



URALLA SHIRE COUNCIL BUSINESS PAPER

Notice is hereby given, in accordance with the provision of the Local Government Act 1993 that a Meeting of Uralla Shire Council will be held in the Council Chambers, 32 Salisbury Street, Uralla.

BUDGET REVIEW & FINANCE COMMITTEE MEETING

13 April 2021

Commencing at 10:30AM

Kate Jessep
GENERAL MANAGER
UINT/21/3994

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- 4 WEBCAST INFORMATION
- 5 APOLOGIES & APPLICATIONS FOR LEAVE OF ABSENCE BY COUNCILLORS
- 6 DISCLOSURES & DECLARATIONS OF INTEREST
To be tabled at the Meeting.
- 7 CONFIRMATION OF MINUTES
Minutes to be confirmed at the 13 April 2021 2021 Meeting of Committee:
 - 7.1 BUDGET REVIEW & FINANCE COMMITTEE MEETING OF COUNCIL HELD 9 FEBRUARY 2021



MINUTES

Budget, Review and Finance Committee Meeting

9 February 2021 – 12:30pm, Council Chambers

Attendee's:

Cr M Pearce (Mayor)

Cr I Strutt (Deputy Mayor)

Cr M Dusting

Cr R Crouch

Cr N Ledger

Cr L Sampson

Cr T Toomey

Cr R Bell

General Manager – Kate Jessep

Chief Financial Officer – Simon Paul

Director, Infrastructure of Development – Terry Seymour

Executive Manager, Corporate Services – Christine Valencius

Coordinator, Governance & Risk – Nathalie Heaton

Manager, Planning & Development – Matt Clarkson

Minute Clerk – Wendy Westbrook & Nathalie Heaton

Apologies:

Cr T O'Connor

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UNCONFIRMED

1 MEETING OPENING & WELCOME

The Chair declared the meeting open at 12:30pm.

2 PRAYER

The Chair read the prayer.

3 ACKNOWLEDGEMENT OF COUNTRY

The Chair acknowledged Country and Elders past and present.

4 WEBCAST INFORMATION

The Chair advised that the meeting is audio recorded and the recording is made available on Council's website after the meeting.

5 APOLOGIES, REQUESTS FOR LEAVE OF ABSENCE AND OBSERVERS

5.1 *The chair noted apologies from Cr T O'Connor.*

5.2 *The Chair noted there were no observers at the Budget Review & Finance Meeting.*

5.3 *The Chair noted a request has been presented to Council for leave of absence from Cr O'Connor from this meeting going forward.*

**MOTION Moved: Cr Dusting/ Seconded: Cr Strutt
That Cr O'Connor be granted a leave of absence for the meeting.**

BRFC01.02/21 CARRIED UNANIMOUSLY

Cr O'Connor absent at time of voting.

6 DISCLOSURE AND DECLARATIONS OF INTEREST

There were no disclosure or declarations made.

PROCEDURAL MOTION – MEETING ADJOURNMENT

**PROCEDURAL MOTION Moved: Chair – Mayor Cr Pearce/ Seconded: Cr Dusting
That this Budget Review and Finance Committee meeting be adjourned for the ARIC Meeting to continue. At the conclusion of the ARIC meeting the Budget Review & Finance Committee meeting will re-commence.**

BRFC02.02/20 CARRIED UNANIMOUSLY

Meeting Adjournment 12:33pm to 2:48pm

The Meeting resumed at 1:48pm.

7 CONFIRMATION OF MINUTES

7.1 Minutes from the 8 December 2020 Budget Review & Finance Committee Meeting.

Minutes of, Budget, Review and Finance Committee Meeting held 8 December 2020 presented and the chair called for any amendments. There were no amendments requested by Councillors.

MOTION Moved: Cr Strutt/ Seconded: Cr Dusting

That Council adopt the minutes the Budget, Review and Finance Committee meeting held 8 December 2020, as a true and correct record of the 8 December 2020.

BRFC03.02/21 CARRIED UNANIMOUSLY

8 URGENT, SUPPLEMENTARY AND LATE ITEMS FOR BUSINESS

Nil

9 REPORTS

9.1 Water and Sewer Service Review

MOTION Moved: Cr Strutt / Seconded: Cr Bell

That the Budget Review and Finance Committee recommend to Council that:

- a) The service review information to be developed in conjunction with the Integrated Water Cycle Management Strategy; and
- b) Council work with ZNet and undertake community engagement on water price model structure options as part of the preparation of the 2021/22 Operational Plan.

BRFC04.02/21 CARRIED UNANIMOUSLY

9.2 Horizontal Service Review – Priority 3 Actions - Summary

MOTION Moved: Cr Crouch / Seconded: Cr Strutt

That the Committee advise Council they have reviewed the Horizontal Service Review – Priority 3 Actions Summary and recommends to Council that the proposed actions marked R and I be confirmed:

See table page 5>

Opportunity	Recurrent Benefit* Under implementation	Estimated potential recurring benefit*	Reject (R), investigate further (I), or under implementation (U)
1. Review and reduce the customer service hours at the Council Office, Library and Visitors Information Centre including consolidation of activities within the Library building. - <i>Separate these three service areas; and</i> - <i>Defer investigation until the completion of works at the VIC.</i>		31,000	I
2. Rent out the café space at the Visitors Information Centre. Suggest \$250 per day fee hire. - <i>Defer investigation until the completion of works.</i>		15,000	I
3. Upgrade street lighting	16,553		U
4. <i>Review/Remove the Community Grants Program and other sponsorships</i>		60,000	I
5. Privatise McMaugh Gardens		30,000	R
6. Solar power – water and sewer services	20,000		U
7. Solar power - pool		1,570	R
8. Improve procurement management practices, including with Joint Organisation	5,000		U
9. Joint Organisation – shared services across all back-end administration services		40,000	I
10. Transition indoor workforce from 9 day fortnight RDO system to 19 day month (excluding TCS/TCT LG Staff)		70,000	R
11. Various waste services ideas, mostly already subject to service review			U
12. Reduce opening days of swimming pool		48,000	I
13. Review of water and sewer reticulation condition		-	I
14. Review Transport Asset Management Plan for reduction of proposed service levels		100,000	I
15. Better fleet management (of vehicles)/cost benefit of staff leaseback arrangements		10,000	I
16. Ask community how we can make savings	-		U
ESTIMATED TOTALS:	41,553	405,570	

BRFC05.02/21 CARRIED UNANIMOUSLY

10 CONFIDENTIAL BUSINESS

10.1 NIL

11 CONCLUSION OF MEETING

17.1 Meeting closed at 4.14pm.

12 NEXT MEETING

12.1 Next meeting 13 April 2021

13 CONFIRMATION OF MINUTES

COUNCIL MINUTES CONFIRMED BY:	
RESOLUTION NUMBER:	
DATE:	
CHAIR:	Mayor, Cr Michael Pearce
Presented to Council	Ordinary Meeting <date>

UNCONFIRMED

8 URGENT, SUPPLEMENTARY AND LATE ITEMS OF BUSINESS

NIL

9 REPORTS

9.1 REVIEW OF DRAFT BUDGET 2021-2022 VERSION 0.1

Department:	Finance
Prepared by:	<i>Chief Financial Officer</i>
TRIM Reference:	UINT/21/4081
Attachments:	<ol style="list-style-type: none">1. 23 March 2021 Ordinary Council meeting – Preparation of the 2021-2022 Operational Plan - Attachment 1 - UINT/21/33962. Report to the Budget Review and Finance Committee meeting on 8 December 2020 regarding water pricing3. Summary of Horizontal Service Review Items

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Goal:	4.2	An effective and efficient organisation
Strategy:	4.2.2	Operate in a financially responsible and sustainable manner
Activity:	4.2.2.1	Maintain and control financial system and improve long term financial sustainability
Action:	4.2.2.1.1	Review and revise the 10-year Long Term Financial Plan

RECOMMENDATIONS:

1. That the Budget Review and Finance Committee note the budget preparation stages outlined in this report and resolve to schedule an additional Committee meeting on Tuesday 4 May 2021 commencing at 10.30am to finalise the draft budget.

2. That the Budget Review and Finance Committee recommend the following specific reductions in service levels be costed for consideration at the next Budget Review and Finance Meeting:

<to be inserted at the meeting>

3. That the Budget Review and Finance Committee recommend the following specific revenue raising options be assessed for consideration at the next Budget Review and Finance Meeting:

<to be inserted at the meeting>

KEY ISSUES

1. Draft budget 2021/22 version 0.1 has been prepared to deliver the current infrastructure and services as required by the adopted Community Strategic Plan, Delivery Program, Asset Management Plans and Operational Plan.
2. The draft budget 2021/22 v0.1 projects an operating deficit circa \$1.4million.
3. The effect of operating deficits in the current and previous two years have been partially ameliorated by additional operational and capital grant funding; however, continuation of this cannot be assumed in future years.
4. Ongoing deficits are not sustainable and if not curtailed within the next few years will ultimately affect the ongoing viability of Council as an independent Shire.
5. The operating deficit can be addressed by a combination of some or all of the following measures over the next one or several years:
 - a. Reduction of service levels
 - b. Changes to service delivery methods
 - c. Cease increases to service standards
 - d. Full cost recovery, where permitted
 - e. Reduce/remove discretionary costs
 - f. Increase revenue
6. Stage one of a two-stage community consultation on the preparation of the 2021/22 budget has commenced to facilitate early feedback from the community to assist Council's decision making.

BACKGROUND

Council is currently preparing the 2021/22 draft budget and version 0.1 (v0.1) was presented to the 23 March 2021 Ordinary Council meeting. A copy of this report is included at **Attachment 1**. Note that the formatting in this report is different to the annual financial statements in that a positive grand total in the consolidated income statement represents a loss and a negative number represents a profit.

The following motion was carried by Council in relation to the abovementioned report:

That Council:

1. *note that the 2021/22 draft budget has been prepared (version 0.1) and that significant work is required to reduce the forecast operating deficit; and*
2. *undertake preliminary community engagement on service levels and associated expenditure and increased/new revenue opportunities; and*
3. *undertake further consideration of service levels and associated expenditure and increased/new revenue opportunities at the Budget Review and Finance Committee on 13 April 2021 commencing at 10:30am, to inform the next version of the 2021/22 draft budget meeting.*

The 2021/22 draft budget has integrated the proposed increase in water charges as detailed in the last report to the Budget Review and Finance Committee meeting on 8 December 2020 and which is included as **Attachment 2**.

Preparation for community engagement has commenced with a public notice requesting stage 1 feedback on the draft budget expected to be released before 13 April 2021. This will be supported by the listening post trial extension in Kingstown, Kentucky and Invergowrie on 8, 9 and 12 April, 2020. Additional listening posts will also be scheduled for Uralla and Bundarra (dates to be finalised).

