would better reflect the infrastructure demands.

If Council is interested in pursuing a special variation for swimming pools it may wish to consider including 2% or 3% for additional recurrent community infrastructure funding.

Consultation

If Council resolves to proceed with a variation application extensive community consultation will be undertaken during the period from July to December 2014. This would be a distinct consultation process with publications such as Community Connect used to encourage community feedback.

Options

There are numerous options that Council may wish to pursue. The key factors in determining the options are the rate pegging base figure to include in the application, the timing of the works and the special variation required.

In respect to the rate pegging base figure discussions as mentioned earlier IPART assumes a forward estimate of 3%. Council should follow a similar approach.

In respect to the timing of the works the main options are complete Ballina in 2015/16 and Alstonville in 2016/17 or possibly defer Alstonville until 2017/18.

There are concerns that Council is committing to too large a program by undertaking both projects in consecutive years, although if Council has had its rate increase approved, the funding for the repayment of the loans is secured. This would then allow Council to let a contract for both projects as part of the one contract, which could generate significant cost savings.

Council's long term financial plan is not triggering any alarms that the completion of both projects within two years will over commit the General Fund budget and on that basis it appears that the projects could be undertaken within the two years.

The final matter is the amount of the rate pegging variation. Based on the contents of this report the preferred approach would be for a two year increase based on 5.5% each year. This would then allow the works to be loan funded with the repayments offset by the additional rate income.

The actual magnitude of the works program may change as Council further researches the project but as that information will not be known until much later in the process Council will need to assume that the $4m estimates are satisfactory the time being.

In conclusion as Council has not determined whether it wishes to pursue a special variation at this point in time, the recommendation that follows is to note the contents of this report.

If Council does wish to pursue a future rate variation the alternative recommendation would be as follows:

1. That Council provides in principle support for a proposal to seek a special rate variation to finance the refurbishment and redevelopment of the Ballina and Alstonville swimming pools.

2. That based on Council's current information the special variation would need to be a 5.5% increase in the rate pegging limit for 2015/16 and 2016/17, assuming a base rate pegging increase of 3% (i.e. 2.5% special variations).

3. That Council include points one and two in the draft 2014/15 Delivery Program, Operational Plan and Long Term Financial Plan for exhibition purposes.

4. That Council receive a further report on how these actions are to be implemented following the completion of the exhibition period for the draft 2014/15 Delivery Program and Operational Plan.

RECOMMENDATION

That Council notes the contents of this report in respect to special rate variation options for the funding of the refurbishment and redevelopment of the Ballina and Alstonville swimming pools.

Attachment(s)

1. IPART Fact Sheet - Our role in Local Government rate-setting - special variations
2. Office of Local Government Comparative Information - Ballina

Independent Pricing and Regulatory Tribunal

FACT SHEET

Our role in local government rate-setting - special variations

March 2014

Purpose

This fact sheet provides guidance to NSW councils that are considering applying for a special variation in 2014/15.

It discusses the information that councils need to provide to IPART to demonstrate that they meet the assessment criteria set by the Division of Local Government, Department of Premier and Cabinet.

Who is IPART?

IPART is the State's main independent regulator. We set prices and/or license certain water, electricity, gas and transport businesses; we administer the Energy Savings Schemes; and we also have a role in setting local council rates. We are also an economic and policy think tank for the Government, similar to the Productivity Commission at the Commonwealth level.

We have a Tribunal and a Secretariat.

The Tribunal is the decision-making body. It comprises up to 3 members. Currently it has 2 members:

Dr Peter J. Boxall AO	Chairman
Dr Paul Paterson	Part Time Tribunal Member

The Secretariat includes the staff of IPART. The Secretariat undertakes analysis for the Tribunal and provides administrative support to the Tribunal.

What is our role in local government rate setting?

In 2010, the Government delegated to IPART the function of regulating council rate increases. This includes:

- determining the rate peg (the maximum allowable increase in Local Government general income for most councils)
- establishing a Local Government Cost Index to be used in setting the rate peg
- reviewing applications from councils for special rate variations and determining special rate variations
- reviewing applications from councils for minimum rates above the statutory limit and determining minimum rate increases.

As the Minister for Local Government delegated these functions to us, we are the decision-making body and we do not need the approval of any other body to make our determinations.

