

**REPORT TITLE: ENDORSEMENT OF THE DRAFT OPERATIONAL PLAN
AND BUDGET FOR THE 2022/2023 FINANCIAL YEAR,
FOR PUBLIC EXHIBITION**

ECM INDEXES:

**Subject Index: CORPORATE MANAGEMENT: Planning
GOVERNANCE: Planning
FINANCIAL MANAGEMENT: Budgeting**

Customer Index: NIL

Property Index: NIL

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PURPOSE

The purpose of this report is to seek Council’s endorsement to place the Glen Innes Severn Council’s Draft Operational Plan and Budget for the 2022/2023 Financial Year (***Annexure A*** – *under separate cover*) on public exhibition for 28 days and to invite public submissions.

RECOMMENDATION

THAT:

- 1. Council endorses the Draft Operational Plan and Budget for the 2022/2023 Financial Year and thereby endorses the expenditure amounts set out in the 2022/2023 Operational Plan and Budget, which is contained in Annexure A, which is under separate cover to the Business Paper, for public exhibition in accordance with the provisions of Section 405 of the Local Government Act 1993, for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022.***
- 2. Council advertises the Draft Operational Plan and Budget for the 2022/2023 Financial Year in the Glen Innes Examiner (Our Council), on the Glen Innes Severn Council website under Public Notices, and on Council’s Facebook page, and displays the relevant documents at the Emmaville Post Office, Deepwater Post Office and Glencoe Post Office.***

- 3. In accordance with the provisions of Section 535 of the Local Government Act 1993 (NSW), the proposed Rates and Charges for the 2022/2023 Financial Year are approved by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022, as follows:**

Farmland:

A Farmland rate of 0.002804196 (0.7%) or 0.002840961 (2%) cents in the dollar on the current land values of all rateable land in the Local Government Area being farmland, with a base rate of \$420 (0.7%) or \$430 (2%) per annum (the total revenue collected from this base amount represents 13.13% (0.7%) or 13.25% (2%) of the total revenue collected from this category of land);

Residential – Non-Urban:

A Residential – Non-Urban rate of 0.007944425 (0.7%) or 0.008048340 (2%) cents in the dollar on the current land values of all rateable land which is not within a Centre of Population in the Local Government Area, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Residential – Deepwater:

A Residential – Deepwater rate of 0.010364894 (0.7%) or 0.010500470 (2%) cents in the dollar on the current land values of all rateable land in the village of Deepwater, with a minimum rate of \$568 (0.7%) \$568 (2%) per annum;

Residential – Dundee:

A Residential – Dundee rate of 0.004717283 (0.7%) or 0.004778987 (2%) cents in the dollar on the current land values of all rateable land in the hamlet of Dundee, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Residential – Emmaville:

A Residential – Emmaville rate of 0.008385146 (0.7%) or 0.008494827 (2%) cents in the dollar on the current land values of all rateable land in the village of Emmaville, with a minimum rate of \$568 (0.7%) or \$568 (2) per annum;

Residential – Glencoe:

A Residential – Glencoe rate of 0.006516970 (0.7%) or 0.006602214 (2%) cents in the dollar on the current land values of all rateable land in the village of Glencoe, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Residential – Red Range:

A Residential – Red Range rate of 0.006531338 (0.7%) or 0.006616770 (2%) cents in the dollar on the current land values of all rateable land in the village of Red Range, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Residential – Wellingrove:

A Residential – Wellingrove rate of 0.009491434 (0.7%) or 0.009615585 (2%) cents in the dollar on the current land values of all rateable land in the hamlet of Wellingrove, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Residential – Glen Innes (including postponed rates):

A Residential – Glen Innes rate of 0.018375811 (0.7%) or 0.018616173 (2%) cents in the dollar on the current land values of all rateable land in the town of Glen Innes, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Non-Urban:

A Business – Non-Urban rate of 0.017925694 (0.7%) or 0.018160168 (2%) cents in the dollar on the current land values of all rateable land which is not within a Centre of Population within the Local Government Area, and which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Deepwater:

A Business – Deepwater rate of 0.014635490 (0.7%) or 0.014826927 (2%) cents in the dollar on the current land values of all rateable land in the village of Deepwater, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Dundee:

A Business – Dundee rate of 0.0013242072 (0.7%) or 0.013415282 (2%) cents in the dollar on the current land values of all rateable land in the village of Dundee, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Emmaville:

