



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

9 February 2021 2021

Commencing at 12:30pm

Kate Jessep
GENERAL MANAGER

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COMMITTEE BUSINESS AGENDA

Budget, Review & Finance Committee

9 February 2021 at 12:30pm



- 1 OPENING & WELCOME
- 2 PRAYER
- 3 ACKNOWLEDGEMENT OF COUNTRY
- 4 WEBCAST INFORMATION
- 5 APOLOGIES & APPLICATIONS FOR LEAVE OF ABSENCE BY COUNCILLORS
- 6 DISCLOSURES & DECLARATIONS OF INTEREST
- 7 CONFIRMATION OF MINUTES
 - 7.1 **Budget Review & Finance Committee Meeting of Council held 8 December 2020**
- 8 URGENT, SUPPLEMENTARY AND LATE ITEMS OF BUSINESS
 - Nil
- 9 REPORTS
 - 9.1 **Water and Sewer Service Review**
 - 9.2 **Horizontal Service Review – Priority 3 Actions - Summary**
- 10 CONFIDENTIAL MATTERS
 - Nil
- 11 CONCLUSION OF THE MEETING

1 OPENING & WELCOME

2 PRAYER

3 ACKNOWLEDGEMENT OF COUNTRY

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 9 February 2021 2021 Meeting of Committee:



MINUTES

Budget Review & Finance Committee

Meeting 8 December 2020, 12:30pm, Council Chambers

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ATTENDANCE

Present were the Chairperson Cr M Pearce (Mayor), Cr I Strutt (Deputy Mayor), and Councillors, R Bell, M Dusting, N Ledger, T O'Connor, L Sampson, R Crouch, T Toomey, General Manager (Ms K Jessep), Director Infrastructure and Development (Mr T Seymour), Executive Manager Corporate Services (Ms C Valencius), Chief Financial Officer (Mr S Paul), and Minute Clerk (Ms W Westbrook).

1. OPENING & WELCOME

The Chair declared the meeting opened at 12:31pm.

2. PRAYER

The Chair recited the Uralla Shire Council prayer.

3. ACKNOWLEDGEMENT OF COUNTRY

The Uralla Shire Council recognised the traditional custodians of the land.

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

The Chair advised there were no apologies received.

The Chair advised there were no applications for leave of absence received.

6. DISCLOSURES & DECLARATION OF INTERESTS

There were no disclosures or declarations made.

7. CONFIRMATION OF MINUTES

MOTION (Moved: Cr Dusting / Seconded: Cr Strutt)

That the Committee confirm the minutes of the Budget Review and Finance Committee meeting held 13 October 2020 as a true and accurate record.

CARRIED UNANIMOUSLY

8. URGENT, SUPPLEMENTARY & LATE ITEMS OF BUSINESS

The Chair advised there were no urgent, supplementary or late items of business.

9. REPORTS TO COMMITTEE

There were no Reports to Committee to the 8 December 2020 Meeting.

BRFC01.12/20

10. REPORTS

10.1 Tiered Water Pricing

Cr Ledger left the meeting 1:20pm

Cr Ledger returned to the meeting 1.22pm

MOTION (Moved: Cr O'Connor/ Seconded: Cr Strutt)

That the Committee recommend to Council that council undertake community consultation regarding the sustainability of the Shire's water supply with consideration of pricing options.

CARRIED UNANIMOUSLY

BRFC02.12/20

11. NOTICE OF MOTION

There were no Motions on Notice to the 8 December 2020 Meeting.

12. CONFIDENTIAL BUSINESS

There were no confidential business items to the 8 December 2020 meeting.

12. MEETING CLOSE

The meeting closed at 1:44pm.

UNCONFIRMED

8 URGENT, SUPPLEMENTARY AND LATE ITEMS OF BUSINESS

- NIL

9 REPORTS



9.1 WATER AND SEWER SERVICE REVIEW

Department: General Manager
Prepared by: General Manager
TRIM Reference: UINT/21/1164
Attachments: 1. UINT/21/1171 – Tiered Water Pricing Report to BR&FC -
8 December 2020
2. UINT/21/266 – Councillor request for information –
22 December 2020
3. UINT/21/1052 – Service Review Form

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Goal: 3.4 Secure, sustainable and environmentally sound water-cycle infrastructure and services.
Strategy: 3.4.1 Maintain and renew water network infrastructure to ensure the provision of secure, quality and reliable drinking water supplies.
Goal: 4.2 An effective and efficient organisation.
Strategy: 4.2.1 Provide a range of services that meet benchmarks determined with the community, having regard to quality and cost.
4.2.2 Operate in a financially sustainable manner .
4.2.3 Develop and consistently apply an asset management framework that ensures existing and future infrastructure is affordable, funded and maintained to ensure inter-generational equity and sustainability.
4.2.6 Identify and manage risk associated with all Council activities and ensures a safe and healthy work environment.
4.2.7 Ensure compliance with regulatory and statutory requirements and that operations are supported by effective corporate governance.