Further stage 2 consultation will be undertaken prior to the adoption of the final budget by Council.

The purpose of this meeting is to consider amendments to service levels (and associated expenditure) and opportunities for increased/new revenue opportunities.

Context

Over the past three years Uralla Shire Council has budgeted for a consolidated loss before capital grants¹ – see table 1 below.

\$'000	2018/19	2019/20	2020/21
General Fund	(1,314)	(699)	(1,104)
McMaugh Gardens	127	(47)	(80)
<i>Sub-total</i>	<i>(1,187)</i>	<i>(746)</i>	<i>(1,183)</i>
Water Fund	(422)	(282)	(447)
Sewer Fund	21	13	(2)
Total	(1,588)	(1,015)	(1,633)
Actual Results	(1,708)	(1,452)	(2,112)²

Table 1 – Budgeted Net operating result before grants and contributions provided for capital purposes

Based on the draft budget for 2021/22 that was presented to Council in March 2021, Council is again anticipating a consolidated operating loss before capital grants¹ of \$1,375,050.

In the longer term, this is not financially sustainable and Council must resolve to overcome this deficit through changes to its annual budget decisions.

The 23 March 2021 Council resolution above identified “that significant work is required to reduce the forecast deficit”. This has been an ongoing effort for Council and especially since the Fit for the Future criteria were introduced.

In 2015 Council resolved the following:

In order to meet the Fit for the Future criteria and to remain a single entity, Council commits to applying for a special rate variation commencing from the 2016/17 financial year in an amount required to bring Council into a surplus operating result position (before capital grants);

Although this work was progressed in 2018/19, Council resolved not to proceed to public consultation on the Special Rate Variation (SRV) and instead form a Budget Review and Finance Committee (BR&FC) to undertake a detailed review of Council’s budget and expenditure.

If the SRV had been introduced as proposed, Council would have increased its rates revenue by approximately the following amounts:

¹ The better measure of financial performance is the ‘Net operating result before grants and contributions provided for capital purposes’. This is because the costs associated with capital grants are not included in the Income Statement but instead in the Statement of Cash Flows and Statement of Financial Position. It is also excluded because grants for the construction of capital items should not be used to support operating activities.

² Projected per QBR2 December 2020

	2019/20	2020/21	2021/22 Estimate
Actual Rates	3,910,712	4,012,391	4,092,639
Estimated rates with SRV	4,379,997	4,829,385	5,232,755
Variance	469,285	816,994	1,140,116

To deliver the Community Strategic Plan, Four year Delivery Program³ and annual Operational Plan, that is to deliver the infrastructure and services the community generally expects, Council has continued for some time to operate with costs greater than its operating income before receipt of capital grants¹.

The budget shortfall has been caused by a series of issues including, but not limited to, improved service standards (to meet legislated obligations including the requirements of the Integrated Planning and Reporting Framework (IP&R)), cost shifting (State and Federal to Local Government), and external costs increasing beyond rate pegging.

The Uralla Shire community has generally expressed a desire to maintain its independence (not to be amalgamated). To continue to maintain Shire independence, Council needs to deliver infrastructure and services as required by legislation, and additional services as required by the community, within its resources.

Council has resolved to balance the Water Fund, Sewer Fund and General Fund over the 10 year term of the long term financial plan. This will require Council to deliver the strategy with appropriate actions. Consequently, Council has considered a series of pricing options for the water fund through a modelling process and resolved at the 23 February 2021 meeting:

a) That Council undertake community consultation regarding the sustainability of the Shire's water supply with consideration of pricing options (8 December 2020 meeting)

The BR&FC has been presented with a series of horizontal service reviews which identified possible service efficiencies or savings. Some of the proposals have been adopted, some have been sent for further analysis and some have been rejected – see **Attachment 3**.

The stage 1 community consultation will seek feedback on the draft budget and the water fund pricing options to assist Council with its budget decisions.

REPORT

Since the preparation of the Draft Budget for 2021/22 v0.1, the following additional information has been provided:

- Insurance premiums are now likely to rise by circa 15% (was 10% at v0.1)
- New capital grant funding of \$810,000 for Hawthorn Drive improvements under the Fixing Local Roads Round 2 application. This project requires a contribution from Council of \$270,000 which is likely to come from the Local Road & Community Infrastructure Program (LRCI) funding. This will in turn mean that funding for all of the projects under this grant cannot be as per the recommendation to Council at the March 2021 meeting.

³ The current Delivery Program has been extended to a five year plan to align with the extended term of Council.

A combination of the following financial strategies can be considered by Council to form the basis of Draft Budget for 2021/22 v0.2:

- Reduction of service levels⁴. Examples might include:
 - Roads maintenance – change the levels of service set out in the adopted Transport Asset Management Plan on pages 3 to 10. For example, reduce the number of times an unsealed road is graded from once per year to once every two years (or for busier roads from twice per year to once per year).⁵
 - Revise customer service counter opening hours
 - Stop mowing grass verges;
 - Reduce mowing of parks and gardens;
- Changes to service delivery to achieve possible savings e.g. outsource, develop a shared service, or consider an alternative delivery method. This would involve seeking quotes/tenders for work currently undertaken by Council and based on an established service standard. This option may take some time to complete properly;
- Cease increasing the service level of infrastructure (e.g. widening a single lane road to a dual lane road), except where it is offset by a reduction in maintenance costs e.g. some unsealed road upgrades to sealed with grant funding can reduce maintenance costs
- Full cost recovery where permitted - user pays principle i.e. reduce the ratepayer subsidy of certain users;
- Reduce/remove donations currently budgeted to cost over \$96,000 (\$84,000 in direct costs plus \$12,600 in indirect labour costs for assistance with particular donations);
- Increase revenue:
 - Aligning non-regulated fees to State benchmarks
 - New commercial income streams – e.g. refurbish and lease Old Court House; expand McMaugh Gardens
 - New subsidised income stream e.g. Lease/hire sporting facilities
 - Introduce charges for camping grounds
 - Diversifying investment of cash reserves (interest rate is currently very low)
 - Commercially lease buildings at market rates that are currently provided 'rent free' or at reduced rates

Once Council has taken all fiscally sound decisions available to it, if there is still a funding deficit, a SRV will be required. A rating review would also be appropriate at this time to consider implementing different rates per category.

To assist the BR&FC to identify potential changes to the draft budget for 2021/22, a series of options will be provided for workshopping by the Committee at the meeting on Tuesday. This will allow cost estimates to be made for consideration at a further BR&FC meeting in May. Some of these options may include discussion of personnel matters and hence may require the Committee to move into closed session.

⁴ Reduction of service levels is a difficult consideration for Council as the current infrastructure and services are as required by the current Community Strategic Plan, Delivery Program, Asset Management Plans and Operational Plan which Council has developed in consultation with the community.

⁵ The average cost to grade a kilometre of road in 2020 was \$2,013. Note that the sealing of Bingara Rd, Mount Mitchell Rd and part of Retreat Rd will save on average approximately \$16,697 p.a. (the difference between grading & re-sheeting an unsealed rural road and maintaining, resealing and rehabilitating a sealed rural road)

COUNCIL IMPLICATIONS

1. Community Engagement/ Communication

2021/22 Budget and Operational Plan preparation stages:



2. Policy and Regulation

Local Government Act 1993 (NSW) s 8A Guiding principles for councils; s 8B Principles of sound financial management

3. Financial (LTFP)

Potential savings and revenue raising opportunities needed to achieve a balanced budget.

4. Asset Management (AMS)

Asset service level reduction is one method of reducing operating costs.

5. Workforce (WMS)

Council would have to consult with staff and unions should Council implement any changes to the current organisational structure

6. Legal and Risk Management

Continued review of costs and revenue raising opportunities is necessary to confidently assess the risk of financial sustainability.

7. Performance Measures

In the short term: reduced operating deficit (compared to the average from the last three years); and within the next term of Council, adoption of a balanced budget.

8. Project Management

Chief Financial Officer.

Uralla Shire Council Budget Year Ended 30 June 2022

Preamble

This report presents the preliminary budget which has been drafted to enable early consultation with our community. The report has been prepared earlier than normal and provides a framework for the work that needs to be undertaken by the Council's Budget Review and Finance Committee at its next meeting on 13 April 2021 to seek to reduce the operating deficit and put in place some longer-term strategies to move the Shire towards a financially sustainable position.

The early draft budget discloses a deficit of more than \$1.3 million before capital grants which indicates the Shire is not financially sustainable. This is the fourth year in a row that Council has proposed an operating deficit before capital grants.

Over the past three years Uralla Shire Council has been the recipient of significant State and Commonwealth Government grants that have helped restore some of our deteriorating buildings, enhance our public facilities and make some inroads into the backlog of road works that was starting to grow in size.

Concurrently the Shire has had to make a series of improvements to operational practices over the past five years that had not been delivered per legislative (existing or new) requirements over the years as a means of balancing the budget. Some of these improvements have included:

- Establishment of the work health safety and risk service area – 1 full time equivalent (FTE)
- Establishment of the Governance service area – 1 FTE
- Updating our financial reporting and asset management systems – additional 2 FTE management accountant and asset manager;
- Enhancement of in-house recruitment and human resource obligations including due diligence and mandatory work health and safety personnel administration per Awards – 1 additional FTE - HR support officer;
- Establishing and upgrading the Integrated Planning and Reporting systems, enhanced communications and engagement with the community – additional software, upgrade to website and 1 FTE - Communications Officer;
- Updating our water treatment processes and maintenance schedules;;
- Increasing our corporate staff training programs;
- Expansion of the information technology service area to support the above – additional 1 FTE and additional software;

The implications of these improvements is that they have to be funded into the future. Council now needs to deal with this issue. The financial strategy to address the problem will largely be dependent upon the approach Council takes. It might be a reduction of services, a change in service levels, a special rate variation, implementation of new revenue sources, increased fees and charges or a combination of one or more of these options. The necessity to strategise on this issue is evident from the attached draft income statement which shows a **loss** before capital grants of \$1,375,050.

Council is expected to deliver an above-average amount of capital expenditure on the back of the State and Federal Government stimulus grants. It will also continue to deliver the vital services that the community has come to expect, including water and sewer supply, garbage collection and waste facility together with library, visitor information, community support, home support and retirement home services.

Underlying Parameters

As in previous years, the budget has been prepared with a series of underlying parameters and these have been summarised below.