A Business – Emmaville rate of 0.015581780 (0.7%) or 0.015785595 (2%) cents in the dollar on the current land values of all rateable land in the village of Emmaville, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Glencoe:

A Business – Glencoe rate of 0.013245166 (0.7%) or 0.013419430 (2%) cents in the dollar on the current land values of all rateable land in the village of Glencoe, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Red Range:

A Business – Red Range rate of 0.032952968 (0.7%) or 0.033384003 (2%) cents in the dollar on the current land values of all rateable land in the village of Red Range, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Wellingrove:

A Business – Wellingrove rate of 0.058948533 (0.7%) or 0.059719597 (2%) cents in the dollar on the current land values of all rateable land in the hamlet of Wellingrove, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Business – Glen Innes:

A Business – Glen Innes rate of 0.021012587 (0.7%) or 0.021287438 (2%) cents in the dollar on the current land values of all rateable land in the town of Glen Innes, which cannot be categorised as either Farmland or Residential, with a minimum rate of \$568 (0.7%) or \$568 (2%) per annum;

Mining:

A Mining rate of 0.006999396 (0.7%) or 0.007091164 (2%) cents in the dollar on the current land values of all rateable land in the Local Government Area where the dominant use is for a coal mine or metalliferous mine, with a minimum rate of \$331 (0.7%) or \$329 (2%) per annum.

- 4. The Schedule of Fees and Charges for the 2022/2023 Financial Year be endorsed by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022.**
- 5. The Water Supply Charge Schedule for the 2022/2023 Financial Year be endorsed by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022. The following charges are proposed to be levied in accordance with the provisions of Section 552 and Section 501(1) of the Local Government Act 1993 on all land rateable to the Water Supply Charge for the year ending June 2023:**
 - a. Meter connection: Connected - \$363 per annum;**
 - b. Meter connection: Unconnected - \$363 per annum;**
 - c. Meter connection: 20mm - \$363 per annum;**
 - d. Meter connection: 25mm - \$430 per annum;**
 - e. Meter connection: 32mm - \$502 per annum;**
 - f. Meter connection: 40mm - \$646 per annum;**
 - g. Meter connection: 50mm - \$1,076 per annum;**

- h. Meter connection: 63mm - \$1,762 per annum;*
- i. Meter connection: 80mm - \$2,581 per annum;*
- j. Meter connection: 100mm - \$4,309 per annum;*
- k. Meter connection: 150mm - \$9,151 per annum;*
- l. Meter connection: 200mm - \$18,302 per annum.*

The proposed charge for water consumed by residential customers in both Glen Innes and Deepwater is to be charged by measure of metered water consumption at the rate of \$2.79 per kilolitre for water consumption between nil (0) and 450 kilolitres, and \$4.28 per kilolitre for water consumed over 450 kilolitres.

The supply of water at Emmaville shall be charged to customers by measure of metered water consumption and shall be charged at the rate of \$1.31 per kilolitre. Such rate shall only apply to those customers currently connected to the Emmaville system.

The supply of water for Council Sporting Fields shall be charged by measure of metered water consumption and shall be charged at the rate of \$0.51 per kilolitre.

The proposed charge for water consumed by commercial and non-rateable customers is to be charged by measure of metered water consumption at a rate of \$2.79 per kilolitre.

The proposed charge for water consumed from a standpipe/overhead fill point will be charged at the rate of \$3.18 per kilolitre.

- 6. The Drainage Charge Schedule for the 2022/2023 Financial Year be endorsed by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022, noting that a charge of \$105 is proposed to be levied in accordance with the provisions of Section 501 and Section 552 of the Local Government Act 1993 on all land assessable within the Glen Innes Severn LGA for the year ending June 2022.*
- 7. The Sewerage Services Charges Schedule for the 2022/2023 Financial Year be endorsed by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022. The following charges are proposed to be levied in accordance with the provisions of Section 501 and Section 552 of the Local Government Act 1993 on all land rateable to the Sewerage Services Charges for the year ending June 2023:*

Residential Sewerage – Glen Innes:

Sewerage availability charge of \$601 per annum per assessment (unconnected \$451 per annum) – intended to represent a contribution towards the cost of providing and maintaining the infrastructure.

Residential properties discharging septic tank effluent into the sewerage system will also be charged an annual sewerage availability charge of \$601 per connection.

Residential Sewerage – Deepwater:

Sewerage availability charge of \$480 per annum per assessment (unconnected \$361 per annum) – intended to represent a contribution towards the cost of providing and maintaining the infrastructure.

