

SHELLHARBOUR CITY COUNCIL PUBLIC PARTICIPATION RULES

Shellharbour City Council is not legally obliged under the Local Government Act to hold Public Participation. However the Council believes that there should be maximum feasible public impact into the decision making process. It therefore invites members of the community, with an interest in items before Council to participate in the process by addressing the Council.

1. Registration for public participation

- Registration of interest for Public Participation shall close promptly at 12 noon on the day of the Meeting and applicants must be listed on the form provided at the Administration Building, Lamerton House and Libraries. The request may be listed by the speaker or his/her representative or by a Council Officer at the speaker's request.

Late requests for Public Participation cannot be accepted under any circumstances.

- Public Participation may in particular circumstances be permitted in the Committee of the Whole Council Meeting but the speaker has no access to the Committee of the Whole Business Paper and must leave the Chamber after speaking.
- Only persons listed as requesting to speak in Public Participation shall be permitted to speak. However, the Mayor, with consent of Council, may in extraordinary circumstances permit an unlisted person to address the Council on a matter listed in the Business Paper.
- The Mayor in the absence of objection by any Councillor may agree to invite or allow a person to speak on a matter listed in the Business Paper, notwithstanding that any of the aforementioned rules have not been complied with.

2. At the meeting

- An item of Public Participation shall commence with the Mayor/Chairperson calling on the listed speaker(s) to address Council.
- All speakers shall speak to the Chair. Then, after the person(s) speaks there is the opportunity for councillors to ask, through the Chair, questions of the speaker(s). The Mayor then declares the matter "open for discussion" or words to that effect. This then closes the Public Participation on that item.
- The only opportunity then for a speaker to speak further is if the Mayor permits a comment by the speaker for the purposes of clarifying a point under discussion.
- Applicants who say "I'm here to listen to what the Councillors say" or " I do not wish to speak but I am here to ask or answer questions" will be given the opportunity to address Council but will not be given the opportunity to speak after the Councillors.
- Any person may address Council on matters relating only to an officer's report to a meeting and Committee Recommendations that are listed for adoption on the Agenda with the exception of matters relating to development applications which have been referred to the Council Development Advisory Committee (held before Traffic Committee) (Not on Mayor's/Councillors' reports, notices of motion, notices of rescission motion).
- The public address will be heard immediately before the matter is to be considered by Council as printed in the agenda of the business paper.
- Discussion or debate or questions involving Councillors or Council officers is not permitted.

- The subject matter only is to be discussed.
- Personalities are not to be addressed.
- The Mayor, with the consent of Council may limit speeches to two (2) speakers for and two (2) speakers against on the one subject. Groups are encouraged to nominate a representative to make the presentation to the Council on behalf of the group.
- Council expects each speaker to endeavour to keep his/her speech to as short a time as possible. An initial period of five (5) minutes will be allowed for each speaker, after which the Mayor, at his discretion, may give the speaker a further two (2) minutes to summarise and conclude.
- Presentations by members of the Public are to be made verbally. Written material or exhibits (including video, "PowerPoint", photographs) are NOT to be circulated, screened or displayed by the public at Council Meetings. Written information on matters other than Development Applications will be circulated to Councillors only if it is received by Council staff before 12 noon on the Monday prior to the day of the meeting. No late written submissions will be accepted from the public, regardless of the circumstances.

These rules apply to all public submissions for circulation to Councillors with the exception of Development Application submissions, whether or not the person has registered to speak at the meeting.

These rules do not apply to Development Application (DA) submissions. Separate rules govern the closing date of written submissions to DAs and these Public Participation Rules are not to be taken as granting any right to a member of the public to submit a late submission on a DA being presented to Council.

- Applicants have no right to interject during the debate. The rules of procedure as outlined in the Local Government Act 1993 and Regulations shall apply.

3. General rules

- Public Participation is not generally open to legal representatives acting in a professional capacity for a client. Council may permit legal representatives to address the Council, provided that sufficient notice is given so as to allow each of the parties concerned including Council where necessary the opportunity to have their legal representatives in attendance.
- Formal Public Participation shall not be permitted during Council inspections, however, Council may request interested residents to participate in discussion. This clause is subject to Council not making a final decision on the matter during the inspection.
- If a person or group seeks to address Council and raise allegations about the Council or staff handling of any matter this must be made in writing and sent to the General Manager. This will not be addressed in public participation. (This rule is not intended to restrict people raising matters with the Council. Council invites people to raise concerns about the Council or staff handling of matters in accordance with this rule. The requirement to provide written notice of allegations to the General Manager provides the opportunity for the General Manager to investigate and report the matter to Council at the time the complaint is made which would enable Council to take action on these matters at the time they are raised.)
- A speaker may only address Council once on any particular item on the Business Paper, unless the particular circumstances in the opinion of the General Manager have changed since Council's previous consideration.

- Placards are not to be brought into the Council Chamber. The public must conduct themselves with due respect to the Council and observe the rules of order and meeting procedure as contained in the Code of Meeting Practice.
- 4. The Rules of Public Participation shall extend to Council's Advisory Committees namely Australia Day/Special Promotions Advisory Committee, Disabilities Services Advisory Committee as well as to the Shellharbour Traffic Committee.

Public Participation must be registered by noon the day before the scheduled meeting for each committee.

Election rallies, speeches or the distribution of electoral material of a political nature will not be permitted within the confines of the Council Chamber building.

The General Manager is authorised on behalf of the Council to determine what actions constitute a breach of the above policy.

Procedure

Any person or persons in breach of this provision shall be treated as a trespasser and removed from the Council Chambers building using only such force (if any is required) as may reasonably be required in order to achieve that purpose.