SUMMARY:

The purpose of this report is to:

- (a) confirm Council’s information needs to make decisions for the 21/22 Operational Plan and associated fees and charges;
- (b) achieve the strategic resolution to operate balanced water and sewer funds; and
- (c) recommend allocation of resources to obtain necessary information.

RECOMMENDATION:

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

1. an independent consultant be engaged to undertake a service review of the water service area this financial year and vary the 2020/21 water fund budget by \$50,000 to allocate resources for the water service review; and
2. an independent consultant be engaged to undertake a service review of the sewer service area in the 21/22 financial year.

BACKGROUND:

At the Ordinary Meeting of Council held on 25 February 2020, Council resolved at Point 2 of OM. 12.02/20 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 threaten the ability of the Council to consistently provide compliant and reliable potable water to residents connected to town water supplies.

Council subsequently undertook work through a series of workshops and meetings of the Budget Review and Finance Committee to model water access and usage charges.

Concurrently, Councillors were presented with information on the current performance of the service.

To further Council's understanding of the efficiency and effectiveness of the service, a 'desk top' service review was completed in-house and presented to the Budget Review and Finance Committee at the 8 December 2020 meeting – a copy of this report is at attachment 1.

At that meeting the Committee recommended the following to Council (minutes are yet to be presented to Council):

... that council undertake community consultation regarding the sustainability of the Shire's water supply with consideration of pricing options.

A request for further information was subsequently received from one of the Councillors to further develop the Councillor's understanding of costs and charges – refer attachment 2.

REPORT

An important question for Council is whether Council has sufficient information to be satisfied that the service area is operating efficiently and effectively, and delivering appropriate service standards.

For a regulated service area such as water, the appropriate service standards are compliance with the Best-Practice Management of Water Supply and Sewerage Guidelines 2007, compliance with Drinking Water Quality Guidelines and EPA licence conditions.

It is good practice to periodically undertake service reviews as part of the organisation's due diligence processes to assess efficiency, effectiveness and the standard of service delivery.

The results of the desk top service review (contained within the report at attachment 1) are:

- The Water Fund is projected to incur losses in each year for the next ten years.

- The water service is being operated efficiently (staffing and operating costs are at or below others in the group of fewer than 1,500 properties).
- The draft Asset Management Plan (Water) provisions for capital renewal and maintenance have been integrated within the LTFP.
- 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 and structure thereof meet best practice guidelines.

The engagement of an independent consultant to undertake a full service review will go beyond the desk top assessment to a full analysis of the status of the service, service delivery options and make risk assessed recommendations to Council. See attachment 3 for an indicative list of the areas a full service review might consider as relevant to the specific service.

As part of the service review process, the community consultation recommended by the Committee on the water service pricing options will be integrated within the review. Broadly these options are:

- Base Access charge for a 20mm service connection (ranging from \$359 to \$420) with access charges for larger services calculated on a prorated flow capacity basis related to connection pipework diameter)
- Flat consumption charge or two tiered consumption charge (e.g. \$2.60 for all usage or see the two tiered consumption charge options which range from \$3.20 to \$6.80)
- If a two tiered consumption charge is chosen, size of the first tier (e.g. 0-250kL or 0-400kL)

A concurrent service review by a suitably qualified external consultant, will help facilitate the community engagement process by providing assurances that the efficiency and effectiveness of the water service is clear and communicated with the community.

The engagement plan should be designed to facilitate the Council's community engagement process to support decision making on how to increase water revenue by circa \$420,000 per annum. The key options Council requires community feedback and buy-in on are:

- a) The need for a compliant water supply;
- b) The need to have a financially sustainable Water Fund; and
- c) A preference for a single charge or tiered pricing model.

The community engagement as part of a Water Service Review in the next few months is timely given the recent ZNET "Let's Talk About Water" community engagement project which is nearing completion.

The above process is similarly necessary for the Sewer Fund, and noting the Bundarra sewer is currently under construction, it is recommended a full service review be scheduled for the 2021/22 financial year.

The Integrated Water Cycle Management (IWCM) planning has commenced (scope agreed) and, subject to the funding deed being finalised (likely March/April 2021), will further develop the levels of service for Council's water supply and sewerage undertakings. The IWCM work

complements the proposed service reviews and the current development of Asset Management Plans.

KEY ISSUES:

- A service review of the water service is recommended in the current financial year to support Council's community engagement process and decision making to balance the water fund in the 2021/22 financial year.
- It is recommended that resources are allocated to undertake a full service review of the sewer service in 2021/22 to support future community engagement and Council decision making processes to balance the Sewer Fund in the 2022/23 financial year.
- The IWCM planning process will further develop the levels of service for Council's water supply and sewerage undertakings.