Commercial and Non-Rateable Sewerage – Glen Innes and Deepwater:

A Sewerage Access Charge will be incurred proportional to the customer's water connection diameter plus a nominal charge for sewerage discharge, calculated in accordance with the following connection options and the formula following subparagraph "l" below:

- a. Meter connection: Connected - \$242 per annum;**
- b. Meter connection: Unconnected - \$242 per annum;**
- c. Meter connection: 20mm - \$242 per annum;**
- d. Meter connection: 25mm - \$375 per annum;**
- e. Meter connection: 32mm - \$619 per annum;**
- f. Meter connection: 40mm - \$967 per annum;**
- g. Meter connection: 50mm - \$1,509 per annum;**
- h. Meter connection: 63mm - \$1,762 per annum;**
- i. Meter connection: 80mm - \$3,866 per annum;**
- j. Meter connection: 100mm - \$6,027 per annum.**
- k. Meter connection: 150mm - \$13,969 per annum;**
- l. Meter connection: 200mm - \$24,473 per annum.**

Annual Non-Residential Sewerage Bill * = SDF x (AC + C x UC), where:

SDF is the Sewer Discharge Factor (dependent on the type of business, assumed to be 0.95 unless stated otherwise within Council's Trade Waste Policy. This factor may be reduced upon evidence from the customer of reduced discharge to the sewerage system.

C is the Customer's Annual Water Consumption.

UC is the Sewer Usage Charge (\$1.28/kL).

AC is the Access Charge.

Commercial and non-rateable customers discharging septic effluent into the sewerage system will also be charged as detailed above.

Trade Waste:

The Liquid Trade Waste fees and charges are calculated in accordance with the Glen Innes Severn Council Liquid Trade Waste Regulation Policy.

The fees and charges for the 2022/2023 Financial Year are set out below:

Trade Waste Application Fee	(\$)
Category 1 Discharger	Nil
Category 2 Discharger	125
Category 3 Discharger	228
Trade Waste Approval Renewal Fee (5 years)	(\$)
Category 1 Discharger	Nil
Category 2 Discharger	66
Category 3 Discharger	113
Change of Ownership (no change to conditions of Trade Waste approval)	26
Reinspection Fee	97
Non compliance penalty	210
Annual Trade Waste Fee	(\$)
Category 1 Discharger	107
Category 2 Discharger	211
Large Discharger	748
Industrial Discharger	748
Re-inspection Fee	100
Trade Waste Usage Charges	(\$)
Category 1 Discharger with appropriate equipment	Nil
Category 1 Discharger without appropriate pre-treatment	1.95/kL
Category 2 Discharger with appropriate pre-treatment	1.95/kL
Category 2 Discharger without appropriate pre-treatment	17.99/kL
Food Waste Disposal Charge	32.54 per bed
Non-compliance pH charge(k value)	0.48
Value of coefficient K in equation 3 of Liquid Trade Waste Policy	0.49

Excess Mass Charges – 2022/2023

Substance	Price/kg (\$)
Aluminium	0.86
Ammonia* (as N)	3.52
Arsenic	88.26
Barium	44.13
Biochemical oxygen demand* (BOD)	0.86
Boron	0.86
Bromine	17.63
Cadmium	405.44
Chloride	No charge
Chlorinated hydrocarbons	44.13
Chlorinated phenolics	1,765.41
Chlorine	1.79
Chromium	31.26
Cobalt	17.99
Copper	17.99
Cyanide	88.26
Fluoride	4.40
Formaldehyde	1.79
Oil and Grease* (Total O&G)	1.62
Herbicides/defoliant	883.40
Iron	1.80
Lead	44.13
Lithium	8.83
Manganese	8.83
Mercaptans	88.26
Mercury	2,942.78
Methylene blue active substances (MBAS)	0.86
Molybdenum	0.86
Nickel	29.43
Nitrogen* (Total Kjeldahl Nitrogen – Ammonia) as N	0.25
Organoarsenic compounds	883.98
Pesticides general (excludes organochlorines and organophosphates)	883.80
Petroleum hydrocarbons (non-flammable)	2.94
Phenolic compounds (non-chlorinated)	8.83
Phosphorous* (Total P)	1.79
Polynuclear aromatic hydrocarbons	17.99
Selenium	62.13
Silver	1.64
Sulphate* (SO4)	0.22
Sulphide	1.79
Sulphite	1.94
Suspended Solids* (SS)	1.11

Thiosulphate	0.34
Tin	8.64
Total dissolved solids* (TDS)	0.07
Uranium	8.64
Zinc	17.47

Council has identified its sewerage supply service as a Category Two (2) Business and operates this in accordance with the Competitive Neutrality Guidelines 1997.