In the event of a possible breach of the peace, the police are to be requested to attend to ensure no breach of the peace.

AGENDA

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Acknowledgement to Country

Shellharbour City Council acknowledges the Traditional Owners and Custodians of the Land on which we are meeting.

1. Apologies / Leave of Absence

2. Pecuniary Interest

3. General Manager's Office

3.1 2005-2006 Management Plan (8342652)

To the Mayor and Councillors

Division: General Manager's Division
Department: Executive Office

Manager: Brian Weir – General Manager
Author: Brian Weir – General Manager

Summary

The purpose of this report is to present to Council the Draft Management Plan, including the budget and revenue policy. The report recommends that Council adopt these documents and place them on public exhibition for the required statutory period of 28 days.

Recommendation

1. That Council adopt:-

- **The Management Plan**
 - **The Strategic Plan**
 - **The Budget**
 - **The Revenue Policy**
 - **The Fees and Charges**
 - **The Statutory New Budget Items as recommended totalling \$82,000**
 - **The Essential New Budget Items as recommended totalling \$478,900**
 - **Community Services Department Trainee (Priority 1) - \$45,000**
 - **Play equipment soft fall (Priority 1) - \$20,000**
 - **Replace sand in Warilla Pool sand filter (Priority 1) - \$18,000**
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- **Works Depot Improvement – Extension of Parks & Gardens Garage (Priority 1) - \$35,000**
- **Adopt a road – Illawarra Road Safety Park (Priority 1) - \$5,000**
- **Stadium Materials Budget (Priority 1) - \$5,000**
- **Review of on site sewerage management DCP (Priority 1) - \$5,000**
- **Gross Pollutant Trap Maintenance (Priority 1) - \$10,000**
- **Additional Street Sweeper Operator (Priority 1) - \$26,000**
- **Councillor determined items - \$171,000**
- **Staff Retention Fund - \$300,000**

And that this be advertised in accordance with s.405 of the Local Government Act. This budget will require an increase to Council's rates of 11% This will result in a surplus of \$9,791

2. That Council make application to the Department of Local Government for a special variation to general income to increase rates by 11% in accordance with s.508 of the Local Government Act 1993, as amended.

3. That this budget results in the following Rates and Charges:-

- a. **For the residential rate category, a base rate of 25% (\$214.08) and ad-valorem component of 0.35729 cents in the dollar on the base date 1/7/2003 land value of all rateable residential land in the local government area.**
- b. **For the business rate category, an ad-valorem rate of 0.88481 cents in the dollar on the base date 1/7/2003 land value of all rateable land in the local government area determined to be in the business category general.**
- c. **For the business category, sub category non-urban, an ad-valorem rate of 0.35605 cents in the dollar on the base date 1/7/2003 land value of all rateable land determined to be in this category, in the local government area.**
- d. **For the farmland category, an ad-valorem rate of 0.34096 cents in the dollar on the base date 1/7/2003 land value of all rateable land determined to be in this category, in the local government area.**
- e. **A Domestic Waste Service Charge and a Business Waste Service Charge of:**

**\$150.00 per annum per 240 litre bin per fortnightly service
\$234.00 per annum per 240 litre bin per weekly service
\$135.00 per annum per 120 litre bin per fortnightly service
\$178.00 per annum per 120 litre bin per weekly service
\$24.00 per available service (vacant land)**

- f. **A high density bulk recycling (weekly) service - \$104.00 per bin per annum.**
A high density bulk recycling (fortnightly) service - \$52.00 per bin per annum.
A high density bulk waste (weekly) service - \$165.00 per bin per annum.
 - g. **The amount by which overdue rates be increased for the year be 9 percent per annum.**
 - h. **Further that Council notes that rate yields and rates in the dollar (\$) will be subject to slight variation due to land values anticipated to be added to Council's rate base prior to final adoption.**
4. **That the amount of new loan borrowing application be \$1,000,000 with \$1,000,000 to be borrowed if required from recognised banking institutions secured by a mortgage over Council's consolidated fund income.**
5. **If Council's Special Variation application is not approved by the Department of Local Government then Council resolves to increase rates by 3.5% as permitted by the Minister and that Council only fund the Statutory New Items as recommended totalling \$82,000 and that Council reduces its budget proportionally from the various Key Budget Activities funded by general revenue so as to achieve a balanced budget.**
6. **That this budget results in the following Rates and Charges:-**
- a. **For the residential rate category, a base rate of 25% (\$199.61) and ad-valorem component of 0.33315 cents in the dollar on the base date 1/7/2003 land value of all rateable residential land in the local government area.**
 - b. **For the business rate category, an ad-valorem rate of 0.82503 cents in the dollar on the base date 1/7/2003 land value of all rateable land in the local government area determined to be in the business category general.**
 - c. **For the business category, sub category non-urban, an ad-valorem rate of 0.33199 cents in the dollar on the base date 1/7/2003 land value of all rateable land determined to be in this category, in the local government area.**
 - d. **For the farmland category, an ad-valorem rate of 0.31792 cents in the dollar on the base date 1/7/2003 land value of all rateable land determined to be in this category, in the local government area.**
 - e. **A Domestic Waste Service Charge and a Business Waste Service Charge of:**

\$150.00 per annum per 240 litre bin per fortnightly service
-

\$234.00 per annum per 240 litre bin per weekly service
\$135.00 per annum per 120 litre bin per fortnightly service
\$178.00 per annum per 120 litre bin per weekly service
\$24.00 per available service (vacant land)

- f. **A high density bulk recycling (weekly) service - \$104.00 per bin per annum.**
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- g. **The amount by which overdue rates be increased for the year be 9 percent per annum.**
- h. **Further that Council notes that rate yields and rates in the dollar (\$) will be subject to slight variation due to land values anticipated to be added to Council's rate base prior to final adoption.**

Background

The compilation of Council's Management Plan, which includes the budget, is one of the most important tasks that is carried out by any local government authority. It details how the Council intends to provide the services and facilities for its community and must be compiled in a financially responsible manner so as to achieve the wishes and aspirations of our community but at the same time retain the Council's financial sustainability over the short, medium and long term.