What is rate pegging?

Since 1977, council rate revenue and certain other council revenues have been regulated in NSW under an arrangement known as 'rate pegging'.

Rate pegging allows all councils to increase their total rate revenue in line with the annual change in the rate peg. The rate peg is a percentage amount that is set each year. Previously, the Minister for Local Government set the rate peg. Since 2011/12, it has been set by us, mainly based on an index of typical council costs. The rate peg percentage for 2014/15 is 2.3%. We will announce the rate peg for 2015/16 in early December 2014.

The rate pegging system also provides flexibility for individual council circumstances by allowing councils to apply to IPART for a special variation. Special variations allow councils to seek to increase their rates by more than the rate peg, after engaging with their communities as part of their Integrated Planning and Reporting.

How can individual rates go up by more than the rate peg?

The rate peg applies to the council's total general income, not the rates that individual ratepayers pay. General income mainly comprises rates revenue, but also includes certain annual user charges.

Councils have the discretion to set rate levels for different categories of ratepayers eg, residential and business categories. Therefore, rates that individual households or businesses pay will not necessarily increase in line with the rate peg.

In addition, changes in land valuations may impact on the rates actually payable by individual households or businesses but they do not add to a council's general income.

What is a special rate variation?

The *Local Government Act 1993* allows councils to apply for a special rate variation. A special rate variation allows councils to increase general income by more than the rate peg.

Councils may apply for a special rate variation for a range of reasons such as:

- improving the financial position of the council, particularly where there may be financial sustainability issues
- funding the development and/or maintenance of essential community infrastructure or to reduce backlogs in asset maintenance and renewal
- funding new or enhanced services to meet growing demand in the community
- funding projects of regional significance, and
- covering special or unique cost pressures that the council faces.

The 2 types of special rate variations that a council may apply for under the Act are:

- an increase in a single year (under section 508(2))
- increases over 2 to 7 years (under section 508A). These will be cumulative; for example, the cumulative increase of 5% per annum for 4 years is 21.6%.

How will we assess applications for special rate variations?

Councils are to submit their applications for special variations to us by 24 February 2014. A list of the councils that apply and the details of their applications will be published on our website.

We will assess each application in accordance with the *Guidelines for the preparation of an application for a special variation to general income for 2014/15* (the Guidelines) issued by the Division of Local Government (DLG), Department of Premier and Cabinet on 30 September 2013. The Guidelines are updated each year. They are available on both the DLG's and our websites.

Once we have completed our assessment, we decide whether to approve, approve in part or reject the special rate variation. We expect to announce our decisions in mid-June 2014. We will publish a Determination which outlines the reasons for our decisions.

We notify councils by letter regarding the outcome of their application. We also publish the reasons for our decision, and any conditions attaching to it, in a report, which we post on our website.

What are the criteria that we use to assess applications?

The criteria that we will use to assess special variations from 2014/15 are set out in the special variation Guidelines and are reproduced below (Box 1).

Box 1 Assessment criteria for applications for 2014/15

1. The need for and purpose of a different revenue path (as requested through the special variation) is clearly articulated and identified through the council's Integrated Planning and Reporting (IP&R) documents, including its Delivery Program and Long Term Financial Plan. Evidence for this criterion could include evidence of community need/desire for service levels/project and limited council resourcing alternatives and the council's financial sustainability conducted by the NSW Treasury Corporation. In demonstrating this need councils must indicate the financial impact in their Long Term Financial Plan applying the following two scenarios:
   a) Baseline scenario – revenue and expenditure forecasts which reflect the business as usual model, and exclude the special variation, and
   b) Special variation scenario – the result of approving the special variation in full is shown and reflected in the revenue forecast with the additional expenditure levels intended to be funded by the special variation.
2. Evidence that the community is aware of the need for and extent of a rate rise. This must be clearly spelt out in IP&R documentation and the council must demonstrate an appropriate variety of engagement methods to ensure opportunity for community awareness/input. The IP&R documentation should canvas alternatives to a rate rise, the impact of any rises upon the community and the council's consideration of the community's capacity and willingness to pay rates. The relevant IP&R documents must be approved and adopted by the council before the council seeks IPART's approval for a special variation to its general income.
3. The impact on affected ratepayers must be reasonable, having regard to both the current rate levels, existing ratepayer base and the proposed purpose of the variation. Council's IP&R process should also establish that the proposed rate increases are affordable having regard to the local community's capacity to pay.
4. The proposed Delivery Program and Long Term Financial Plan must show evidence of realistic assumptions.
5. An explanation of the productivity improvements and cost containment strategies the council has realised in past years, and plans to realise over the proposed special variation period.
6. IPART will assess each application based on its merits against criteria 1 to 5 above. In doing so, IPART will consider:
   – size and resources of the council
   – size (both actual $ and %) of increase requested
   – current rate levels and previous rate rises
   – purpose of the special variation; and
   – any other matter considered relevant in assessing a special variation application.