Tanked Waste:

Licence to discharge trucked septic waste (via designated manhole Wilson Park) \$33 per month.

Onsite Sewerage

Fee to operate an onsite sewerage system \$105 per annum levied on the annual Rate Notice.

- 8. The Waste Management Facility Charge of \$76 levied under the provisions of Section 501 of the Local Government Act 1993 for the 2022/2023 Financial Year be endorsed by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022.**

- 9. The Waste Collection Service Schedule for the 2022/2023 Financial Year be endorsed by Council for public exhibition as part of the Council's Operational Plan and Budget in accordance with the provisions of Section 405 of the Local Government Act 1993 for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022. The following charges are proposed to be levied in accordance with the provisions of Sections 496 and 502 of the Local Government Act 1993 for the Waste Collection Services (with the understanding that one (1) Waste Collection Service entitles a property owner to a 240 litre fortnightly recycling service and a 140 litre weekly garbage service per assessment – unless otherwise indicated):**
 - a. Domestic: Occupied (140l Waste, 240l Recycling) - \$342 per annum;**
 - b. Domestic: Additional standard waste service per assessment - \$174 per additional standard waste service;**
 - c. Domestic: Occupied (240l Waste, 240l Recycling) - \$468 per annum;**
 - d. Domestic: Additional large waste service per assessment - \$253 per additional large waste service;**
 - e. Domestic: Vacant land within scavenging area - \$153 per annum;**
 - f. Business/Commercial: Occupied (140l Waste, 240l Recycling) - \$342 per annum;**

- g. Business/Commercial: Additional standard waste service per assessment - \$174 per additional waste service;*
 - h. Business/Commercial: Occupied (240l Waste, 240l Recycling) - \$468 per annum;*
 - i. Business/Commercial: Additional large waste service per assessment - \$253 per additional large waste service;*
 - j. Business/Commercial: Vacant land within scavenging area - \$153 per annum;*
 - k. Non-rateable: Occupied (140l Waste, 240l Recycling) - \$342 per annum;*
 - l. Non-rateable: Additional standard waste service per assessment - \$174 per additional standard waste service;*
 - m. Non-rateable: Occupied (240l Waste, 240l Recycling) - \$468 per annum;*
 - n. Non-rateable: Additional large waste service per assessment - \$253 per additional large waste service;*
 - o. Non-rateable: Vacant land - \$153 per annum.*
- 10. Council, in accordance with the provisions of Section 566(3) of the Local Government Act 1993, determines that the extra interest charges on overdue rates and charges will be levied at the maximum rate allowable and as advised by the Office of Local Government on a daily simple interest basis for the financial year ending 30 June 2023. The rate for the 2022/2023 Financial Year is six percent (6%) per annum (6% for 2021/2022). That Council, in accordance with the provisions of Section 405(6) of the Local Government Act 1993, places a copy of its adopted Operational Plan and Budget for the 2022/2023 Financial Year on its website within 28 days of it being formally adopted.**
- 11. Council requests the Director of Corporate and Community Services to present a further report, together with all submissions received, to Council at the conclusion of the public exhibition period for Council's consideration and adoption of the Final Operational Plan and Budget for the 2022/2023 Financial Year at its Ordinary Council Meeting to be held on Thursday, 23 June 2022.**

REPORT

(a) Background

Council's Draft Operational Plan and Budget for the 2022/2023 Financial Year provides a direct link to the three (3) year Delivery Program, and in turn the 10 Year **Community Strategic Plan (CSP)**. The Delivery Program was reduced by 12 months by the **Office of Local Government (OLG)** to align with the next local government election and will finish 30 June 2025, thus becoming a new 3-year Delivery Program due to COVID-19.

The CSP contains five (5) strategic objectives. They are: An Attractive Quality of Life, A Prosperous Local Economy, Fit for Purpose Public Infrastructure, An Appealing Sense of Place, and Recognised for Local Leadership. The strategic objectives cascade down to 38 strategic goals, which then cascade into the three-year Delivery Program of principal activities that cascades into the annual Operation Plan Actions.

In line with the provisions of the *Local Government Act 1993* and requirements of the **Integrated Planning and Reporting Framework (IP&R)**, Council is required to develop an annual Operational Plan and Budget that is derived from the three (3) year Delivery Program, which in turn is developed from the 10-year CSP.