The process of compiling our budget commenced in November last year. Our process scrutinises current expenditure allocations given to our various budget responsible officers to carry out the functions allocated to them as a part of their duties. There is no blanket C.P.I. indexation but allowances are made for cost increases that are deemed to be unavoidable. Revenues are calculated on the basis of past history and conservative assumptions regarding future activity. Major Council plans such as the Section 94 Contributions Management Plan and the Capital Works Program are factored into the budget as well.

New programs and services are collated in the new items lists following assessment in conjunction with our strategic plan, past IRIS surveys and Council's legal, statutory and operational commitments.

In previous years we have been able to compile our budget and have a surplus of funds available for the allocation of new items. This year, due to influences beyond our control, we have had a sharp increase in costs that are unavoidable and directly affect our operations and our budget. In Shellharbour City's case we face additional costs of almost \$2M which are beyond our control and are mainly recurrent. These are as follows:

- The Local Government Award which all Council staff are employed under, contains a compulsory annual salary and wage increase. This percentage increase has historically been around the 3.5% level. The cost to Council each

year is around the \$800,000 mark, which does not include any increases associated with existing accrued leave entitlements.

- A steep increase in the NSW Workcover claims formula will result in significant increases to Council's premium for workers compensation insurance commencing this calendar year. An adjustment to Council's current year budget has already been made with an additional \$300,000 being added to next year's draft budget estimates.
- Council's other insurance premiums have increased dramatically over the past five years, as they have across the whole insurance industry. In 1999/00 our annual premiums were \$313,000 compared with \$665,000 in 2003/04. This represents an increase of 112% over the five year period.
- The reintroduction of an Employer Superannuation Contributions will cost Council an additional \$340,000. This figure will increase to over \$700,000 in 2006/07.
- Council has been required to meet substantial increases in charges from State Government corporations over recent years. Two areas where there have been large increases are Council's contribution to the New South Wales Fire Levy, which has increased from \$44,000 in 2000/01 to an estimated \$280,000 in 2005/06, and the Rural Fire Service, which has increased from \$48,000 in 2000/01 to an estimated \$138,000 in 2005/06. Street lighting charges have also increased from \$517,000 in 2001 to \$657,000 in 2003/04.
- Major remedial works at the entrance to Lake Illawarra funded jointly by the State Government, Wollongong and Shellharbour Councils, has seen our Council allocate \$1 million to the project over two years. This funding is not recurrent and should see Council's contributions finishing in the 2005/06 budget. However, it has played a major role in absorbing available funds over a two year period.
- Another area where Council has been required to allocate significant amounts of funds is towards the major upgrade works on the Princes Highway at Albion Park Rail. To date, Council has allocated \$215,000 in the current budget, and has factored in \$250,000 for next year. Further matching contributions with the State Government are expected after this time.

In addition, our total workload is constantly growing.

There has been rapid development growth in Shellharbour City over the recent years. This growth has seen large increases in recurrent expenditure in all facets of our operations.

For example, over the past five years, the City's road and drainage network has increased by an additional 28 kilometres whilst our Community Land asset base has grown by over 56 hectares. With this growth in our asset base comes the additional requirements involved in maintaining these assets. Council's annual parklands

maintenance expenditure alone, has increased from \$643,620 in 1999/00 to \$1,055,229 in 2003/04 which represents an overall increase of 64%.

Other issues affecting our operations and influencing our deliberations include:

Council has a very low staff base compared with other similar Councils. For example, Shellharbour City Council has one staff member for every 225 residents while comparable councils have, on average, one staff member for every 160 residents. Council's salaries are substantially below the Southern Sydney market with which we are competing. Our City is at a crucial stage in its development and we have too few staff working on key critical issues. Our staff are in demand elsewhere. Consequently, we are suffering from a high staff turnover rate resulting in high recruitment and training costs and a loss in productivity. It is vital that we rectify this situation.

In the 1970s and 80s the Council of the time did not take up its allowable rate increases because of the affect on the community that the downturn of the steel industry, and the resulting high unemployment rate, was already having. As a result, every year since, our rates have been set 8-10% below what they should be today.

We have had significant capital expenditure for major assets in recent times however the current situation which our budget is facing is not affected by, or caused by, these items, as they are not a part of our every day costs. The option of selling or depleting our assets for a short term solution is not a financially sound decision for the Council to pursue on behalf of the community.

Put simply, the situation in which we find ourselves is that our costs have increased far more than our ability to raise revenue.

This situation has not been caused by past expenditures on Shellharbour Links or the Illawarra Regional Airport.

Council has significant future commitments it must meet that are a part of our forward plans and we cannot afford to have our financial situation eroded by a deficit budget.

The prospect of increasing our rates beyond the 3.5% general increase is not one that any Council takes lightly, due to the additional burden that it places on our community, but having regard to the factors beyond our control, mentioned earlier in this report, and the growing need to service our community, I can see little alternative.