The Guidelines for 2014/15 have changed from the previous year in 3 main respects:

- Councils must submit both a special variation scenario and a 'business as usual' scenario in their Long Term Financial Plans.

- Councils must have adopted their relevant Integrated Planning and Reporting (IP&R) documents before submitting an application for a special variation.
- Where a council is not able to incorporate its special variation into its IP&R documents, it may apply for an exemption from this requirement. However, this would only occur in exceptional circumstances.

Special Variations and Integrated Planning and Reporting

The NSW Government introduced the IP&R framework to improve councils' long term planning; integrate community, financial and asset planning; and to improve council accountability. All councils have now implemented the IP&R framework. This means that they have:

- Identified and planned for funding priorities, asset management and service levels following engagement with their communities. One way these priorities might be paid for would be through a special variation in rates.
- Developed a set of plans in consultation with their communities, including a Community Strategic Plan, a Long Term Financial Plan (both for at least a minimum of 10 years), and a 4-year Delivery Program and 1-year Operational Plan with accompanying budgets. Any proposed special variation would be reflected in the Delivery Program and Long Term Financial Plan.
- Established a series of reporting processes.

Following council elections, each council is to review their IP&R documents.

Further information on the IP&R Framework may be found in DLG's *Integrated Planning and Reporting Guidelines for local government in NSW* and *Integrated Planning and Reporting Manual*. Both are available on the DLG website.

What information do councils provide to us?

Councils provide evidence that shows that they have met the criteria of assessment in the special variation Guidelines. If a council has effectively developed its IP&R documents in consultation with its community, it should be in a position to demonstrate to us that it has extensively engaged with its community about:

- its financial position and projections
- the community's service delivery and expenditure priorities
- the community's capacity and willingness to pay higher rates.

A council's IP&R documents, particularly the Delivery Program, Long Term Financial Plan, Asset Management Plans and Community Engagement Strategy, should provide sufficient information to meet most of the criteria for assessing an application.

We have developed specific application forms (in 2 parts: Part A and Part B) to indicate the type of information that should accompany the applications. The forms are posted on our website. They also outline other information that we require for assessing an application. Among other things, this includes information on:

- the rating structure
- the impact on rates of the special variation
- the council's track record on productivity improvements and cost containment strategies, and its plans for future gains in these areas.

The amount of information that councils are to provide under each criterion is a matter for the council to decide. The information provided should be sufficient to assist us in assessing the application against each criterion. In general, the information provided should be proportional to the size or complexity of the special variation being requested. For example, a proposed rate increase that is relatively small would need less supporting evidence than large ones.

Criterion 1: Need for the variation

The council must demonstrate that the additional rate revenue is needed. The demonstration is to be based on the council's IP&R documents, where relevant.

The criterion requires councils to provide evidence that includes:

- the community's need and/or desire for higher levels of service or particular projects to be delivered by the council
- that the council has examined alternatives to a rate rise
- that the council has considered its current and projected financial sustainability.

Criterion 2: Community awareness and engagement

The council must provide evidence from its IP&R documents that its community is aware of the need for, and extent of, a rate rise through an appropriate variety of engagement methods and that the engagement has provided it with community feedback on the relevant issues.

The IP&R documents should also show that the council has engaged on:

- alternatives to a rate rise
- how the special variation is expected to affect rates
- a consideration of the community's capacity and willingness to pay.