The *Local Government Act 1993* (NSW) states the following in **Section 405**, regarding the **Operational Plan**:

- 1) *A council must have a plan (called its "operational plan") that is adopted before the beginning of each year and details the activities to be engaged in by the council during the year as part of the delivery program covering that year.*

In addition Council must ensure that:

- 1) *An operational plan must include a statement of the council's revenue policy for the year covered by the operational plan. The statement of revenue policy must include the statements and particulars required by the regulations.*
- 2) *A council must prepare a draft operational plan and give public notice of the draft indicating that submissions may be made to the council at any time during the period (not less than 28 days) that the draft is to be on public exhibition. The council must publicly exhibit the draft operational plan in accordance with the notice.*
- 3) *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 that 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 operational plan applies.*
- 4) *In deciding on the final operational plan to be adopted, a council must consider any submissions that have been made concerning the draft plan.*
- 5) *The council must post a copy of its operational plan on the council's website within 28 days after the plan is adopted.*

The Operational Plan and Budget forms part of IP&R for Local Government in NSW. This one (1) year Operational Plan and Budget is part of a reduced three (3) year Delivery Program and 10-year CSP.

The IP&R is also made up of the 10-year **Long Term Financial Plan (LTFP)**, Asset Management Strategy and the Workforce Management Strategy.

(b) Discussion

The Operational Plan and Budget consists of a “written part” where strategies and actions have been developed for the 2022/2023 Financial Year in order to achieve the goals and objectives that are identified in the CSP. The “financial part” of the Operational Plan and Budget provides for the financial resources to enable the CSP strategies and actions to be implemented and pursued during the course of the 2022/2023 Financial Year.

Snapshot of Council’s Financial Position and the 2022/2023 Budget:

Council’s draft Budget comprises the following (with last year’s figures in brackets as a comparison):

- Operating Income (including Capital Grants and Contributions) **\$48,185,908** (46,705,006)
- Operating Income (excluding Capital Grants and Contributions) **\$36,983,667** (\$35,533,460)
- Operating Expenditure **\$36,948,756** (\$34,913,459)
- Capital Expenditure **\$19,534,216** (\$17,464,451)
- Loan Principal and Lease Repayments **\$ 2,276,992** (\$ 2,325,790)

The Draft Operating Budget shows a balanced operating position (small surplus of \$35K) after excluding Capital and Grants Contributions.

Council’s Capital Works Program Budget of \$19,534,216 is broken down into the following projects:

	\$
Projects funded from Roads to Recovery Grants	889,200
Projects funded through the Bridge Renewal Program	2,027,083
Projects (roads and footpaths) funded from the General Fund	987,713
Projects (bridges) funded through the LIRS* loans scheme	50,000
Plant and Equipment funded from the General Fund	1,108,000
Projects funded from the Water Fund	711,854
Projects funded from the General Fund	431,720
Projects funded from Regional Roads Grants	590,000
Projects funded from the Sewer Fund	641,117
Projects (roads and plant) funded from the Glen Innes Aggregates surplus	300,000
Projects funded from other grants and contributions	11,068,529
Projects funded from borrowings	300,000
Projects funded from the Stormwater / Drainage Restricted Funds	429,000

*Local Infrastructure Renewal Scheme

The 2022/2023 Financial Year Operating Performance Ratio forms part of the NSW Local Government’s Fit for the Future criteria. This ratio measures Council’s ability to contain operating expenditure within operating revenue.

The benchmark for this ratio is 0% or better to break even average over three (3) years. The ratio excludes capital grants and contributions from Operating Revenue.

Council is expected to meet this target in the 2022/2023 Financial Year. The neutral ratio of (0.0%) shows that Council has sufficient operational revenue to cover its operational expenditure without the need to access capital revenue.

Council will continue to look at ways to reduce its operational expenditure or alternatively find ways to increase its operational income.

The annual rate peg amount this year has been announced at 0.7%, whilst salary and wages under the award are budgeted to increase by two percent (2%) and superannuation is budgeted to increase by 0.5% to 10.5%. As a result, Council's revenue stream has not increased in real terms from that source of income. The OLG has acknowledged this rate peg creates an untenable position for sustainability for many councils and has allowed council to apply for an additional increase in rate peg.

This budget continues to fulfil the requirement to demonstrate how Council can continue to remain a stand-alone sustainable Council, providing effective and efficient services and further developing the scale and capacity needed to meet the needs of the community into the future.