Accordingly, I believe Council has no alternative but to seek a total rate increase of 11% or \$2.1m) an increase on average of about \$84 per annum per assessment for residential ratepayers (or \$1.63 per week), \$293.00 for business ratepayers (or \$5.65 per week), \$336 for farmland (or \$6.48 per week). This would allow Council to merely keep abreast in its obligations bearing in mind the increase in costs and the increase in Council's workload.

Consultations

Internal

Directors
Councillors
All Budget Responsible Officers
Group Managers

External

The Draft Management Plan and Budget will be exhibited for a period of not less than 28 days.

Considerations

Financial/resources implications

1. Budget Format

i. Operational budget (Green)

These documents detail all of Council's recurrent operating expenditure and income. They also contain any income that relates to items in either the balance sheet or capital works budgets (i.e. capital grants and contributions). One document is formatted in the four key areas of Council's Management Plan, whilst the other is in the same format as the Statement of Financial Performance which is produced in Council's Annual Financial Statements.

ii Balance Sheet Budget (Blue)

The Balance Sheet Budget details items of expenditure that relate to the acquisition of an asset or capital expenditure that will extend the life of an existing asset.

iii Capital Works Budget (Pink)

The Capital Works Budget contains all items in the Capital Works Program as discussed with individual Councillors and the Group Manager, Development & Technical Services. The Capital Works Budget also contains other items of a capital nature such as an annual allocation for Council roads resealing, airport runway maintenance and capital works at the Dunmore Waste Depot etc.

There is also an "untied" allocation for each Ward for expenditure on works and sportsfields along with funds to match any Government grants which might be allocated on a "dollar for dollar basis" to Council throughout the year. An allocation of \$9,000 per Ward per year is made for general works type expenditure, \$15,000 per Ward per year is set aside for sportsfields and \$30,000 is allotted to each Ward to match any Government grants..

Funds unspent from works, sportsfield or grant matching allocations in any one year are rolled over to the new year, with the new year's allocation.

Group Manager, Development & Technical Services comments on Forward Capital Works Program

During November 2004, a series of meetings were held with previous Ward Councillors to discuss priorities for the Capital Works Program relating to the specific Wards.

These meetings are the basis for determining a three year forward program for Capital Works in accordance with Department of Local Government requirements to provide financial planning and to guide investigation, survey and design as well as project planning within the Operations Division.

The 2005/2006 Capital Works Program is based on discussions with Ward Councillors and is committed, subject to Council's ratification. Commitment to these works is formally required to allow survey and design activities to proceed as soon as practicable. This detailed work is required to not only ensure the Works Section "knows what to do" but also to verify the budget estimate of each job, as by their very nature, these figures are subject to variation, once detailed quantities are obtained via the design process. If required, separate reports to Council will be required to provide supplementary funding for specific nominated projects.

Projects within the Capital Works Program were drawn from a detailed list of future works in November 2004 along with items identified during discussions with the Ward Councillors, and other issues raised by staff and residents.

In preparing the Capital Works Program an equitable distribution of funds amongst Wards has been pursued (\$140,000 per ward).

The overall public impact is positive through the increased provision of civil works.

2. Budget Assumptions

Below is a summary of assumptions and major variations which have been taken into account in the compilation of this budget:-

- The allowed 3.5% increase for general rates as set by the Minister for Local Government has been factored in. This results in additional income of \$690,000
- A special variation to rates of 7.5% above the general rates increase of 3.5%
- A 3.5% increase in salaries and wages to cover the award wage rise in November 2005 along with movements by employees through our salary step system
- Councillor fees to remain at \$12,925 per annum until the Department of Local Government has completed its review of the expenses policies adopted by Councils. This determination was recommended by the Local Government Remuneration Tribunal
- The Mayoral fee to remain at \$28,215 per annum until the Department of Local Government has completed its review of the expenses policies adopted by Councils. This determination was recommended by the Local Government Remuneration Tribunal
- Internally funded Capital Works and Balance Sheet budgets which are being partially funded through savings in principal and interest payments previously required before

the recent retirement of our debt portfolio. The net cost to Council of the two asset related programs is \$2.8 million.

- Council's second instalment of \$500,000 towards the Lake Illawarra entrance remedial work has been included
- Part phasing back in of compulsory employer superannuation contributions for the Local Government Retirement Scheme. This results in an additional \$340,000 of employer superannuation contributions.
- Changes in State Government Workers Compensation legislation is expected to add an additional \$300,000 to Council's annual premiums
- General insurance premiums are expected to increase by \$120,000
- Further increases in the estimated contributions to the NSW Fire Levy and the Rural Fire Service has added \$100,000 extra to next year's budget

This budget contains financial assistance to the following organisations:-

• Landcare	\$ 10,500
• Minnamurra Estuary Management Committee	\$ 2,000
• Greenpeace	\$ 125
• Nuclear Free Zones Secretariat	\$ 600
• Sportsmans Assistance Fund	\$ 10,000
• Warilla Information & Neighbourhood Centre	\$ 12,000
• Illawarra Academy of Sport	\$ 10,000
• Westpac Lifesaver Helicopter	\$ 10,000
• Illawarra Regional Information Service	\$ 8,000
• Illawarra Business Advisory & Development Board	\$ 500
• Southern Councils Group	\$ 22,100
• Local Government & Shires Association	\$ 24,000
• Tourism Shellharbour	\$150,000
• Life Education	\$ 4,500
• Donations Working Party	\$ 11,500
• Australian Aerial Patrol	\$ 13,000
• Roo Theatre Marketing Grant	\$ 5,000
• Roo Theatre Maintenance	\$ 3,000
• Environmental Projects Support	\$ 10,000
• Local Community Festivals	\$ 3,000
• City Services Boston Memorial Function	\$ 1,000
• Illawarra Children's Services	\$ 2,000
• Wollongong Rollerhawks	\$ 3,000
• Film Illawarra	\$ 5,542
• Southern Stars	\$ 8,800

3. Fees & Charges/Revenue Policy

The Revenue Policy and the Draft Fees and Charges Schedule are attached under separate cover.