COUNCIL IMPLICATIONS:

1. Community Engagement/ Communication (per engagement strategy)

A service review of an outwards facing service, such as Water, will include a community engagement process. The Committee has already recommended consultation regarding the sustainability of the Shire's water supply with consideration of pricing options.

2. Policy and Regulation

Local Government Act 1993 (NSW) s 24; Part 3 Division 2; s 501; s 608
Best-Practice Management of Water Supply and Sewerage Guidelines 2007
Drinking Water Quality Guidelines
EPA licence conditions

3. Financial (LTFP)

The Water Fund is currently projected to incur losses in each of the next ten years.

The service review recommendation is estimated to incur a cost of up to \$50,000; however, is an appropriate allocation of resources to undertake the due diligence processes to assess efficiency and effectiveness of service delivery along with appropriate levels of fees and charges.

Service review costs are attributable to the Water Fund reserve and will therefore increase the budgeted operating loss for 2020/21.

4. Asset Management Strategy (AMS)

The service review can be expected to assess the reasonableness of the carrying value, the life of the water assets and the draft replacement program. It will not remove the need to develop and finalise the draft Water Asset Management Plan (currently in progress).

5. Workforce (WMS)

The proposed service reviews can be expected to assess the water and sewer services associated workforce structure and complement.

6. Legal and Risk Management

The financial sustainability of the Water Fund is one of the key risks that must be considered by Council.

The financial, reputational and service delivery risks have been assessed as *high risk* should Council not mitigate this with a service review.

7. Performance Measures

Water Fund annual financial operating performance achieves balanced budget or better.

Sewer Fund annual financial operating performance achieves balanced budget or better.

8. Project Management

Manager Waste, Water and Sewer

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8. URGENT, SUPPLEMENTARY & LATE ITEMS OF BUSINESS

9. REPORTS TO COMMITTEE

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.

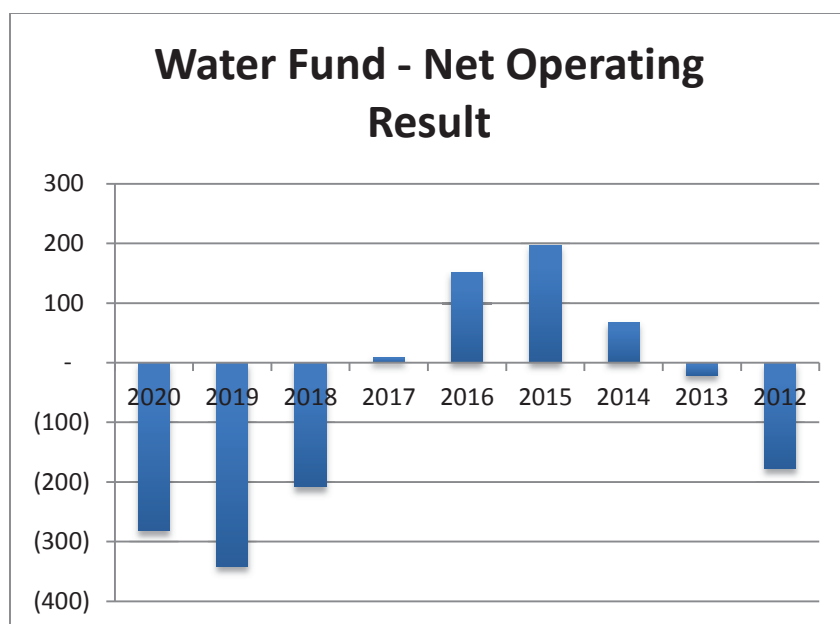
This resolution recognised that the Water Fund could not continue to incur losses without affecting the financial sustainability of the Fund and ultimately threatening the ability of the Council to provide drinking water to residents connected to town water supplies.