1) Highlights of the Draft Operational Budget for the 2022/2023 Financial Year are:

- a) A balanced Operational Position (after capital revenue items, have been deducted); and
- b) On Monday, 13 December 2021, IPART advised that the traditional cost component of the rate peg for 2022/2023 would be 0.7%. For Glen Innes Severn Council, IPART modelling for the population growth factor was negligible, providing no further increase to the 0.7% traditional cost component. This is the lowest rate peg in two (2) decades and less than half the previous record low of 1.5%, applied in 2017/2018.

It was devastating news for councils already struggling with financial sustainability issues in the wake of drought, bushfires, floods, and the COVID-19 pandemic.

It has been recommended to Council that an immediate application under the one-off ASV be applied for. This will help to make up the difference between the 0.7% rate peg that IPART advised in December 2021 on the basis that a two percent (2%) increase was modelled in the 2021/2022 Integrated Planning and Reporting documents.

2) Highlights of the Draft Capital Budget for the 2022/2023 Financial Year are:

- a) A total Capital Budget of \$19,534,216;
- b) Total capital funds of \$13M are budgeted to be spent on roads, bridges and footpaths in the 2022/2023 Financial Year.
- c) The Heavy Patching Program will continue with an allocation of \$797,713;
- d) Funding will also cover gravel re-sheeting of Nine Mile Road, Bullock Mountain Road, Haymarket Road and Caerleon Road;
- e) A Plant Replacement Program of \$1,108,000;
- f) Outdoor netball courts have allocated funding of \$251,310; and
- g) Emmaville War Memorial Hall upgrades of \$131,651.

3) Essential Public Asset Restoration Claim:

Work will continue on flood recovery work, with the balance of funds of the 2021/2022 \$5,000,000 grant available to be spent during the 2022/2023 Financial Year.

4) Roads to Recovery and Regional Roads Funds:

During the 2022/2023 Financial Year Council will receive \$889,200 for the Roads to Recovery Program and Regional Roads Grants of \$590,000.

The Capital Budget amount includes a provisional budget for the upgrade of Bald Nob Road under the Roads of Strategic Importance program.

The Capital Works schedule provides more detail of the works to be undertaken during the 2022/2023 Financial Year.

5) Glen Innes Aggregates:

It is expected that an Operating Surplus of \$513,420 will be achievable for Glen Innes Aggregates in the 2022/2023 Financial Year.

6) Water fund:

Water service fees have been increased by 2.5% for the 2022/2023 Financial Year. Council has identified its water supply service as a Category Two (2) Business and operates this in accordance with the Competitive Neutrality Guidelines 1997. The water business will continue to be fully self-funded. The water asset renewal program will continue in the 2022/2023 Financial Year.

7) Sewer fund:

Sewerage service fees have been increased by 2.5% for the 2022/2023 Financial Year. The sewer mains relining program will continue as in previous years, gradually reducing stormwater infiltration into the network. Council will also continue to improve system processes at the Glen Innes Sewage Treatment Plant to ensure compliance with **NSW Environment Protection Authority (EPA)** licence requirements. As with the Water Fund, the Sewer Fund is also planned to return an operating profit.

Council's Key Performance Indicators (KPIs):

Council's KPIs can be visually depicted as follows:

Measure / benchmark	2022/2023	
	ESTIMATED	
Operating Performance Ratio (Greater than or equal to breakeven average over 3 years)		This ratio measures Council's ability of containing operating expenditure within operating revenue. GISC is in a breakeven position for the next three (3) years and meets this target.
Own Source Revenue Ratio (Greater than 60% average over 3 years)		This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. GISC is unfavourable for the current year due to high grant revenue but meets the target for the three (3) year average.
Building and Infrastructure Asset Renewal Ratio (Greater than 100% average over 3 years)		This ratio measures the rate at which assets are being renewed relative to the rate they are being depreciated. GISC asset strategies ensure this target is met.
Infrastructure Backlog Ratio (Less than 2%)		This ratio shows the annual renewal backlog as a proportion of the total value of Council's infrastructure. GISC does not meet, due to the high level of backlog. While reducing, the target will not be met within the Long-Term Financial Plan.
Asset Maintenance Ratio (Greater than 100% average over 3 years)		This ratio compares actual asset maintenance with required asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog through insufficient funds. GISC currently meets this target.
Debt Service Ratio (Greater than 0% and less than or equal to 20% average over 3 years)		This ratio measures the availability of operating cash to service debt. GISC currently meets this target.
Real Operating Expenditure Per Capita (A decrease in Real Operating Expenditure per capita over time)*		This ratio measures productivity changes over time based on movements in real per capita expenditure. Based on the assumption that service levels remain constant, a decline in real expenditure per capita indicates efficiency improvements i.e. the same level of output is achieved with reduced expenditure). GISC will not meet in 2021/2022.