The Revenue Policy details Council's pricing policy with respect to the provision of goods and services. It creates a framework within which responsible pricing decisions can be

made. The full costs of providing goods and services will be identified, and will be used along with factors such as existing and potential markets, community service obligations, public interest and community benefit in determining the revenue structure for the provision of any given good or service.

The Fees and Charges document shows the new fee for the forthcoming financial year, as well as what the fee currently is, for comparative purposes. This has been done to display where our fees have increased.

Included in this year's Fees and Charges document is the proposal for Council to pass on charges originally levied by banks on merchants who provide credit card facilities. Following reforms by the Reserve Bank of Australia in 2003, merchants such as Shellharbour Council are now able to charge a fee for service on credit card transactions to reflect the cost of accepting such payments. It is proposed to make this fee payable on all phone and internet rate payments made by credit card.

4. Rating Structure

Current Structure

Council's current rating structure is as follows:-

Residential	25% Base Rate and Ad-Valorem Component
Business	Ad-Valorem only
Farmland	Ad Valorem only
Non Urban	Ad Valorem only

This structure has remained the same since Council first adopted a base rate structure in 1993.

The overriding principle of Local Government rating is "the amount a ratepayer pays is primarily and predominantly determined by an *ad valorem* method". That is, the rates are calculated according to the land value of their property multiplied by a rate in the dollar determined by Council.

The objectives of rating are:-

- To provide a system of local taxation based on rates levied on a property, which is simple, fair, broadly uniform and which promotes local accountability.
 - To permit the use of particular rates for the provision of specific services or facilities.
 - To provide that Councils will annually justify to their community their proposed revenue raising decisions in an open manner.
 - To allow reasonable flexibility in the administration of the local taxation and charging regime.
 - To reinforce accountability and responsibility for local revenue raising to the local community to provide for councils to set their own fees and charges for services.
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The application of a base rate in any category of rate makes the calculation of the rate less dependent on the valuation applied to the property. In other words, if a base rate is applied the higher valued properties rates will decrease and the lower valued properties will increase.

If a base rate is set higher, then the lower valued properties will pay a higher burden of Council rates.

The structure of the rates that was originally set in 1993 has served the city well to date.

A 25% base rate in the residential category takes into account the necessity to evenly spread the burden of rates for common services over all ratepayers, with the balance of rates calculated on the valuation component.

The Farmland, Businesses and Non-Urban categories will be calculated on the valuation component only.

We have prepared this budget on the basis of Council taking up the full 3.5% rates increase as allowed by the Minister for Local Government as well as a further 7.5%. As detailed earlier in this report we are facing increasing cost pressures in areas of our operations and we must find additional revenue so as not to erode our financial position.

In 1989, the Council at the time made a decision not to take the full permissible accumulated rates increase which had not been taken up over previous years. This loss has then carried forward to subsequent rating years and becomes larger as the compounding of the rate base and interest takes affect.

For each 1% of the rate pegging increase that we do not take up we forgo approximately \$197,000 of income. In view of ever increasing costs and the demand for services, any decision to not take the full rates increase as prescribed by the Minister for Local Government cannot be justified or supported.

The Department of Local Government has recently changed its historical stance on rate pegging and will actively assist councils with special variation requests to raise funds above the permissible rate pegging limit.

5. New items

The total of new items requested by Councillors and staff is net \$3,288,505. These items have been assessed in conjunction with the Strategic Plan, IRIS Survey and Council's legal, statutory and operational commitments. Items that are recommended are flagged as such.

The final list of new items recommended for funding totals \$1,200,900, if Council is successful in its application for an 11% rates increase. Full details of all new items are contained in the attachments.

If Council resolves not to apply for a 11% increase, the adoption of the general 3.5% increase will leave Council with a deficit of \$267,000 before funding any new items. As an absolute minimum, Council should fund the Statutory Items, which will increase the

deficit to \$349,000. An additional rate increase of 1.8% above the 3.5% will be needed to cover this amount and bring us back to a balanced budget.

If Council chooses to fund both the Statutory and Essential New Items the deficit will be \$827,900. A rate increase of 4.2% above the 3.5% will be needed to cover this amount and bring us back to a balanced budget.

If Council chooses to fund both the Statutory and Essential New Items and the Staff Retention budget then the deficit will be \$1,127,900. A rate increase of 5.7% above the 3.5% will be needed to cover this amount and bring us back to a balanced budget.

Council's Directors and Managers have been consulted following the compilation of the final list and all have indicated that they can operate with the recommended budget.

It is strongly recommended that Councillors closely read the new items attachment so as to gain an appreciation of all the items requested, and particularly of those that are not recommended for funding.

If Councillors wish to include any additional new items I strongly suggest that a corresponding new item(s) be deleted so as the budget can remain on target.

I sought responses from Councillors in regard to possible new items. These requests have been included in the new items attachment.

A request has been received from Shellharbour Tourism for a further increase to their existing recurrent budget allocation of \$150,000. Shellharbour Tourism has received funding increases over the last few years. Last year Shellharbour Tourism sought an additional \$50,000 and was granted \$10,000. Shellharbour Tourism has put in a request in recent weeks for a further \$50,000. The matter is very much referred to Council as to whether it wishes to grant \$10,000 or a greater or lesser amount to foster tourism in Shellharbour. It is quite obvious that in the long term Council regards Tourism as the fundamental industry for Shellharbour and quite clearly we must have a positive outlook towards tourism. I seek Council's decision on this.