Criterion 3: Impact on ratepayers

We are required to assess whether the impact of the special variation on ratepayers is reasonable. We therefore ask councils to show us why they consider the impact on ratepayers to be reasonable.

We also consider the size of the rate increase, current rate levels, the existing ratepayer base and the proposed purpose of the variation. In addition we consider whether the proposed rate increases are affordable.

In making our assessment, we will consider trends in a range of socioeconomic indicators, both within an LGA over time and with other relevant council areas.

Criterion 4: Delivery Program and Long Term Financial Plan assumptions

The assumptions underpinning the Delivery Plan and LTFP must be realistic if those plans are to be the strategic and financial justification for the application.

We will assess all the assumptions that underpin the projections, including the proposed scope and level of service delivery and the council's estimate of growth in population and assessments in the LGA.

Criterion 5: Productivity improvements and cost containment strategies

We will examine the evidence of productivity improvements and cost savings made, and to be made, by the council. The range of improvements may include re-prioritising various services and the levels of service provision, re-organising/reducing labour and capital inputs, and reviewing organisational structures or services to be delivered.

We will also consider trends in various productivity indicators across time for the council and compare them to other relevant councils.

Can residents and ratepayers make submissions directly to us?

The primary avenue for community consultation is through each council's planning processes. The Guidelines require each council to engage with its community on its expenditure and revenue plans as part of its Integrated Planning and Reporting process. Councils will have to demonstrate to us that they have engaged with their communities and listened to the input that they have received.

We do not hold public hearings as part of our assessment of applications. Rather, we encourage members of the community to participate in their council's community consultation and engagement processes.

Although we do not solicit them, we will accept and consider submissions from interested groups or individual ratepayers regarding special variations for up to 4 weeks after the deadline for council applications. For 2014, this date is 24 March 2014. We will only accept submissions received by this closing date.

We prefer ratepayers to lodge submissions using our electronic submission facility that is available on our website during the submission period. This may be accessed alongside each council's application at: http://www.ipart.nsw.gov.au/Home/Industries/Local_Govt/Special_Variations_and_Minimum_Rates/Applications_Determinations

However, if you wish to post your submission to us, our address is:

Local Government Team
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230

If you wish to use email, our address is: localgovernment@ipart.nsw.gov.au.

We will ask your permission to post your submission on our website. If you make an online submission you will be prompted to indicate that you agree to it being posted, or you may request confidentiality. We will only post submissions that have been received during the one month period after the application due date. With your approval, we will post your submission on our website after the submission period is closed. Submissions that we post will only show the author's name; all other contact details will be removed.

Do other parties play a role in deciding special rate variations?

We make all the decisions regarding special variations using the criteria set by the DLG and the content of the Guidelines. DLG may also provide input into the assessment process, particularly regarding a council's rating structure and the value of previously approved special variations.

We base each decision on the evidence provided in the application and any other material that we consider relevant. Other relevant material will include submissions from the community (including letters from parliamentarians and local councillors) and material from a range of other sources such as local media reports.

What are the steps for councils that are considering applying?

- Step 1 – Call us to discuss the application (phone 9113 7710) and consider meeting with us before the official notification date (13 December 2013).
- Step 2 – download the Guidelines from DLG's website and the application forms (Parts A and B) from our website at www.ipart.nsw.gov.au.

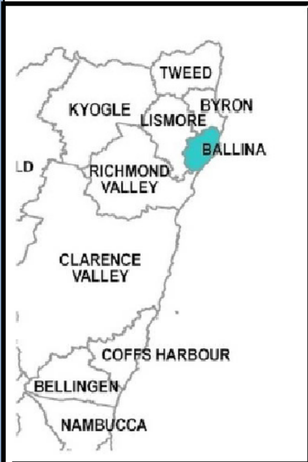
- Step 3 – ensure that the council can meet the criteria in the Guidelines.
- Step 4 – Register on our Council Portal and submit your notification letter to us by 13 December 2013 indicating your council's intention to apply for a special rate variation.
- Step 5 – Complete application forms Part A and B and submit these and any other application material via the Portal. This can be done progressively and saved on the Portal from the notification date. Completed applications for special rate variations must be submitted by 24 February 2014.

Want more information?

Refer to the Guidelines or contact us on 9113 7710. We also publish fact sheets on community awareness and engagement and the process for applying for an increase in minimum rates.