Category	Background	Assumption
Rates	Indexed by estimated rises aligned to future CPI estimates & IPART guidance	2.0 to 2.6%
User Charges & Fees	Based on average increase to Council's major operating inputs	1.6 to 2.5%
Interest & Investment Revenue	Average estimated return from prevailing market	0.1 to 3.0%
Grants and Contributions - Operating	Based on estimated rises aligned to future CPI estimates	1.7% to 2.25%
Grants and Contributions - Capital	Based on estimated rises aligned to future CPI estimates	1.7% to 2.25%
Employee Costs	Already established award conditions or estimated wage price index	2.0 to 2.5%
Materials & Contracts	Indexed by estimated rises aligned to future CPI estimates	1.8 to 2.5%
Borrowing Costs	Based on average long term rates and current market quotes	3.18 to 5.68%

Overall Performance

The consolidated financial performance of the Council for the year ended 30 June 2022 is noted below:

	2022 Budget	2021 Budget	2020 Actuals
Revenue - operating	21,384,053	20,102,122	20,735,000
- capital	7,250,513	10,644,675	2,988,000
Total revenue	28,634,566	30,746,797	23,723,000
Less: Expenditure	22,759,103	21,735,194	21,232,000
Net operating result for the year (per budgeted income statement at attachment C)	5,875,463	9,011,603	2,491,000
Less: Capital grants	7,250,513	10,644,675	2,988,000
Net operating result for the year before capital grants and before loss on disposal of assets*	(1,375,050)	(1,633,072)	(497,000)

*Loss on disposal of assets has only been excluded to make comparison between years easier

Fund Performance

The financial performance of the individual funds, before capital grants, can be summarised as follows:

	2022 Budget	2021 Estimate	2020 Actuals
General	(1,795,165)	(1,103,940)	166,000
McMaugh Gardens	251,390	(79,551)	(226,000)
<i>Sub-total</i>	(1,543,775)	(1,183,491)	(60,000)
Water	63,595	(447,323)	(502,000)
Sewer	105,130	(2,257)	65,000
Net operating result for the year before capital grants and before loss on disposal of assets*	(1,375,050)	(1,633,072)	(497,000)

*Loss on disposal of assets has only been excluded to make comparison between years easier

Significant Changes

After adjusting for capital grants, income remains relatively constant between years for all funds. Despite this consistency, there have, however, been a number of significant changes to specific income accounts in the 21/22 year, mostly associated with the water and sewer funds as noted below:

	2022 Budget	2021 Estimate	2020 Actuals
All Funds			
Interest received	53,500	131,000	298,903
General Fund			
Roads to Recovery	596,106	894,159	408,000
RMS – Bike tracks	Nil	40,000	43,000
Tourism – special events funding	300,000		
Water Fund			
Annual supply charge	604,581	524,499	498,201
User charges	966,900	594,300	505,023
IWCM funding	180,000		
Sewer Fund			
Annual charge – Bundarra	109,650	Nil	Nil

There have also been a number of increases in operating expenditure as noted below.

	2022 Budget	2021 Estimate	2020 Actuals
All Funds			
Wages – step increases	113,000		
Wages – workers compensation	669,000	525,586	467,612
Insurance	241,700	217,200	184,733
General Fund			
Election costs	53,000		

Elected members training - additional	20,000		
RFS charges	188,726	131,409	115,686
SES charges	13,892	11,720	9,494
Building contractor	130,000	53,500	47,690
Tourism – special event costs	300,000		
Water Fund			
IWCM expenditure	200,000		
Sewer Fund			
Operating costs - Bundarra	20,583		

Special Notes

There are a number of additional issues that need to be noted.

1. It is expected that the Bundarra Sewer charge will be reintroduced for 2021/22;
2. The Bundarra Sewer scheme is expected to be operational from 1 March 2022 and as such, estimated expenditure of \$20,583 has been included for one-third of the year ;
3. Water charges have been increased in line with the proposed charges in the reports provided to both the Budget Review and Finance Committee and to Council in accordance with Council’s strategic decision to balance the Water Fund;
4. Insurance costs have risen again by an estimated 10%;
5. RFS charges are based on estimates provided by Armidale Regional Council;
6. Workers compensation has risen in line with estimates provided by Council’s insurer;
7. McMaugh Gardens is budgeted to make a profit based on higher consumer demand profiles;

Capital Expenditure

Capital expenditure on roads, excluding bridges, should return to normal levels.

Grant Funding

¹The majority of Council’s income comes from both State & Federal Government sources.

Total Government source funding is summarised below:

Capital Grants	
IOT Gateway	40,000
RMS Capital Repair Grant	184,148
State Government (groundwater)	1,150,000
Restart NSW	551,000
Local Road & Community Infrastructure Program	555,440
Safe and Secure Water Program - Bundarra sewer	4,769,925
Total capital grants	7,250,513

¹ Updated as per 23 March Ordinary Meeting by CFO

Operating Grants	
Pensioner rebates	101,763
Financial assistance grant – general	1,707,189
Financial assistance grant – roads	986,829
Roads to Recovery	596,106
RMS Block Grant	924,244
RMS Supplementary Grant	76,000
RMS Bike Track Grant	Nil
RMS Traffic Facilities Grant	46,414
RMS Street Light Grant	14,595
Youth Week & Naidoc Week funding	2,550
Library Council funding	75,250
Special events funding	300,000
Funding for IWC report	180,000
Total operating grants	5,010,940
Other Government Funding through trading departments	
McMaugh Gardens	2,219,956
TCS	2,550,000
TCT	497,114
Total other government funding	5,267,070
Total State & Federal Government Funding	10,278,010

Community Grants and Contributions

A summary of the expected contributions to community groups or events is noted below.

Thunderbolts Festival [^]	12,000
Lanterns Festival	3,000
Rotary Art Show	3,000
Next Wave Workshop Tour (previously Rec Ya Shorts)	2,500
Australia Day Activities	2,500
Other Uralla events	2,000
Community Grants Program	15,000
Street Stall	7,260
Pre-school rent	20,208
Youth Services, NAIDOC & s.355 Bundarra	6,850
School presentation nights	800
Elected member donations – NIAS & Bush Bursary	5,000
Arts North West	4,585
Total	84,703

[^]This event may not proceed in 2021.

Wages

Total salary and wage budget	12,114,993
Less: Capitalised to projects	1,543,206
Net wages included in consolidated income statement	10,571,878

FTE is expected to be 132.

Roads Funding and Expenditure

A summary of the estimated roads expenditure for the year, together with its funding source is noted in the Works Funding report included as Attachment A.

Capital Expenditure

A summary of the capital expenditure for the year is provided as Attachment B.

Other Notes

This year we have continued to use Magiq software to prepare the budgets. As in the prior year, they will look different to prior years. Information is now summarised into the three organisational divisions with 13 departments and 51 sections under that. There are minor variations between core data and Magiq mainly as a consequence of how it calculates wage costs but these are inconsequential to the overall results. The headings in the Magiq reports include one titled 20/21 June Budgets. This column does not include all of the quarterly budget adjustments reported in QBR2.

Asset management plan cost included in the budget:

Asset management strategy	\$5,000
Transport	\$10,000

Conclusion

There is likely to be some movement in the figures contained in this report during the remainder of the budget preparation process due to both internal and external factors including community feedback and subsequent Council decisions.

2021 2022 Maintenance and Capital Expenditure and Revenue

0.90%

	Last Year 2020-2021 Budget	Expense			Funding Source												
		Based on Estimate 2021-2022 Budget	From AMP 2021-2022 Budget	Total 2021-2022 Budget	General Fund	External Funding	FAG	R2R	RMS Block	RMS Supplement ary	RMS (Capital) Repair	RMS Bike Tracks	RMS Traffic	RMS Black Spot/Safer Rds Program	Growing Local Economies	Other	Stormwater Levy
Maintenance																	
Local Roads																	
Bridges Local	\$66,229		\$67,885	\$67,885	\$67,885	\$0											
Footpaths	\$66,229		\$67,884	\$67,884	\$67,884	\$0											
K & G	\$26,492		\$27,154	\$27,154	\$27,154	\$0											
Sealed Urban Streets, Urban Facilities & I	\$136,414		\$140,718	\$140,718	\$140,718	\$0											
Unsealed Urban Streets	\$5,363		\$20,529	\$20,529	\$20,529	\$0											
Sealed Rural Roads	\$485,125		\$497,253	\$497,253	\$497,253	\$0											
Unsealed Rural Roads	\$1,076,339		\$1,103,247	\$1,103,247	\$1,103,247	\$0											
Bike Tracks	\$0	\$0		\$0	\$0	\$0											
Road Safety	\$69,000	\$73,000		\$73,000	\$26,586	\$46,414						\$46,414					
Street Lighting	\$54,000	\$39,000		\$39,000	\$24,405	\$14,595											\$14,595
Parking Facilities	\$5,094		\$5,251	\$5,251	\$5,251	\$0											
Other																	
Street Cleaning	\$43,000	\$37,200		\$37,200	\$37,200	\$0											
Stormwater Drainage	\$22,000	\$22,000		\$22,000	\$22,000	\$0											
Quarry Operations	\$20,000	\$20,000		\$20,000	\$20,000	\$0											
Regional Roads																	
Bridges Regional	\$66,229		\$67,885	\$67,885	\$0	\$67,885			\$67,885								
Sealed Regional Roads	\$450,356		\$461,615	\$461,615	\$0	\$461,615			\$461,615								
Unsealed Regional Roads	\$37,510		\$38,671	\$38,671	\$0	\$38,671			\$38,671								
	\$2,629,380	\$191,200	\$2,498,092	\$2,689,292													