No provision has been made for an upgrade of the air conditioning at Lamerton House or to improve the "look" of the Council Chambers at Warilla.

Unexpended Items 2004 – 2005 Budget

There will be some items in the current financial year that will need to be carried over into the next budget period. The reasons for this is as follows:

- The inclusion of additional RTA works to be constructed by the close of the financial year – these works are traditionally allocated to us in the last quarter
- Other new works included in the program in the last quarter
- Some capital works projects require approvals from other Government authorities – this can cause delay with their implementation
- The extra RTA works deadlines usually cause Council staff to be unable to complete the full works program and it is usual for a number of projects to be held over and

construction to be undertaken early in the next financial year. To engage outside contractors, who don't have the particular job knowledge and expertise, is usually not feasible

- Some works have been deferred at the request of Councillors

At this point in time it is difficult to predict the required funds to be carried over with what I would consider the necessary level of accuracy. These will be advised when the budget is again reported to Council following the statutory exhibition period.

6. Summary

	\$ - 3.5%		\$ - 11%	
Operating Budget	1,920,198		441,698	
Balance Sheet Budget	2,852,200		2,852,200	
Capital Works Budget	2,746,731	7,519,129	2,746,731	6,040,629
<i>Less</i>				
Depreciation	9,400,000		9,400,000	
Section 94 funded items	754,731		754,731	
Restricted Assets	(271,385)		(271,385)	
Book Value Assets Sold	1,000,000		1,000,000	
Loan Funded Items	0	10,883,346	0	10,883,346
<i>Add</i>				
Section 94 surplus	3,349,207		3,349,207	
Land Sale (60:40 policy)	0		0	
Domestic Waste Surplus	214,527		214,527	
Community Transport Surplus	68,292	3,632,026	68,292	3,632,026
<i>Deficit before new items</i>		(267,809)		
<i>Surplus before new items</i>				1,210,691
Recommended New Items		82,000		1,200,900
(Deficit)/Surplus		(349,809)		9,791

7. Section 94

Council has carried out a major review of the Section 94 Contributions Management Plan. This plan details the community facilities to be provided over the next 14 years that are to be funded by both the development industry (S94 contributions) and Council. As well as having to meet a part of the construction cost, Council is also responsible for the operational and maintenance costs of these assets.

The Capital Works Budget details the Section 94 projects scheduled to be carried out over the 2005/2006 financial year.

8. Loans

The budget has been compiled on the basis of no external loan borrowing. Any borrowing must be authorised by the Department of Local Government. It is recommended that we seek an approval of \$1,000,000 in addition to this in order to have a loan approval should circumstances arise where an emergency situation may require a loan to be taken out. There is provision for capital works totalling \$1.8 million to be funded utilising funds normally allocated to loan repayments.

9. Strategic Financial Management

Any Council that sets an annual budget without reference to its long-term sustainability is not paying due heed to its responsibilities to its community. The budget is a detailed annual plan as to how the Council will use its financial resources to provide services and works for the betterment of its community. At the end of the day, we must aim to remain financially solvent in the long term. It is fair to say that Shellharbour City Council's financial position is relatively sound when compared to the position in which many local government authorities find themselves. The Council has reached this point through careful management and capitalising on opportunities, and needs to maintain this position through strong discipline and even better planning for the future. We have sound investments in our real estate assets that can be developed and capitalised upon.

The Minister for Local Government has identified the financial performance of Councils as an area of concern especially with respect to councils whose expenditure exceeds income. The Department of Local Government monitors the financial performance of Councils and it is important that we maintain the good financial record that we have established to ensure that we continue to be regarded as a viable entity in the long term.

Major challenges lie ahead in the continual quest to meet the demands of urban growth and the expectations of our community. Discipline and resolve have achieved much in the past and will continue to be required so that the community's major expectations can be realised.

In order to gain an understanding of Council's current financial position it is necessary to look back through past results. This will give an indication of the goals that we have been trying to achieve with Council's financial position over a ten-year period.

Debt

In 1993 the balance of Council's outstanding loans was \$11.1M. It was in that budget year that Council had applied for, and received an 11% rates increase. Our rate base was very low as a cumulative consequence of not taking rates increases over a number of years in the late 1970's and early 1980's, primarily due to the economic downturn in the region.

A high level of debt taken up to fund much needed infrastructure in the 80s, coupled with a low rate base, made the task of completing a workable operational budget impossible

without radical cuts to daily services. Part of the strategy to win the then Minister's support for our proposal was to display financial responsibility and as a part of that budget the "60:40 policy" was adopted. For many years prior to that, Council had relied upon the sale of real estate to fund the shortfall in recurrent operations. This was clearly not sustainable in the long term. The "60:40 policy" set out that any real estate asset sales were excised from Council's general revenue and held as a restricted asset – 60% towards future income generating commercial activities and 40% towards the retirement of debt. Such a policy, which Council had rigidly adhered to for over a decade has enabled Council to fund new commercial activities whilst also reducing Council's level of debt. As such, Council will be self funding its works traditionally funded by a loan programme rather than borrowing from the banks. The (self funded) loan programme proposed for 2005-2006 is \$1.8M and is being financed by the funds usually allocated in our budget for principal and interest payments. The use of debt comes at a cost, being interest at the market rate applicable at the time. If we have the ability to finance these works without incurring the additional interest cost, we are financially in a much better position.