Strengthening Local Government

Ballina Shire Council



Ballina Shire has an area of approximately 485.4 km2 with a population of 40,753 and is situated on the Richmond River. Known for its rainforests, beaches, lakes and hinterland which attract significant tourism. With its natural beauty it is also home to the Big Prawn, the Australian Seabird Rescue Wildlifelink Sanctuary and Sea Turtle Hospital.

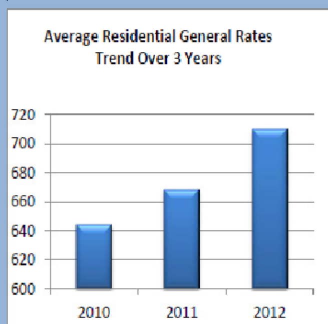
Your Local Government Area	LGA	Group Avg
Five year population change	-0.7%	1.5%
Population aged <19	23.9%	26.3%
Population aged >20 <59	47.7%	49.9%
Population aged >60	28.3%	23.9%
Aboriginal & Torres Strait Islanders	3.1%	4.7%
Language Other than English	3.3%	4.5%
Socio-Economic Index Ranking (1 lowest)	99	N/A

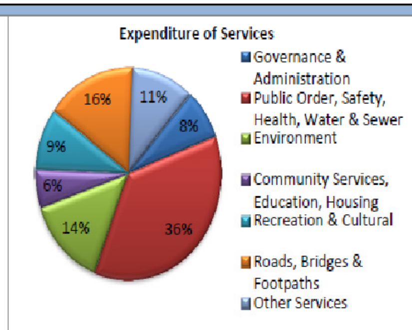
Your Council	LGA	Group Avg
Number of Councillors	10	10
Population per Councillor	4,075	3,976
Number of Equivalent Full Time Staff	269	310
2011/12 Revenue ($'000)	$86,670	$75,132
Revenue per capita	$2,127	$2,071
Expenses per capita	$1,818	$1,956
Population Density (Residents per km^2)	83.96	55.24

Your Local Economy	LGA	Group Avg
Unemployment Rate	6.3%	6.3%
Average Taxable Income ($)	$37,213	$39,851
Average Household Family Size	2.8	2.9
Largest Industry Employer	Health/social assistance	
Value of DAs determined ($000)	$92,086	$82,333
Tourist Accommodation Establishments	15	17

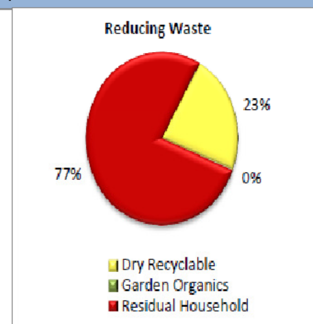
Your Public Facilities & Social Factors	LGA	Group Avg
Number of Public Swimming Pools	2	3
Number of Public Halls	16	12
Number of Public Libraries	3	3
Open Public Space (ha)	716	1,006
% Pensioner Rebates	22.9%	21.4%
Access to Internet at Home	71.60%	68.16%

Your Council's Rates and Spending

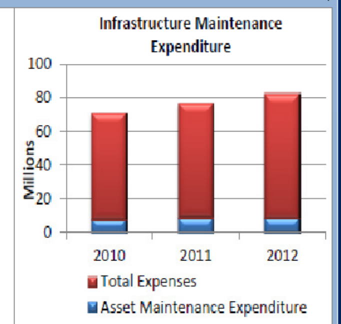




Your Council's Waste Services



Infrastructure Maintenance Expenditure



TCorp has assessed your Council's current Financial Sustainability Rating as Moderate with a Neutral outlook.

The Infrastructure Audit assessed Council's infrastructure management to be Weak.