2021 2022 Maintenance and Capital Expenditure and Revenue

0.90%

	Last Year	Expense			Funding Source												
		Based on Estimate	From AMP	Total	General Fund	External Funding	FAG	R2R	RMS Block	RMS Supplementary	RMS (Capital) Repair	RMS Bike Tracks	RMS Traffic	RMS Black Spot/Safer Rds Program	Growing Local Economies	Other	Stormwater Levy
CAPITAL																	
Local Roads																	
Bridges Local	\$0		\$0	\$0	\$0	\$0											
Footpaths	\$60,256		\$60,978	\$60,978	\$60,978	\$0											
K & G	\$70,600		\$70,600	\$70,600	\$0	\$70,600	\$70,600										
Sealed Urban Streets, Urban Facilities & Bus Shelters	\$378,063		\$254,096	\$254,096	\$0	\$254,096	\$254,096										
Unsealed Urban Streets	\$0		\$0	\$0	\$0	\$0											
Sealed Rural Roads	\$1,781,903		\$773,855	\$773,855	\$150,385	\$623,470	\$142,670	\$480,800									\$0
Unsealed Rural Roads	\$1,676,851		\$1,190,209	\$1,190,209	\$0	\$1,190,209	\$519,463	\$115,306									\$555,440
Bike Tracks	\$64,750	\$0		\$0	\$0	\$0					\$0						
Road Safety	\$0	\$0		\$0	\$0	\$0											
Street Lighting	\$0	\$0		\$0	\$0	\$0											
Parking Facilities	\$0		\$0	\$0	\$0	\$0											
Other																	
Street Cleaning	\$0	\$0		\$0	\$0	\$0											
Stormwater Drainage	\$45,000	\$33,000		\$33,000	\$513	\$32,488											\$32,488
Quarry Operations	\$0	\$0		\$0	\$0	\$0											
Regional Roads																	
Bridges Regional	\$1,100,000		\$551,000	\$551,000	\$0	\$551,000											\$551,000
Sealed Regional Roads	\$1,002,197		\$694,868	\$694,868	\$99,991	\$594,877		\$334,729	\$76,000	\$184,148			\$0				
Unsealed Regional Roads	\$20,705		\$21,344	\$21,344	\$0	\$21,344		\$21,344									
	\$6,200,325	\$33,000	\$3,616,950	\$3,649,950													
Total	\$8,829,705	\$224,200	\$6,115,042	\$6,339,242	\$2,371,978	\$3,967,264	\$986,829	\$596,106	\$924,244	\$76,000	\$184,148	\$0	\$46,414	\$0	\$551,000	\$570,035	\$32,488
					OK				\$916,000								

Uralla Shire Council
Draft Capital Expenditure Statement
Consolidated Funds
Excluding Capital Grants
For the Year Ended 30 June 2022

Attachment C

Service	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	7,889,000	18,953,663	9,097,118
General Managers Office	21,741	116,500	79,800
General Managers Office	0	0	10,000
Civic Leadership	0	0	10,000
Governance & Information	21,741	116,500	69,800
Information Technology	21,741	116,500	69,800
Community & Cultural Services	629,164	552,400	40,000
Community Services	0	502,400	40,000
Tourism & Promotion	0	502,400	40,000
Community Care	629,164	50,000	0
Aged Care Facilities	629,164	50,000	0
Infrastructure & Development Services	7,238,095	18,284,763	8,977,318
Infrastructure & Development Management	1,119,556	2,774,859	2,090,600
Infrastructure & Development Management	0	492,859	490,600
Plant	1,106,821	2,282,000	1,600,000
Work in Progress	177,887		
Works & Civil	3,960,439	6,202,270	3,649,177
Sealed Roads	3,689,719	3,163,058	1,722,257
Unsealed Roads	121,701	1,697,570	1,211,706
Bridges & Culverts	0	1,099,821	550,974
Kerb & Gutter	0	71,128	70,320
Stormwater Drainage	2,027	45,008	33,058
Footpaths & Cycleways	146,992	125,685	60,862
Facilities & Open Space	1,475,720	645,000	10,000
Swimming Complex	182,511	205,000	0
Parks, Gardens & Open Space	821,680	300,000	0
Sporting Grounds & Facilities	202,572	0	0
Public Buildings & Amenities	157,821	45,000	0
Operational Buildings & Other Property	105,914	30,000	0
Cemeteries	5,222	0	10,000
Caravan Parks & Camping Grounds	0	65,000	0
Planning & Regulation	0	0	1,500
Land-Use Planning	0	0	1,500
Environment	167,591	0	25,000
Waste Management	167,591	0	25,000
Water-Cycle	336,903	8,662,634	3,201,041
Uralla Water Supply	139,018	112,500	1,539,000
Bundarra Water Supply	8,241	107,000	110,000
Uralla Sewerage Services	13,650	302,300	324,000
Bundarra Sewerage Services	175,994	8,140,834	1,228,041

Uralla Shire Council
Draft Income Statement
Consolidated Funds
Before Capital Grants
For the Year Ended 30 June 2022

Attachment D

Service	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	1,407,199	1,603,820	1,375,050
General Managers Office	(4,464,601)	(4,229,092)	(4,270,988)
General Managers Office	794,850	885,219	930,362
Civic Leadership	407,597	448,257	496,394
Organisational Leadership	387,253	436,962	433,968
Finance	(5,465,819)	(5,451,052)	(5,522,789)
Works/Labour Overhead	(16,109)	(33,967)	(34,956)
Rates & Revenue	(3,801,119)	(3,889,878)	(3,981,589)
General Purpose Revenue	0	0	0
Financial Management	(1,648,591)	(1,527,207)	(1,506,244)
Human Resources	(113,858)	(107,222)	(97,530)
Human Resources	(113,858)	(107,222)	(97,530)
Governance & Information	320,226	443,963	418,969
Governance	(602,354)	(570,094)	(542,722)
Information Technology	633,753	715,413	675,069
Records & Information	93,013	92,154	100,028
Customer Service	195,814	206,490	186,594
Community & Cultural Services	299,817	290,702	204,034
Community & Cultural Management	0	0	164,190
Community & Cultural Management	0	0	164,190
Community Services	472,892	708,636	732,939
Tourism & Promotion	92,429	225,046	232,683
Library Services	257,562	266,531	265,689
Community Development & Engagement	122,901	217,059	234,567
Community Care	(173,075)	(417,934)	(693,095)
Aging & Disability Services	(413,434)	(354,177)	(411,212)
Community Transport	14,251	(148,051)	(30,493)
Aged Care Facilities	226,107	84,294	(251,390)
Infrastructure & Development Services	5,571,983	5,542,209	5,442,004
Infrastructure & Development Management	470,294	197,258	370,584
Infrastructure & Development Management	1	1,448	0
Plant	(179,815)	(455,048)	(385,779)
Depots	385,453	354,958	397,194
Private Works	(10,840)	(3,688)	(1,334)
Emergency Services	187,524	208,391	267,106
Noxious Weeds	87,971	91,197	93,397
Works & Civil	3,293,801	3,217,330	3,732,982
Sealed Roads	684,414	734,442	1,285,655
Unsealed Roads	1,851,926	1,500,316	1,377,062
Street Lighting	32,725	39,535	24,405

Uralla Shire Council
Draft Income Statement
Consolidated Funds
Before Capital Grants
For the Year Ended 30 June 2022

Attachment D

Bridges & Culverts	480,933	575,909	601,402
Kerb & Gutter	51,366	64,867	67,989
Stormwater Drainage	13,551	58,597	46,317
Footpaths & Cycleways	63,038	103,809	188,945
Quarries & Pits	8,019	28,916	29,535
Parking Facilities	6,327	9,638	10,896
Road Safety	101,503	101,301	100,776
Facilities & Open Space	951,680	887,965	851,378
Swimming Complex	151,482	136,198	150,749
Parks, Gardens & Open Space	219,845	240,814	236,663
Sporting Grounds & Facilities	70,019	72,378	97,674
Public Buildings & Amenities	251,657	165,733	191,960
Operational Buildings & Other Property	228,367	237,871	166,894
Cemeteries	14,439	20,452	18,196
Caravan Parks & Camping Grounds	15,872	14,519	(10,758)
Planning & Regulation	366,274	691,768	542,017
Land-Use Planning	84,136	351,051	130,586
Development Control	118,987	144,410	204,794
Public Health	(8,194)	3,908	1,971
Regulation & Enforcement	171,345	192,399	204,666
Environment	53,759	92,918	113,768
Waste Management	(192,753)	(203,664)	(173,810)
Environmental Management	246,512	296,582	287,578
Water-Cycle	436,175	454,970	(168,725)
Uralla Water Supply	312,807	300,351	(119,765)
Bundarra Water Supply	188,616	149,347	56,170
Uralla Sewerage Services	(65,248)	5,272	(18,544)
Bundarra Sewerage Services	(0)	0	(86,586)

Uralla Shire Council
Draft Income Statement
Consolidated Funds
Including Capital Grants
For the Year Ended 30 June 2022

Attachment E

Service	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	(1,537,568)	(8,990,987)	(5,875,463)
General Managers Office	(4,464,601)	(4,229,092)	(4,270,988)
General Managers Office	794,850	885,219	930,362
Civic Leadership	407,597	448,257	496,394
Organisational Leadership	387,253	436,962	433,968
Finance	(5,465,819)	(5,451,052)	(5,522,789)
Works/Labour Overhead	(16,109)	(33,967)	(34,956)
Rates & Revenue	(3,801,119)	(3,889,878)	(3,981,589)
General Purpose Revenue	0	0	0
Financial Management	(1,648,591)	(1,527,207)	(1,506,244)
Human Resources	(113,858)	(107,222)	(97,530)
Human Resources	(113,858)	(107,222)	(97,530)
Governance & Information	320,226	443,963	418,969
Governance	(602,354)	(570,094)	(542,722)
Information Technology	633,753	715,413	675,069
Records & Information	93,013	92,154	100,028
Customer Service	195,814	206,490	186,594
Community & Cultural Services	169,817	(209,298)	164,034
Community & Cultural Management	0	0	164,190
Community & Cultural Management	0	0	164,190
Community Services	472,892	208,636	692,939
Tourism & Promotion	92,429	(274,954)	192,683
Library Services	257,562	266,531	265,689
Community Development & Engagement	122,901	217,059	234,567
Community Care	(303,075)	(417,934)	(693,095)
Aging & Disability Services	(413,434)	(354,177)	(411,212)
Community Transport	14,251	(148,051)	(30,493)
Aged Care Facilities	96,107	84,294	(251,390)
Infrastructure & Development Services	2,757,216	(4,552,597)	(1,768,509)
Infrastructure & Development Management	470,294	197,258	370,584
Infrastructure & Development Management	1	1,448	0
Plant	(179,815)	(455,048)	(385,779)
Depots	385,453	354,958	397,194
Private Works	(10,840)	(3,688)	(1,334)
Emergency Services	187,524	208,391	267,106
Noxious Weeds	87,971	91,197	93,397
Works & Civil	2,029,954	(114,256)	2,442,394
Sealed Roads	385,363	(327,961)	1,101,507
Unsealed Roads	887,129	306,133	821,622
Street Lighting	32,725	39,535	24,405

Uralla Shire Council
Draft Income Statement
Consolidated Funds
Including Capital Grants
For the Year Ended 30 June 2022