The fact that we have maintained our current level of financial health has been verified by the various audit reports made in recent years.

This budget has been again compiled on the basis of no external loan borrowings supporting the capital works program. At the inception of the debt reduction program, it was always Council's intent to fund our annual capital works program from the savings generated from reduced debt servicing costs. It is pleasing to see that we have again been able to achieve this goal.

At this point in time the Council is in a good financial position but it must be mindful of the future commitments that we have made to the community.

Having recognised that our city is at a critical stage of its development we need to maintain strategies and discipline which will allow us to:-

- Meet our commitments to the Section 94 Management Plan
- Recognise our other physical, social, environmental and economic commitments and have them prioritised, planned, scheduled and funded
- Capitalise on even better use of technology already purchased, in order to manage with stable staff resources
- Maintain and restore our assets, particularly in the older areas
- Maintain our financial viability – we cannot afford to mortgage our future
- Establish an Economic Policy for the Council that encompasses the role of Council in the local/regional economy as well as the role of future entrepreneurial activities for Council. This matter is specifically addressed in the current draft management plan

A consistent and planned approach has served the city well in the recent past and is what our city needs. As has been demonstrated earlier, the long-term plan with respect to debt reduction is starting to provide positive benefits.

Restricted/Unrestricted Funds

At present Council has approximately \$40.3M invested as a part of its total pool of funds. However an important part of understanding the finances of a local authority is to recognise that not all these funds are available at the discretion of the Council to be allocated. Some funds are nominated as restricted: in other words they can only be utilised for the purposes for which they were collected. Tied specific purpose grants and Section 94 contributions collected from developers are good examples. At present the level of our unrestricted funds, together with our future commitments, makes the adoption of either a balanced or a surplus budget as a vitally important financial position to take.

60/40 Policy

As mentioned above and discussing the 60-40 policy, Council does divert 60% of the funds obtained from the sale of Council land into a fund called the "Entrepreneurial Fund", to fund commercial income generating activities, with the balance being utilised to fund our Section 94 projects. This year the entrepreneurial fund has been utilised to assist with the establishment of the Light Aviation Industry Cluster and the reconstruction of the runway at Illawarra Regional Airport.

Section 94

Our section 94 contributions management plan sees Council with \$47.7M worth of facilities to be implemented by the year 2014, of which Council is committed to fund \$17.2M, the balance being funded by developers contributions.

At present we have enough funds internally restricted to cover our commitments to this plan until the 2006/2007 financial year.

10. Management Plan

As Council recognises, budgets on their own are not enough. They have to be strategically applied if the community is to gain best value.

Considerable effort has been put in by Council's Managers and Directors to ensure that the Management Plan and Budget are in accordance with Council's Strategic Plan. The Strategic Plan remains the framework within which the management plan is developed.

11. Forward Financial Plan

In making an assessment of the financial futures of the organisation, there are many issues to be considered. How we provide for our community in terms of both physical and social infrastructure and services, and the finances of the organisation are interlinked. We need to strike a balance between what is appropriate to provide in terms of service levels and affordability. We must continue to maintain what we currently have as well as provide for future projects.

The forward financial plan is a series of yearly budgets through to the year ended 30th June 2014 and it is further detailed in the Strategic Plan.

These budgets are based on our 2005 – 2006 budget and are based on a series of assumptions regarding costs and activities. The biggest driver of change through the years of this plan is the implementation of the Section 94 Contributions Management Plan.

The forward financial plan will require development as time progresses. The full impact of our projected growth needs to be reassessed in terms of our asset maintenance regimes and some standards set with this respect.

However this plan gives a good indication as the affordability of our actions over a longer-term time frame.

There are also other major projects that we may have to fund that will have a significant impact on Council's finances.

These considerations may be forced upon us by factors beyond the control of Council, however for the benefit of our community we may be left with little choice other than to fund these items.

This plan is indeed a first draft and for it to be an effective tool it must be continually revised in view of Council policy, the local government industry in which we operate, and our local, regional and national economies. It by no means is a task that we can say is now done, and put away for another 5 years. It will require constant revision and should be reported to Council on a quarterly basis along with the review of the management plan.

Legal & policy implications

The *Local Government Act* requires:-

402. During each year, a Council must prepare a draft management plan with respect to:

- (a) the council's activities for the next 3 years; and
- (b) the council's revenue policy for the next year.

Further to section 402, section 403 prescribes what the content of the management plan should be.

403. (1) A draft management plan must contain the following statements with respect to the Council's activities to the period to which it relates:

- A statement of the principal activities that the council proposes to conduct
- A statement of the objectives and performance targets for each of its principal activities
- A statement of the means by which the Council proposes to achieve these targets
- A statement of the manner in which the Council proposes to assess its performance in respect of each of its principal activities

- Statements with respect to such other matters as may be prescribed by the regulations

403. (2) The statement of principal activities must include the following particulars:

- Capital works projects to be carried out by the Council
- Services to be provided by the council
- Asset replacement programs to be implemented by the Council
- Activities of a business or commercial nature to be undertaken by the Council
- Human resource activities (such as training programs) to be undertaken by the council
- Activities to properly manage, develop, protect, restore , enhance and conserve the environment in a manner that is consistent with and promotes the principles of ecologically sustainable development
- Activities in response to, and to address priorities identified in, the council's current comprehensive report as to the state of the environment and any other relevant reports
- Programs to be undertaken by the council to implement its equal employment opportunity management plan.