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Contacting Council	How Your Council Manages	LGA	Group Avg
Cnr Tamar And Cherry Streets	Average Residential Rate	$709.94	$836.70
Ballina NSW 2478	Average Business Rate	$2,382.50	$2,982.91
Postal Address:	Average Farmland Rate	$1,144.07	$1,733.41
PO Box 450	Average Mining Rate	N/A	$240,655.38
Ballina NSW 2478	Average Residential Water and Sewer Bill	$1,064.00	$1,062.00
Phone: 02 6686 4444	Average Domestic Waste Charge	$375.97	$259.26
Fax: 02 6686 703	% of Own Source Revenue	55.24%	62.91%
Email:	% Grants of Revenue	35.13%	29.92%
council@ballina.nsw.gov.au	Operating Performance Ratio	-15.90%	-6.59%
Web:	Unrestricted Current Ratio	2.90	2.71
www.ballina.nsw.gov.au	Building & Infrastructure Renewal Ratio	105.51%	60.26%
	Infrastructure Backlog Ratio	1.53%	14.89%

How Your Council is Performing	LGA	Group Avg
Governance & Administration Expenditure per capita	$139.70	$264.53
Environmental Expenditure per capita	$250.58	$228.71
Water & Sewer Services Expenditure per capita	$611.29	$513.55
Community Services & Amenities, Housing & Education Expenditure per capita	$106.77	$179.16
Recreational & Culture Expenditure per capita	$173.90	$247.47
Public Order, Safety & Health Expenditure per capita	$53.47	$66.97
Other Services Expenditure per capita	$198.49	$219.56
Average Kilogram Kerbside Dry Recyclables Collected per household/week	4.4	5.0
Average Kilogram Kerbside Garden Organics Collected per household/week	N/A	5.2
Average Kilogram Kerbside Residual Waste Collected per household/week	15.1	11.7
Total Domestic Diversion Rate for Council	39.5%	42.89%
Roads, Bridges and Footpath expenditure per capita	$284.08	$365.18
Metre Road Length per capita	15.98	31.67
Mean gross days for Development Applications	55	64
Number of Development Applications determined	531	438
Library Services Expenditure per capita	$36.29	$44.52
Library Circulation per capita	10.36	6.83
Percentage of Companion Animals Identified and Registered	62%	61.54%
Number of Companion Animals Identified	11,668	15,282

2012 Local Government Elections: Ballina Candidates and Councillors

LGA Demographics	% Pop in LGA	% Councillor Candidates in LGA	% Councillors Elected in LGA	% Councillors State Average
Male	48%	63%	70%	73%
Female	52%	38%	30%	27%
ATSI	3%	0%	0%	2%
Disability	N/A	0%	0%	3%
NESB	3%	0%	0%	8%
Age <30 years	33%	13%	10%	4%
Age >30, < 60 years	39%	54%	50%	58%
Age 60+ years	28%	33%	40%	38%

Comparative Information on NSW Local Government

Measuring Local Government Performance
2011-12

NSW Premier & Cabinet
Division of Local Government

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4.9 Delivery Program and Operational Plan - Exhibition

Delivery Program	Governance
Objective	To obtain Council approval to exhibit the draft Delivery Program and Operational Plan.

Background

The Office of Local Government's (OLG's) Integrated Planning and Reporting Framework requires councils to review the Delivery Program and prepare a new Operational Plan each financial year.

The purpose of this report is to obtain Council approval to exhibit those documents for public comment.

Key Issues

- Format and content of documents
- Ensuring the documents reflect the objectives of Council, particularly for 2014/15

Information

The OLG's Integrated Planning and Reporting Framework specifies a range of information that must be included in the Delivery Program and the Operational Plan.

A summary of the major elements for each document are as follows.

Delivery Program

- A council must have a Delivery Program, detailing the principal activities it will undertake to achieve the objectives established in the Community Strategic Plan, within the resources available under the Resourcing Strategy.

- The Delivery Program must include a method of assessment to determine the effectiveness of each principal activity detailed in the Delivery Program in achieving the objectives at which the activity is directed.

- A council must prepare a new Delivery Program after each ordinary election of councillors to cover the principal activities of the council for the four year period commencing on 1 July following the election.

- The General Manager must ensure that progress reports are provided to the council, with respect to the principal activities detailed in the Delivery Program, at least every six months.

- A council must review its Delivery Program each year when preparing the Operational Plan

Operational Plan

- Council must have an annual Operational Plan, adopted before the beginning of each financial year, outlining the activities to be undertaken that year, as part of the Delivery Program.

- The Operational Plan will include the Statement of Revenue Policy.

- The draft Operational Plan must be publicly exhibited for at least 28 days and public submissions can be made to Council during the period.