Attachment E

Bridges & Culverts	480,933	(499,091)	50,402
Kerb & Gutter	51,366	64,867	67,989
Stormwater Drainage	13,551	58,597	46,317
Footpaths & Cycleways	63,038	103,809	188,945
Quarries & Pits	8,019	28,916	29,535
Parking Facilities	6,327	9,638	10,896
Road Safety	101,503	101,301	100,776
Facilities & Open Space	(241,480)	237,965	851,378
Swimming Complex	60,907	(68,802)	150,749
Parks, Gardens & Open Space	(657,275)	(94,186)	236,663
Sporting Grounds & Facilities	(155,447)	72,378	97,674
Public Buildings & Amenities	251,657	120,733	191,960
Operational Buildings & Other Property	228,367	237,871	166,894
Cemeteries	14,439	20,452	18,196
Caravan Parks & Camping Grounds	15,872	(50,481)	(10,758)
Planning & Regulation	366,274	691,768	542,017
Land-Use Planning	84,136	351,051	130,586
Development Control	118,987	144,410	204,794
Public Health	(8,194)	3,908	1,971
Regulation & Enforcement	171,345	192,399	204,666
Environment	53,759	92,918	113,768
Waste Management	(192,753)	(203,664)	(173,810)
Environmental Management	246,512	296,582	287,578
Water-Cycle	78,415	(5,658,250)	(6,088,650)
Uralla Water Supply	93,189	300,351	(1,269,765)
Bundarra Water Supply	188,616	149,347	56,170
Uralla Sewerage Services	(65,248)	5,272	(18,544)
Bundarra Sewerage Services	(138,142)	(6,113,220)	(4,856,511)

Uralla Shire Council
Draft Income Statement
General Fund
Excluding Capital Grants
For the Year Ended 30 June 2022

Attachment F

Service	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	744,917	464,556	1,795,165
General Managers Office	(4,464,601)	(4,229,092)	(4,270,988)
General Managers Office	794,850	885,219	930,362
Civic Leadership	407,597	448,257	496,394
Organisational Leadership	387,253	436,962	433,968
Finance	(5,465,819)	(5,451,052)	(5,522,789)
Works/Labour Overhead	(16,109)	(33,967)	(34,956)
Rates & Revenue	(3,801,119)	(3,889,878)	(3,981,589)
General Purpose Revenue	0	0	0
Financial Management	(1,648,591)	(1,527,207)	(1,506,244)
Human Resources	(113,858)	(107,222)	(97,530)
Human Resources	(113,858)	(107,222)	(97,530)
Governance & Information	320,226	443,963	418,969
Governance	(602,354)	(570,094)	(542,722)
Information Technology	633,753	715,413	675,069
Records & Information	93,013	92,154	100,028
Customer Service	195,814	206,490	186,594
Community & Cultural Services	73,710	(293,592)	455,424
Community & Cultural Management	0	0	164,190
Community & Cultural Management	0	0	164,190
Community Services	472,892	208,636	732,939
Tourism & Promotion	92,429	(274,954)	232,683
Library Services	257,562	266,531	265,689
Community Development & Engagement	122,901	217,059	234,567
Community Care	(399,183)	(502,228)	(441,705)
Aging & Disability Services	(413,434)	(354,177)	(411,212)
Community Transport	14,251	(148,051)	(30,493)
Infrastructure & Development Services	5,135,808	4,987,239	5,610,729
Infrastructure & Development Management	470,294	197,258	370,584
Infrastructure & Development Management	1	1,448	0
Plant	(179,815)	(455,048)	(385,779)
Depots	385,453	354,958	397,194
Private Works	(10,840)	(3,688)	(1,334)
Emergency Services	187,524	208,391	267,106
Noxious Weeds	87,971	91,197	93,397
Works & Civil	3,293,801	3,217,330	3,732,982
Sealed Roads	684,414	734,442	1,285,655
Unsealed Roads	1,851,926	1,500,316	1,377,062
Street Lighting	32,725	39,535	24,405
Bridges & Culverts	480,933	575,909	601,402

Uralla Shire Council
 Draft Income Statement
General Fund
 Excluding Capital Grants
 For the Year Ended 30 June 2022

Attachment F

Kerb & Gutter	51,366	64,867	67,989
Stormwater Drainage	13,551	58,597	46,317
Footpaths & Cycleways	63,038	103,809	188,945
Quarries & Pits	8,019	28,916	29,535
Parking Facilities	6,327	9,638	10,896
Road Safety	101,503	101,301	100,776
Facilities & Open Space	951,680	787,965	851,378
Swimming Complex	151,482	136,198	150,749
Parks, Gardens & Open Space	219,845	205,814	236,663
Sporting Grounds & Facilities	70,019	72,378	97,674
Public Buildings & Amenities	251,657	165,733	191,960
Operational Buildings & Other Property	228,367	237,871	166,894
Cemeteries	14,439	20,452	18,196
Caravan Parks & Camping Grounds	15,872	(50,481)	(10,758)
Planning & Regulation	366,274	691,768	542,017
Land-Use Planning	84,136	351,051	130,586
Development Control	118,987	144,410	204,794
Public Health	(8,194)	3,908	1,971
Regulation & Enforcement	171,345	192,399	204,666
Environment	53,759	92,918	113,768
Waste Management	(192,753)	(203,664)	(173,810)
Environmental Management	246,512	296,582	287,578

Uralla Shire Council
 Draft Income Statement
Water Fund
 Excluding Capital Grants
 For the Year Ended 30 June 2022

Attachment G

Master Account	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	501,423	449,698	(63,595)
Infrastructure & Development Services	501,423	449,698	(63,595)
Water-Cycle	501,423	449,698	(63,595)
Uralla Water Supply	312,807	300,351	(119,765)
21000. Uralla Water Supply Revenue	(1,483,496)	(1,009,989)	(1,521,150)
23000. Uralla Water Supply	1,796,303	1,310,340	1,401,385
Bundarra Water Supply	188,616	149,347	56,170
21500. Bundarra Water Supply Revenue	(159,529)	(159,688)	(247,256)
23500. Bundarra Water Supply	348,145	309,035	303,426

Uralla Shire Council
 Draft Income Statement
Sewer Fund
 Excluding Capital Grants
 For the Year Ended 30 June 2022

Attachment H

Master Account	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	(65,248)	5,272	(105,130)
Infrastructure & Development Services	(65,248)	5,272	(105,130)
Water-Cycle	(65,248)	5,272	(105,130)
Uralla Sewerage Services	(65,248)	5,272	(18,544)
31000. Uralla Sewerage Services Revenue	(739,983)	(730,527)	(739,770)
33100. Uralla Sewerage Services Asset Maintenance	674,735	735,799	721,226
Bundarra Sewerage Services	(0)	0	(86,586)
31500. Bundarra Sewerage Services Revenue	0	0	(107,169)
33500. Bundarra Sewerage Services Asset Maintenance	(0)	0	20,583

Uralla Shire Council
 Draft Income Statement
McMaugh Gardens
 Excluding Capital Grants
 For the Year Ended 30 June 2022

Attachment I

Master Account	19/20 YTD Actuals June	20/21 Full Year Budget	2021/22 Total Budget
Grand Total	226,107	84,294	(251,390)
Community & Cultural Services	226,107	84,294	(251,390)
Community Care	226,107	84,294	(251,390)
Aged Care Facilities	226,107	84,294	(251,390)
41000. Residential Aged Care Revenue	(3,073,480)	(3,103,871)	(3,339,866)
43000. Residential Aged Care Operations	3,299,588	3,188,165	3,088,476

Report 9.1 | Tiered Water Pricing

Department: Finance
Prepared by: Corporate Accountant
TRIM Reference: UINT/20/11172
Attachments: #1 (page 19)

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Goal:	4.2	An effective and efficient organisation
Strategy:	4.2.2	Operate in a financially responsible and sustainable manner
Activity:	4.2.2.1	Maintain and control financial system and improve long term financial sustainability
Action:	4.2.2.1.10	Review all fees and charges on an annual basis for full cost recovery

SUMMARY

This business paper sets out the actions necessary to achieve Council's strategic objective of operating the Water Fund at a balanced operating position over the next ten years. It is proposed that Council introduce tiered pricing for water usage and increased access charges to generate sufficient income to cover operating expenditure.

RECOMMENDATION

That the Committee recommend to Council that:

1. Tiered pricing for water usage be introduced from 1 July 2021 as follows:
 - a. 0 to 250 kilolitres \$3.20 per kilolitre
 - b. Greater than 250 kilolitres \$6.80 per kilolitre
2. Bulk water charges are increased to \$6.80 per kilolitre (previously \$5.20)
3. Base access charges be varied as follows:
 - a. Per 20mm connection \$ 380.00
 - b. Per 25mm connection \$ 594.00
 - c. Per 32mm connection \$ 973.00
 - d. Per 40mm connection \$1,520.00
 - e. Per 50mm connection \$2,375.00
 - f. Per 80mm connection \$6,080.00

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BACKGROUND

At the Ordinary Meeting of Council held on 25 February 2020, it was resolved to:

Set a strategic objective for both the Water and Sewer Funds to operate during the next ten years at a balanced operating position including the full funding of depreciation, amortisation and impairment of intangible assets and infrastructure, property, plant, equipment and the modelling of tiered water pricing.

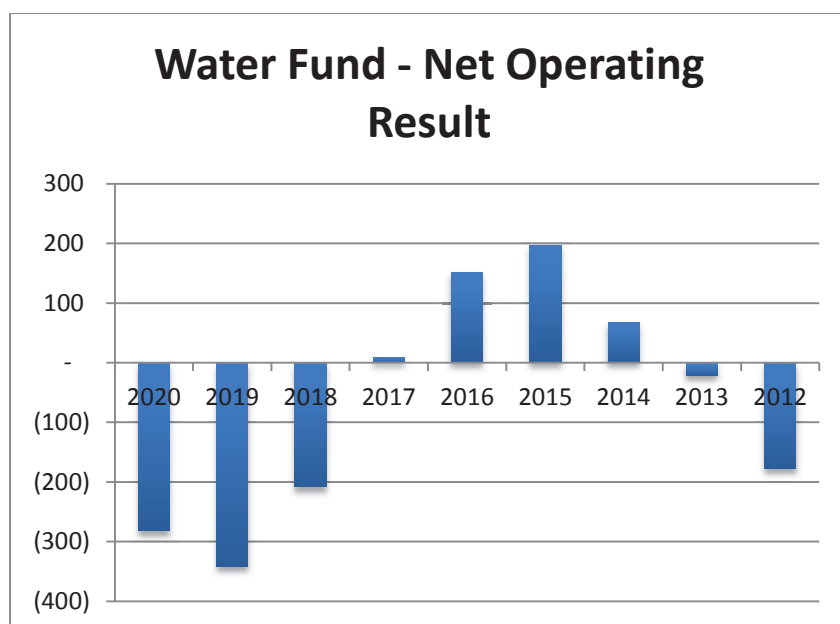
This resolution recognised that the Water Fund could not continue to incur losses without affecting the financial sustainability of the Fund and ultimately threatening the ability of the Council to provide drinking water to residents connected to town water supplies.