*Based on the false assumption that Council's service levels remain the same when in fact they are increasing.

Council is forecasting a balanced operating position for the 2022/2023 Financial Year and into future years. Of all the financial health benchmarks, a continuous healthy operating surplus year after year is the most important indicator of Council's ability to be financially sustainable now and into the future.

Council's Revenue Policy

Council's significant revenue sources are from general rates, fees and charges, the **Financial Assistance Grant (FAG), Roads to Recovery (R2R) Grant**, and other grant funds; particularly in the area of Community Services, of which Life Choices - Support Services is largely externally funded through grant funding from the State and Commonwealth Governments.

Council's Own Source Operating Revenue Ratio, which measures fiscal flexibility and the degree of reliance on external funding sources such as operating grants and contributions is expected to meet the benchmark of >60% average over three (3) years in 2022/2023. The 2022/2023 estimate is 55.53% (excluding the FAG) and 65.02% including FAG as Rural councils are permitted to do under the Fit for the Future Financial Ratio guidelines.

The proposed Revenue Policy is in line with the current year's rating model, and is based on Minimum Rates and Land Valuations, except the category of farmland that is based on a Base Rate and Land Valuations. The guiding principle of Council's Revenue Policy is that the current rating structure achieves the desired outcome of a fair imposition of rates on rateable parcels of land within Council's area of jurisdiction.

Council rates have been increased by the rate peg of two percent (2%) for 2022/2023. A rate peg at 0.7% was not sustainable.

Other Fees and Charges

A number of the fees and charges are set by legislation; thereby preventing any increase. Some fees, such as Trade Waste Fees and Plant Hire Rates have been increased by the estimated **Consumer Price Index (CPI)** (3%). There are a number of instances where fees have been increased by 2.5%, for example Sewer charges. Water usage charges have been increased by 2.5%.

The Draft Operational Plan and Budget for the 2022/2023 Financial Year sets the works program in detail for the next financial year, based on objectives, strategies and actions that had been included in the three (3) year Delivery Program and the 10-year Community Strategic Plan. In accordance with sound management principles, it is expected that all supervisors, managers and directors will maintain a particular focus on their budgets throughout the financial year; ensuring that expenditure levels remain within budgetary provisions.

Long Term Financial Plan

The LTFP is being redeveloped to incorporate the new chart of accounts designed for Open Office (Council's new financial software system). Open Office is due to go live in June 2022. Council will take this opportunity to redevelop the LTFP using the LG Solutions Software platform.

(c) Options

Council has the option to vary sections of the Draft Operational Plan and Budget for the 2022/2023 Financial Year.

IMPLICATIONS TO BE ADDRESSED

(a) Financial

The Draft Operational Plan and Budget for the 2022/2023 Financial Year contains the operational and capital revenue and expenditure that Council has committed to for the 2022/2023 Financial Year.

(b) Governance/Policy

If adopted by Council, the Draft Operational Plan and Budget for the 2022/2023 Financial Year will set the overarching policy direction for Council for the next financial year.

(c) Legislative/Statutory

Council must ensure that it endorses its draft budget in accordance with various provisions in the *Local Government Act 1993* (the Act) and the *Local Government (General) Regulations 2005*.

- Section 405 of the *Local Government Act 1993*:
 - (1) *A council must have a plan (called its “operational plan”) that is adopted before the beginning of each year and details the activities to be engaged in by the council during the year as part of the delivery program covering that year.*
- Section 494 of the *Local Government Act 1993*:
 - (1) *A council must make and levy an ordinary rate for each year on all rateable land in its area.*
 - (2) *Each category or subcategory of ordinary rate is to apply only to land of the same category or subcategory.*
- Section 496 of the *Local Government Act 1993*:
 - (1) *A council must make and levy an annual charge for the provision of domestic waste management services for each parcel of rateable land for which the service is available.*
- Section 496A of the *Local Government Act 1993*:

(1) A council may, in accordance with the regulations, make and levy an annual charge for the provision of stormwater management services for each parcel of rateable land for which the service is available.