Section 404 further details the required contents of the draft management plan with respect to Council's revenue policy. Details are as follows:-

404. (1) A draft management plan must include the following statements with respect to Council's revenue policy for the next year, subject to the regulations:

- A statement containing a detailed estimate of the council's income and expenditure
- A statement with respect to each ordinary rate and each special rate proposed to be levied
- A statement with respect to each charge proposed to be levied
- A statement of the types of fees proposed to be charged by the council and the amounts of each such fee
- A statement of the Council's pricing policy with respect to the goods and services provided by it
- A statement of the amounts or rates proposed to be charged for the carrying out by the council of work on private land
- A statement of the amount of any proposed borrowings (other than internal borrowing), the sources from which they are proposed to be borrowed and the means by which they are proposed to be secured.
- Statements with respect to such other matters as may be prescribed by the legislation.

Section 404 (2) and (3) contain technical provisions with respect to rates and annual charges.

Section 404 (4) provides as follows:-

A draft management plan must include a statement containing a general estimate of the council's income and expenditure for the second and subsequent years for which the draft management plan is prepared

Section 404 (5) provides as follows:-

The statement of fees and the statement of pricing policy need not include information, which could confer a commercial advantage on a competitor of the council.

The Local Government Act 1993 also prescribes that the draft management plan must be advertised as follows:

- 405 (1) The Council must give public notice of its draft management plan after it is prepared.
- 405(2) The period of exhibition must be not less than 28 days.
- 405(3) The public notice must specify that submissions may be made to the council at any time during the period of public exhibition
- 405(4) The council must exhibit the draft management plan in accordance with this notice.
- 405(5) During the period of public exhibition, the Council must have for inspection at its office (and at such other places as it may determine) a map which shows those parts of its area to which each category and sub category of the ordinary rate and each special rate included in the draft management plan applies.

After the plan is advertised Council must then comply with s.406, which states:-

- 406(1) Before the end of each year, a Council must adopt a management plan for the following year after it has been prepared and exhibited in accordance with this part and any other matters it considers relevant.
- 406(2) In deciding on the final plan to be adopted, a Council must take into consideration any submissions that have been made concerning the draft management plan prepared and exhibited in accordance with this part.

Public/social impact

The draft management plan will be placed upon public exhibition as required by the Local Government Act.

Council has already signalled its intent to consider an 11% increase to its rates by an open letter to our community that was published in "The Lake Times" on 11th May 2005.

The public impact of a rates increase will need to be measured and responded to accordingly during the period of time that the management plan is on exhibition.

Options

1. That Council adopt:-

- The Management Plan
- Strategic Plan
- The Budget
- The Revenue Policy
- The Fees and Charges
- The Statutory New Budget Items as recommended totalling \$82,000
- The Essential New Budget Items as recommended totalling \$478,900
- Community Services Department Trainee (Priority 1) - \$45,000
- Play equipment soft fall (Priority 1) - \$20,000
- Replace sand in Warilla Pool sand filter (Priority 1) - \$18,000
- Works Depot Improvement – Extension of Parks & Gardens Garage (Priority 1) – \$35,000
- Adopt a road – Illawarra Road Safety Park (Priority 1) - \$5,000
- Stadium Materials Budget (Priority 1) - \$5,000
- Review of on site sewerage management DCP (Priority 1) - \$5,000
- Gross Pollutant Trap Maintenance (Priority 1) - \$10,000
- Additional Street Sweeper Operator (Priority 1) - \$26,000
- Councillor determined items - \$171,000
- Staff Retention Fund - \$300,000

And that this be advertised in accordance with s.405 of the Local Government Act. This will result in Council making an application to the Department of Local Government for an 11% increase to its rates. With such approval, this will result in a surplus of \$9,791.

If Council's Special Variation application is not approved by the Department of Local Government then Council resolves to increase rates by 3.5% as permitted by the Minister and that Council only fund the Statutory New Items as recommended totalling \$82,000 and that Council reduces its budget proportionally from the various Key Budget Activities funded by general revenue so as to achieve a balanced budget.

2. That Council adopt:-

- The Management Plan
- Strategic Plan
- The Budget
- The Revenue Policy
- A different combination of New Budget Items as Council determines

And that this be advertised in accordance with s.405 of the Local Government Act. Further that if this budget results in rates being required to be increased beyond the maximum 3.5% permissible then such application to increase our rates be made to the Department of Local Government

Conclusions


The budget, which forms a part of the management plan, is Council's main operating document for the next 12 months and details projects and planned expenditure and income. The budget is required as a part of the management plan to be put on public exhibition for 28 days and then reported back to Council with any public submissions that are made.

Council is endeavouring to satisfy the increasing demands of a rapidly expanding city, increased responsibilities from the State Government and greater legal and accountability requirements.

The recommendation to increase rate by 11% is not a decision that should be taken lightly, however, if Council is to maintain its current level of financial health without cutting services, then it has no other option that to increase our rates.

Irrespective of the ultimate decision as to whether we are given permission to increase our rates beyond the 3.5% general increase, a balanced budget is considered to be the best course that we can run for the next financial year.

If Council wishes to include additional items it should either delete items of a similar value to the increase or find alternative sources of income. Council must remain mindful of the critical statements made by the Minister for Local Government regarding councils that are spending more than they raise in income. We must not come to regard deficit budgets as the norm nor can we, in my view, continue to build into our budget a high level of recurrent costs.

Approved for Council's consideration: 

Attachments (all attachments under separate cover)

1. Draft Management Plan 2005-2006
2. Strategic Plan 2005-2010
3. Operational Budget
4. Balance Sheet Budget
5. Capital Works Budget
6. Draft Revenue Policy 2005/06
7. Fees & Charges
8. New Items for 2005/2006