A series of reports have been presented to this Committee recommending that Council increase both water access charges and usage charges. At the 13 October 2020 Committee meeting, a recommendation was made to introduce tiered pricing for water usage of \$3.80 per kilolitre up to 250 kilolitres and \$5.60 per kilolitre thereafter. In addition to the tiered pricing it was proposed that access charges also be increased to \$400 for single occupancy properties and \$270 per unit in a multi-occupancy property. Further consultation was held with Councillors at the November 10, 2020 workshop.

This is an update to the report presented to the 13 October 2020 Budget Review and Finance Committee Meeting with additional information examining the impact of ‘non-drought’ water usage, required revenue and various alternatives for water pricing, together with other revenue raising opportunities.

REPORT

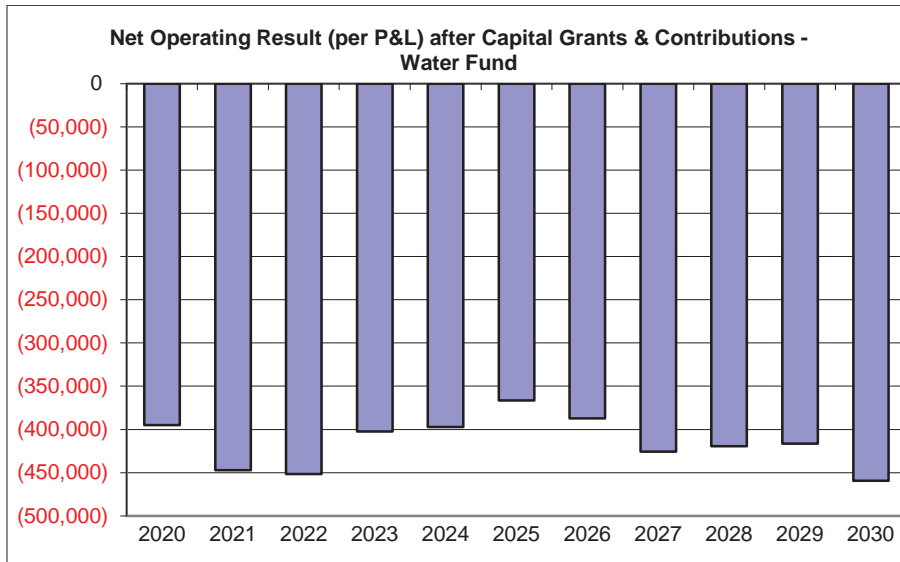
Over the past three years the Water Fund has incurred an operating loss – see graph 1 below.



Graph 1 – Water Fund Actual Net Operating Results 2012 to 2020

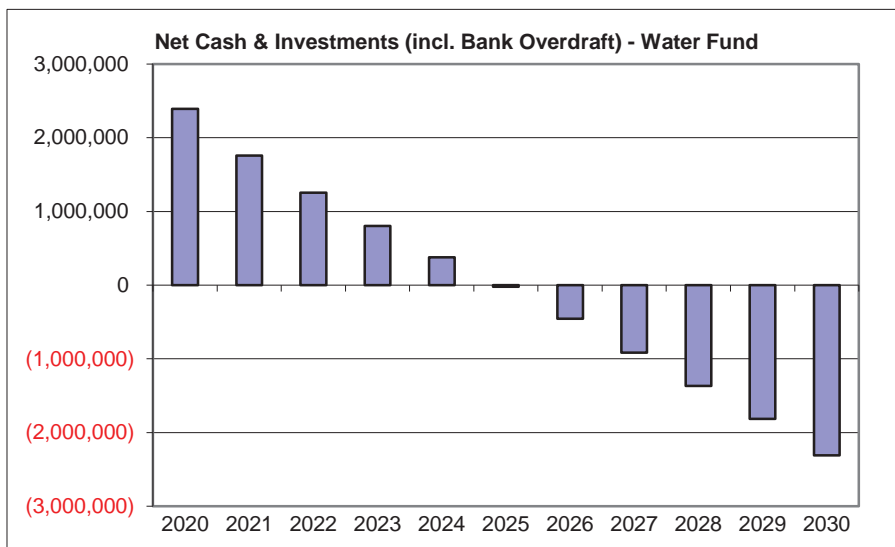
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In setting budgets for the past two years, recommendations have been made to increase charges by amounts of up to 15% p.a. over each of the ensuing four to five years. Council has resolved to only increase charges by 5% in each budget year (not forward years) resulting in continued operating losses over the term of the draft long term financial plan (LTFP) – see graph 2 below.



Graph 2 – Water Fund Projected Operating Results 2021 to 2030

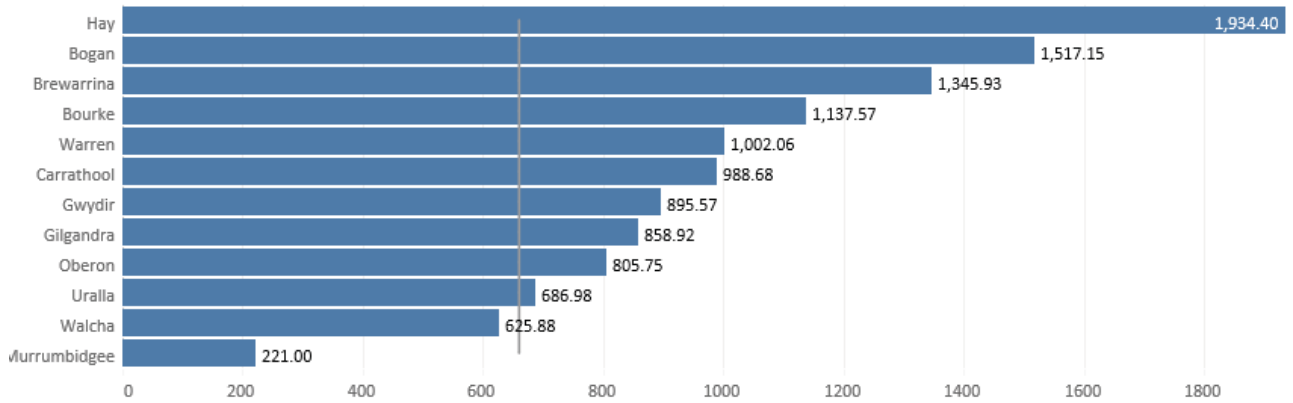
The draft LTFP to 30 June 2030 (Base Case) predicts that the Water Fund will incur losses of between \$367,000 and \$460,000 per annum. Assuming the need for infrastructure renewals and upgrades of between \$220,000 and \$587,000 per annum, the cash position of the Fund will deteriorate from available funds of \$2.391 million to borrowings of approximately \$2.0 million – see graph 3 below.



Graph 3 – Water Fund Projected Net Cash & Investments 2021 to 2030

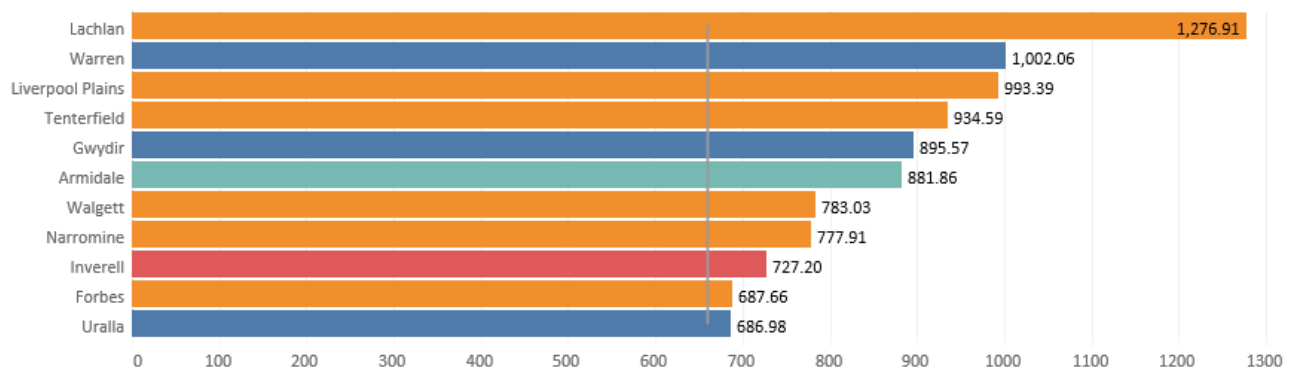
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Information obtained from the NSW Department of Planning, Industry and Environment² indicates that Uralla Shire Council currently (based on 2018-19 data) has the third-lowest median residential bill for water amongst LWU's with less than 1,500 connections – see Graph 4 below.



Graph 4 – Typical residential bill for 2018-19 – usage – WS – less than 1,500 connections

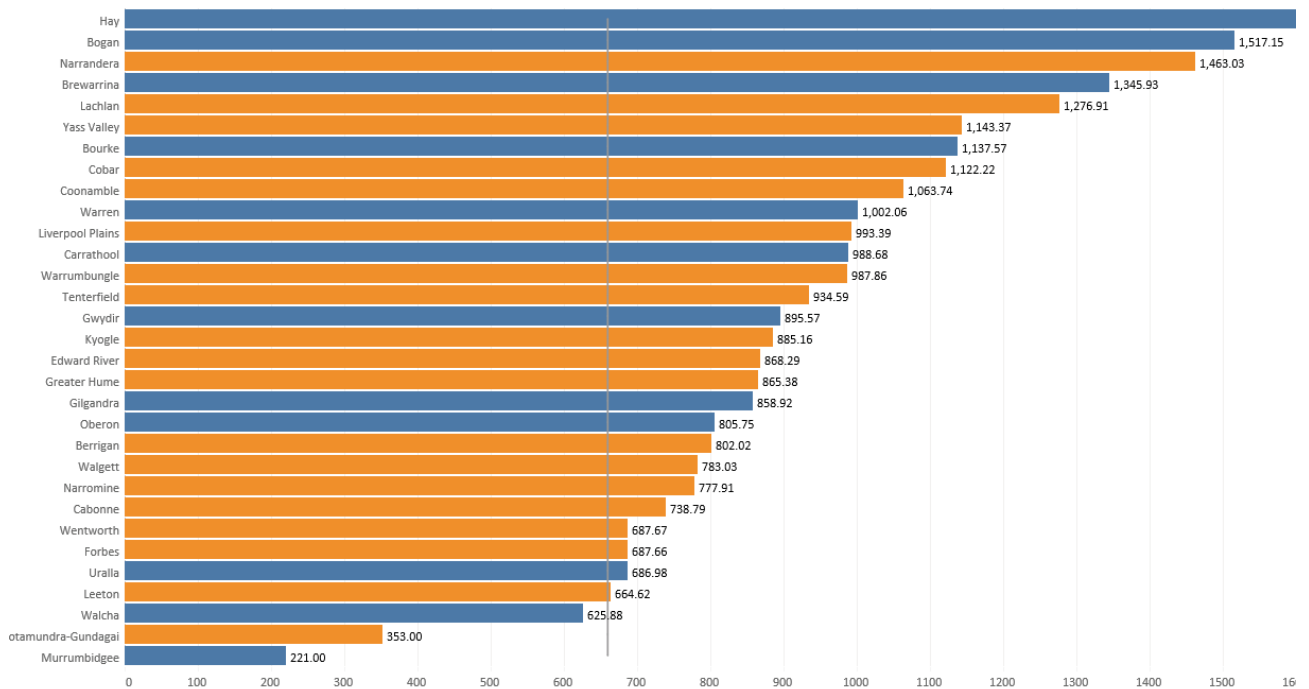
Similar information is contained in selected LWU's that are similar in size to USC or which are neighbours of USC – see graph 5 below.