- Section 501 of the *Local Government Act 1993*:

(1) A council may make an annual charge for any of the following services provided, or proposed to be provided, on an annual basis by the council:

- *Water supply services*
- *Sewerage services*
- *Drainage services*
- *Waste management services (other than domestic waste management services)*
- *Any services prescribed by the regulations.*

- Section 502 of the *Local Government Act 1993*:

A council may make a charge for a service referred to in section 496 or 501 according to the actual use of the service.

- Section 552 of the *Local Government Act 1993*:

(1) A special rate or charge relating to water supply may be levied on:

- (a) Land that is supplied with water from a water pipe of the council, and*
- (b) Land that is situated within 225 metres of a water pipe of the council whether the land has a frontage or not to the public road (if any) in which the water pipe is laid, and although the land is not actually supplied with water from any water pipe of the council.*

(d) Risk

The preparation of the budget required considerable cost reduction in all areas to cover uncontrollable increases in expenses in areas such as insurance cost, wages, and depreciation. The rates increase was not of a sufficient level to offset these cost increases.

Due to the reduction of budgeted expenditure, there is a risk that unforeseen cost increases may negatively impact Council's ability to achieve a balanced operating position at year end.

(e) Social

This Draft Operational Plan and Budget for the 2022/2023 Financial Year forms part of the direction that the community communicated to Council through the extensive Community Engagement that took place for the development of the current CSP and Delivery Program. This document forms an integral part in the journey to achieve the outcomes of the aforementioned documents.

(f) Environmental

Council's Draft Operational Plan and Budget for the 2022/2023 Financial Year identifies a number of environmental strategic objectives, strategies and actions.

(g) Economic

All Council officials have been mindful of the economic implications in the preparation of Council's Draft Operational Plan and Budget for the 2022/2023 Financial Year.

(h) Asset Management

All Council officials have been mindful of the asset management implications in the preparation of Council's Draft Operational Plan and Budget for the 2022/2023 Financial Year. Whole of life asset and depreciation cost considerations are important drivers in Council's future financial direction.

CONSULTATION

(a) External

Council's Draft Operational Plan and Budget for the 2022/2023 Financial Year will go on public exhibition for 28 days from Thursday, 5 May 2022 until Wednesday, 1 June 2022. During this time submissions will be invited from the community.

Council will advertise the Draft Operational Plan and Budget for the 2022/2023 Financial Year in the Glen Innes Examiner (Our Council) on the Glen Innes Severn Council website under Public Notices, and on Council's Facebook page and display the relevant documents at the Emmaville Post Office, Deepwater Post Office and Glencoe Post Office.

(b) Internal

The budget has been prepared with full collaboration and input from all Managers and the **Management Executive Team (MANEX)**.

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)

The Draft Operational Plan and Budget for the 2022/2023 Financial Year is required to be prepared in accordance with the Integrated Planning and Reporting Framework. Accordingly, it provides a direct link to the three (3) year Delivery Program, and in turn the 10 Year CSP.

CONCLUSION

Council's Draft Operational Plan and Budget for the 2022/2023 Financial Year provides a direct link to the three (3) year Delivery Program, and in turn the 10 Year CSP. The Delivery Program was reduced by 12 months by the OLG to align with the next Local Government election and will finish on 30 June 2025, thus becoming a new 3-year Delivery Program.

The CSP contains five (5) strategic objectives. They are: An Attractive Quality of Life, A Prosperous Local Economy, Fit for Purpose Public Infrastructure, An Appealing Sense of Place, and Recognised for Local Leadership. The strategic objectives cascade down to 38 strategic goals, which then cascade into the three-year Delivery Program of principal activities that in turn cascades into the annual Operational Plan Actions.

In summary, Council's 2022/2023 Draft Budget shows a balanced operating position (small surplus of \$35K) after excluding Capital and Grants Contributions and comprises the following (with last year's figures in brackets as a comparison):

• Operating Income (including Capital Grants and Contributions)	\$48,185,908	(46,705,006)
• Operating Income (excluding Capital Grants and Contributions)	\$36,983,667	(\$35,533,460)
• Operating Expenditure	\$36,948,756	(\$34,913,459)
• Capital Expenditure	\$19,534,216	(\$17,464,451)
• Loan Principal and Lease Repayments	\$ 2,276,992	(\$ 2,325,790)

The Draft Operational Plan and Budget for the 2022/2023 Financial Year is now presented for Council's endorsement before going on public exhibition for 28 days for the purpose of inviting public submissions.

ATTACHMENTS

Annexure A Draft Operational Plan and Budget for the 2022/2023 Financial Year
(under separate cover)