- The exhibition must be accompanied by a map showing where the various rates will apply within the local government area.

- Council must accept and consider any submissions made on the draft Operational Plan before adopting the Operational Plan.

- Council must post a copy of the Operational Plan on our website within 28 days after the plan is adopted

This includes details of:

- Estimated income and expenditure
- Ordinary rates and special rates
- Proposed fees and charges
- Council's proposed pricing methodology
- Proposed borrowings.

Council took the step n 2013/14 to provide a combined Delivery Program and Operational Plan to avoid unnecessary documentation and duplication. It is considered that this approach has worked reasonably well and a combined document is once again submitted for 2014/15, with that document provided as a separate attachment to this report.

The key part of this document is the section titled "Heading in the Right Direction" (pages nine to 32), as this section outlines the various activities (or tasks) that are planned for 2014/15, along with other activities planned for later years.

It is paramount that Councillors have their priorities included in this section of the document as it is these actions that will direct staff resources during 2014/15. Ensuring that this section accurately reflects the goals of Council then assists in ensuring that ad hoc notices of motion for the pursuit of other actions are not lodged during the year.

Notices of motion can result in the redirection of staff resources towards other projects which then impact on planned priorities. The Operational Plan should be the document that reflects the Council's goals for the year and through its public exhibition and formal adoption the community is then in a position to measure how Council is performing against those goals.

The other key elements of the document are the Capital Expenditure and Revenue Policy sections.

Capital expenditure reflects the outcomes from Council's earlier Finance Committee meetings and the Revenue policy summarises all Council's major fees and charges.

Certain elements are still to be finalised as they are dependent on the final budget document and outcomes from reports included elsewhere in this agenda.

Legal / Resource / Financial Implications

Council is legally required to review the Delivery Program and exhibit the Operational Plan for public comment. The documents provide an overview of how Council's resources are allocated and a summary of our finances.

Consultation

Both documents will be exhibited for public comment following adoption of this meeting's minutes at the April Council meeting.

The exhibition will occur during May and early June, with the outcomes from the exhibition period then reported to the June meeting.

In respect to public meetings traditionally they have been reasonably well attended at Lennox Head and Wardell and for 2013/14 Council resolved to only hold meetings in those two locations. A similar approach is recommended for 2014/15.

Options

Council is required to exhibit the documents therefore the options are to exhibit as presented or exhibit inclusive of any amendments arising from this meeting. The recommendation allows for any amendments to be included.

RECOMMENDATIONS

1. That Council approves the exhibition of the Draft Delivery Program / Operational Plan, as attached, inclusive of any amendments arising from this meeting and subject to the finalisation of both documents.

2. That Council hold public meetings as part of the exhibition process at Lennox Head and Wardell.

Attachment(s)

1. Draft Delivery Program / Operational Plan (Under separate cover)

5. Confidential Session

In accordance with Section 9 (2A) of the Local Government Act 1993, the General Manager is of the opinion that the matters included in the Confidential Business Paper, and detailed below are likely to be considered when the meeting is closed to the public.

Section 10A(4) of the Local Government Act, 1993 provides that members of the public are allowed to make representations to or at a meeting, before any part of the meeting is closed to the public, as to whether that part of the meeting should be closed.

Details of the report to be considered are contained in Item 4.2 of this agenda.

RECOMMENDATION

That Council moves into committee of the whole with the meeting closed to the public, to consider the following items in accordance with Section 10A (2) of the Local Government Act 1993.

5.1 Regional Express Airlines - Fees and Charges Review - Details

Reason for Confidentiality

This report is **CONFIDENTIAL** in accordance with Section 10A(2)(c) (d) of the Local Government Act 1993. which permits the meeting to be closed to the public for business relating to the following:-

c) information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business; and
d) commercial information of a confidential nature that would, if disclosed:

(i) prejudice the commercial position of the person who supplied it, or
(ii) confer a commercial advantage on a competitor of the council, or
(iii) reveal a trade secret

and in accordance with 10D(2)(c), on balance, the discussion of the matter in an open meeting is not considered to be in the public interest as the release of confidential information could result in the Council, acting on behalf of the community, not achieving the optimum financial outcome for the community..