Graph 5 – Typical residential bill for 2018-19 – usage – WS – selected LWU's

Including all LWU's that have up to 4,000 connections also indicates that USC has one of the lowest median residential bills for water supply – see graph 6 below.

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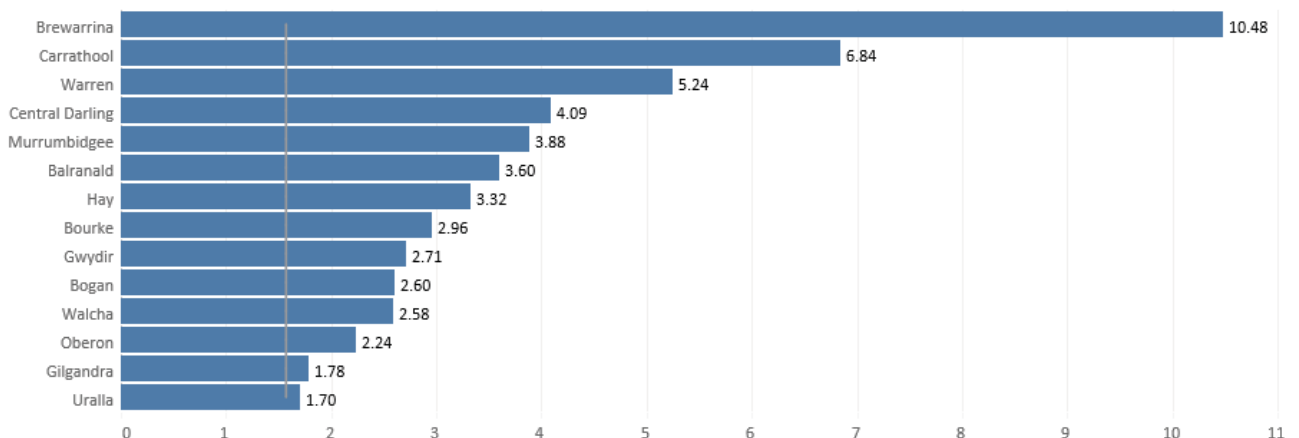


Graph 6 – Typical residential bill for 2018-19 – usage – WS – selected LWU’s of financially similar councils

In each of the cases outlined above, the weighted median (the grey line above) is \$660.12² which is based on the entire NSW sample, not just the selections shown.

Services Operating Efficiency

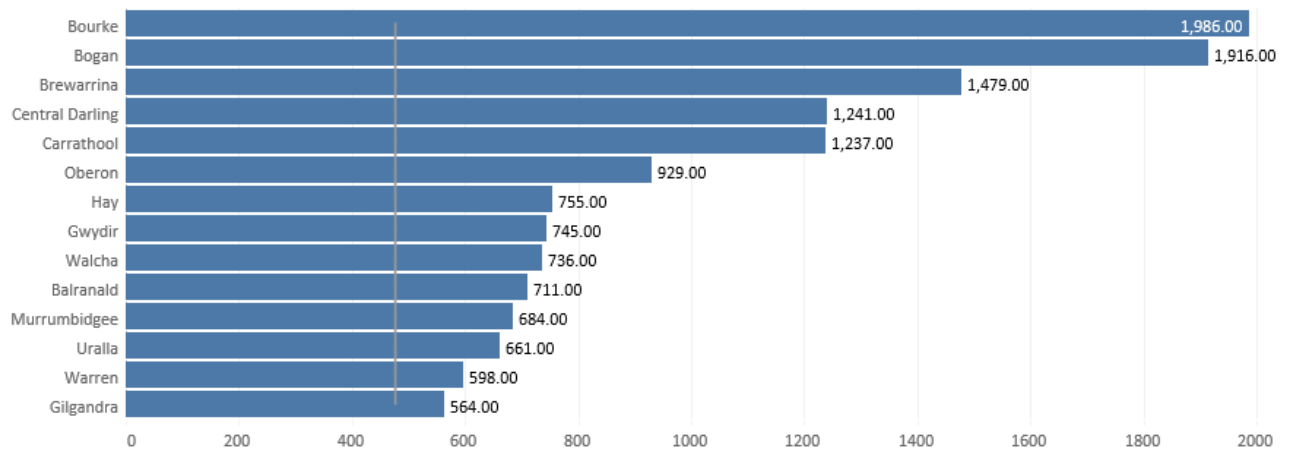
Uralla also has the lowest number of employees per 1,000 properties compared to others in the grouping of less than 1,500 properties, as seen in the graph below.



Graph 7 – Total workforce per 1,000 properties

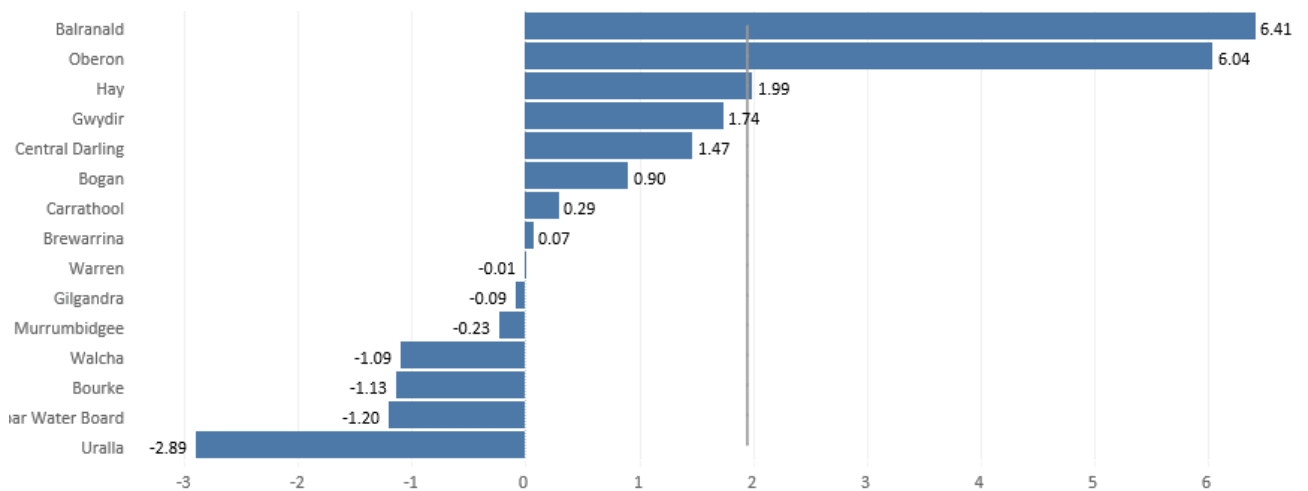
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Uralla also has one of the lowest operating cost (OMA) (\$/prop) in the grouping of less than 1,500 properties, as seen in the graph below.



Graph 8 – Operating Cost (OMA) (\$/prop) - WS (including water purchase)

As a consequence of the low revenue and the normal operating costs, Uralla has the worst economic real rate of return for water supplies in the less than 1,500 properties as shown in the graph below.



Graph 9 - Economic Real Rate of Return - Water Supply

The Solution

The option to continue with budgeted operating losses is not only unsustainable but also contrary to the principles of sound financial management set out in the Local Government Act 1993 (clause 8).

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This report sets out a series of actions aimed at returning the Water Fund to an operating surplus over the life of the draft LTFP. These include adjusting pricing more towards a usage basis and to adjust access charges as required.

The average shortfall in revenue in the draft LTFP is \$417,000. It is proposed that Council introduce a charge per connection rather than the current practice of charging per assessment. It is estimated that this will generate additional access charges of between \$16,000 and \$19,000. At the same time, it is proposed that Council introduce a variable charge for access based on connection size. It is estimated that this will generate an additional \$47,000 (conservative estimate).

In Uralla Shire, approximately 44% of water consumption is utilised by just over 15% of the consumer base. A recommendation of Water NSW's Best-Practice Management of Water Supply Guidelines suggests tiered pricing, and further that 50-75% of revenue be captured via water usage charges. As a result, most water authorities charge consumers for water usage on a tiered pricing basis. A summary of neighbouring or similar sized council's tiered pricing is included in attachment 1.

It is proposed that the Water Fund introduce tiered water pricing as follows:

- i. 0 to 250 kilolitres \$3.20 per kilolitre
- ii. Greater than 250 kilolitres \$6.80 per kilolitre

A review of historical usage data shows that approximately 85% of consumers (1,200 of the total 1,421 assessments) only use up to 250kL per year. The proposed increase in charges and the outcome of tiered pricing on revenue, based on various scenarios (a total of 1,421 assessments), is summarised below:

Options	Access Charge per annum	Consumption charge per kL per annum		Total Yield	Change in yield	Average annual charge per Assessment (not connection)	
		0-250 kL	>250 kL			\$	% increase
Current	\$359.00	\$2.60 kL for all usage		\$1,151,779	\$ -	\$769	
Option One	\$359.00	\$3.70	\$6.15	\$1,572,290	\$420,511	\$1,094	42%
Option Two	\$400.00	\$3.55	\$5.40	\$1,572,312	\$420,532	\$1,086	41%
Option Three	\$420.00	\$3.40	\$5.40	\$1,572,874	\$421,094	\$1,086	41%
Option Four (proposed option)	\$380.00	\$3.20	\$6.80	\$1,571,456	\$419,677	\$1,072	39%

The above analysis uses average consumption over five years from 2016 to 2020. Data from November 2020 would have had no significant impact because the readings were only slightly below the five year average. The years included both high and low rainfall/consumption data.

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As a consequence of the above proposed charges, the average annual bills are likely to be as follows:

Options	0 to 250 kL		Over 250 kL	
	\$	%	\$	%
Current	\$438		\$1,641	
Option One	\$784	79%	\$2,779	69%
Option Two	\$808	85%	\$2,600	58%
Option Three	\$810	85%	\$2,582	57%
Option Four (<i>proposed option</i>)	\$747	71%	\$2,833	73%

The proposals outlined above have been identified as the primary mechanisms to address the current funding shortfalls in the Water Fund. Other measures identified as having further positive impacts on the revenue deficit would include quarterly billing and a meter replacement program. A brief summary of each of these options is noted below:

- **Quarterly billing** – a recommendation of NSW Water’s Best Practice guidelines to improve effectiveness of pricing signals. It has the added advantage of allowing consumers to monitor their usage and to detect water leaks in a timely manner.
- **Meter Replacement** – old water meters may be a source of inaccurate readings, and may be more prone to failure leading to estimated readings. It is expected that the replacement of meters would increase accuracy and potentially increase recorded consumption and thus billing. Smart meters would provide real-time consumption data which would be of benefit to both the consumer and Council.

Specifically, the Best Practice Guidelines advise that LWUs should adopt the following pricing principles when setting water supply tariffs:

1. Appropriate water usage charge/kL based on the long-run marginal cost of water supply.
2. Residential water usage charges must be set to recover at least 75% of residential revenue
3. To encourage water conservation, high water consuming residential customers should be subjected to a step price increase of at least 50% for incremental usage above a specified threshold. This threshold should not exceed 450 kL/per household or 600 kL/for LWUs outside the DWE Coastal and Tablelands Zone.
4. LWUs must bill at least three times each year (and preferably every quarter) to improve the effectiveness of pricing signals.
5. LWUs should include both water access charges and water usage charges in each bill to customers. In addition, any LWU planning to update its water billing system should move to comply with the National Guidelines on the layout and content of customer bills. The Guidelines have been prepared pursuant to Item 66(iv) of the National Water Initiative.

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6. In situations where large cross-subsidies for non-residential customers currently exist, LWUs should develop pricing strategies that target the removal of these cross-subsidies over a 5 year period.

Other Issues

Capital Expenditure

The capital expenditure program included within the draft LTFP is based upon information contained in a draft Asset Management Plan prepared by Morrison and Low. That estimated expenditure is summarised below.

\$'000	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Capex	503	503	515	507	520	533	546	559	573	587

Dirty Water

Currently Council is not aware of a dirty water problem with Council's water supply. The town reticulation does experience discoloured water events during periods of increased iron and manganese presence in the water supply. Additional and improved treatment processes recently implemented at the Uralla Water Treatment plant will lower the levels of iron and manganese in the town supply. The rates and types of discolouration currently experienced are within normal bounds for town surface water supplies.

Replacement of pipework will not improve the frequency of discoloration events the town experiences. However, new flushing practices have been introduced which are expected to reduce the frequency of any such events in the future.

KEY ISSUES

- The Water Fund is budgeted to incur losses in each of the next ten years.
- The water service is being operated efficiently (staffing and operating costs are at or below others in the group of less than 1,500 properties).
- The draft Asset Management Plan (Water) provisions for capital renewal and maintenance.
- An increase in revenue is considered the most appropriate way to balance the operating result.
- Tiered water pricing together with appropriate increases to the current annual access charge is considered the most appropriate way to achieve the required revenue.
- The recommended fees and charges meet best practice management.

COUNCIL IMPLICATIONS

1. Community Engagement/ Communication (per engagement strategy)

An engagement strategy is to be drafted to inform the community of this change in pricing.

2. Policy and Regulation

NSW Department of Planning, Industry and Environment Best Practice Management of Water Supply and Sewerage Guidelines

3. Financial (LTFP)

The introduction of tiered pricing of water will result in a balanced operating result for the Water Fund whilst also impacting negatively on the General Fund.

4. Asset Management (AMS)

The LTFP estimates that approximately \$500,000 per annum of renewals/improvements will be needed over the next ten years. Without additional revenue, these costs will have to be completed using borrowed funds which is not the most appropriate way to fund renewals.

5. Workforce (WMS)

N/A

6. Legal and Risk Management

Local Government Act 1993

8B Principles of sound financial management

The following principles of sound financial management apply to councils--

(a) Council spending should be responsible and sustainable, aligning general revenue and expenses.

(b) Councils should invest in responsible and sustainable infrastructure for the benefit of the local community...

(d) Councils should have regard to achieving intergenerational equity, including ensuring the following--

(i) policy decisions are made after considering their financial effects on future generations,

(ii) the current generation funds the cost of its services.

59A Ownership of water supply, sewerage and stormwater drainage works

(1) Subject to this Division, a council is the owner of all works of water supply, sewerage and stormwater drainage installed in or on land by the council (whether or not the land is owned by the council).

(2) A council may operate, repair, replace, maintain, remove, extend, expand, connect, disconnect, improve or do any other things that are necessary or appropriate to any of its works to ensure that, in the opinion of the council, the works are used in an efficient manner for the purposes for which the works were installed.

Comment

The introduction of tiered pricing will result in a balanced operating result and overcome the risk of a financially unsustainable business.

7. Performance Measures

Tiered water pricing and a balanced operating result aligns with best practice recommendations.

8. Project Management

N/A

Notes:

1. NSW Department of Planning, Industry and Environment, Interaction with IPR, S60, S61 and LWU Operations. <https://www.industry.nsw.gov.au/water/water-utilities/best-practice-mgmt/ipr-lwu-operations>
2. The weighted median is the median of the available validated data for the indicator with the number of connected properties applied as weights.

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Attachment 1

Council	Availability Charge		Consumption Charge	
	Description	\$ p.a.	Description	\$/kL
Blayney Council	<i>Connection size</i>			
	20mm	244.00	Residential	3.28
	25mm	282.00	Non-residential	3.28
	32mm	625.00		
	40mm	976.00		
	50mm	1,520.00		
	80mm	3,904.00		
Armidale Regional	Water Access Charge	250.00	0-100 kL per quarter	4.20
			101-250 kL per quarter	4.30
			>250 kL per quarter	4.60
			Note this is charged per assessment for single occupancy and per flat or unit for multiple occupancy	
Walcha Council	<i>Connection size</i>			
	20mm	307.00	0-300 kL	3.21
	25mm	542.40	>300 kL	4.68

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	32mm	888.60		
	38mm	1,253.00		
	50mm	2,169.40		
	75mm	4,881.00		
	100mm	8,677.40		
Tenterfield Shire Council	All assessments	77.00		5.90
	PLUS		Residential <450 kL pa	8.85
	Residential availability	512.00	Residential >450 kL pa	
	Residential (Strata)	384.00		
	Non-residential availability (20mm-32mm)	512.00	Non-residential <800 kL pa	4.35
	Non-residential availability 40mm	769.00	Non-residential >800 kL pa	6.60
	Non-residential availability 50mm	1,200.00		
	Non-residential availability 80mm	3,080.00		
	Non-residential availability 100mm	4,810.00		
Tamworth Regional Council			<i>Residential</i>	
	Units (strata or non-strata) - per unit	185.00	0-400 kL pa	1.61
	<i>Connection size</i>		401-800 kL pa	2.42

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20mm	283.00	> 800 kL pa	3.63
25mm	444.00		
32mm	732.00	<i>Non-residential</i>	
40mm	1,145.00	0-400 kL pa	1.61
50mm	1,790.00	401-800 kL pa	1.77
75mm	4,577.00	> 800 kL pa	1.95
100mm	7,151.00		

Summary of neighbouring or similar sized council's tiered pricing

ATTACHMENT #3

ITEM/OPPORTUNITY		Estimated Improvement	Decision
Priorities 1 & 2 - from Business Paper - 12 November 2019 Budget Review and Finance Committee			
1	Review and increase pricing of stock at the VIC	\$ 1,500	A
2	Implement full cost recovery for non-statutory fees and charges	\$ 150,000	R
3	Energy initiatives (e.g. solar and LED for street lighting)	\$ 15,000	A
	New air-conditioners were installed at McMaugh Gardens		
	Solar panels were also installed at the Uralla Pre-school		
4	Review overhead costs of community care for full recovery - already	\$ 30,000	R
5	Reduce the number of councillors	\$ 30,000	R
6	Close the Bundarra Library	\$ 2,500	R
7	Strategic review of waste services	\$ 25,000	I, U
8	Dividends from water and sewer funds	\$ 40,000	U
9	Reduce service levels for nature strip mowing at Bundarra	\$ 30,000	R
10	Upgrade Bundarra maintenance water truck	\$ 40,000	A, U
11	Reduce number of newsletters (staff cost)/review print and delivery	\$ 13,000	R
12	Implement business paper efficiencies (purchase software)	\$ 12,000	R
13	Reduce printing, including issuing only digital business papers	\$ 2,500	R
14	Savings on phone and internet	\$ 7,000	A
15	Employ project management staff	\$ 48,000	I
16	Issue fines for infringements	\$ 39,000	A
17	Contract out general waste collection services	\$ 70,000	I, U
18	Reduce opening days at tip	\$ 19,500	I, U
Priority 3 - from Minutes of Uralla Shire Council BRFC Meeting held 9 Feb 2021			
1	Review and reduce the customer service hours at the Council Office, Library and Visitors Information Centre	\$ 31,000	I
2	Rent out the café space at the Visitors Information Centre.	\$ 15,000	I
3	Upgrade street lighting (Recurrent Benefit Under Implementation)	\$ 16,553	A
4	Review/Remove the Community Grants Program and other	\$ 60,000	I
5	Privatise McMaugh Gardens	\$ 30,000	R
6	Solar power – water and sewer services (Recurrent Benefit Under Implementation)	\$ 20,000	A
7	Solar power - pool	\$ 1,570	R
8	Improve procurement management practices, including with Joint Organisation (Recurrent Benefit Under Implementation)	\$ 5,000	U
9	Joint Organisation – shared services across all back-end administration services	\$ 40,000	I
10	Transition indoor workforce from 9 day fortnight RDO system to 19 day month (excluding TCS/TCT LG Staff)	\$ 70,000	R
11	Various waste services ideas, mostly already subject to service		U
12	Reduce opening days of swimming pool	\$ 48,000	I
13	Review of water and sewer reticulation condition	\$ -	I
14	Review Transport Asset Management Plan for reduction of proposed service levels	\$ 100,000	I
15	Better fleet management (of vehicles)/cost benefit of staff leaseback arrangements	\$ 10,000	I
16	Ask community how we can make savings (Recurrent Benefit Under Implementation)	-	U
	Estimated Savings	\$ 1,022,123	
Decision Code: Accept (A), Reject (R), Investigate Further (I), Under Implementation (U)			

10 CONFIDENTIAL MATTERS

NIL

11 CONCLUSION OF THE MEETING

END OF
Budget, Review & Finance Committee
BUSINESS PAPER