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

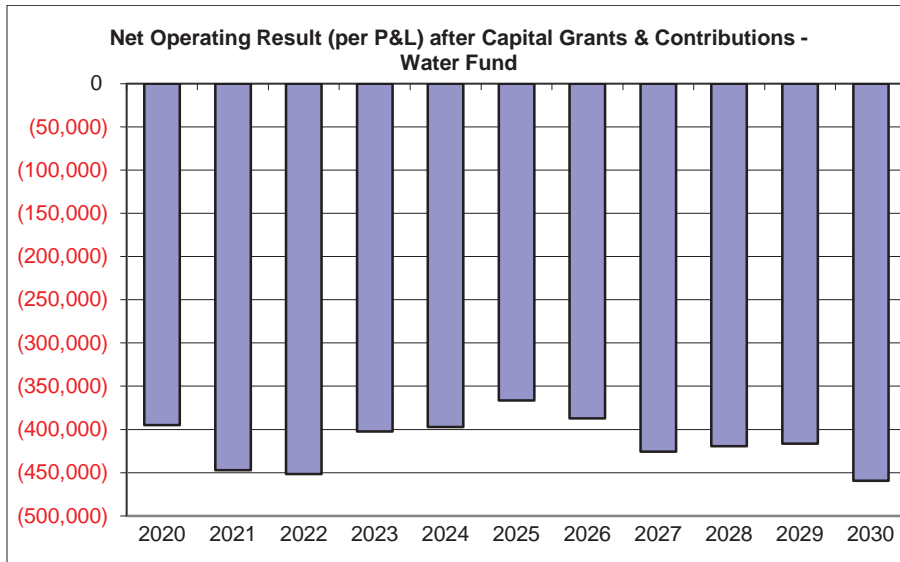
Over the past three years the Water Fund has incurred an operating loss – see graph 1 below.



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

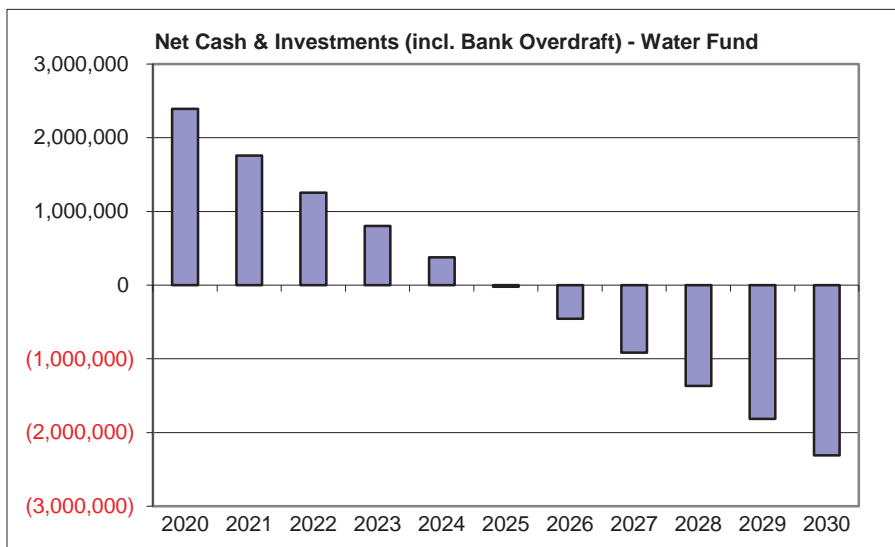
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In setting budgets for the past two years, recommendations have been made to increase charges by amounts of up to 15% p.a. over each of the ensuing four to five years. Council has resolved to only increase charges by 5% in each budget year (not forward 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

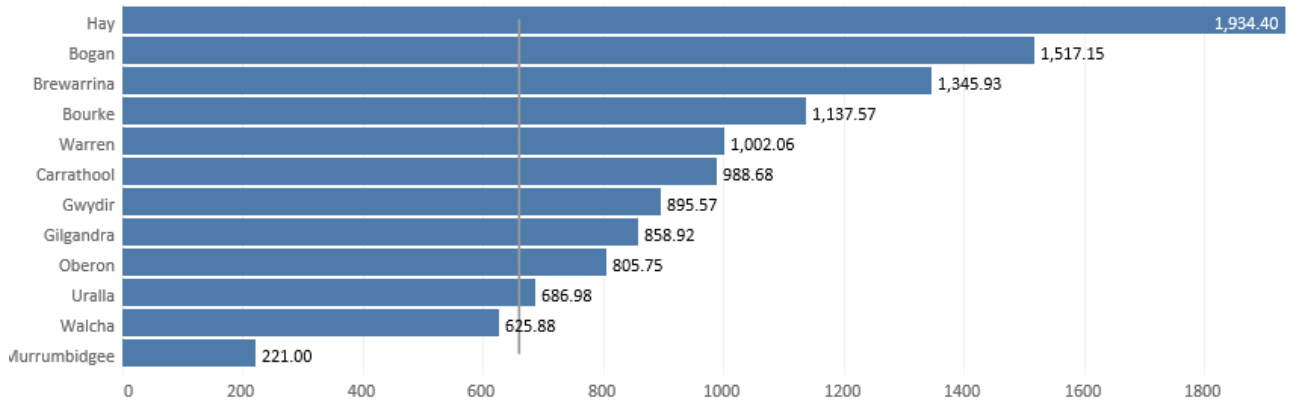
The draft LTFP to 30 June 2030 (Base Case) predicts that the Water Fund will incur losses of between \$367,000 and \$460,000 per annum. Assuming the need for infrastructure renewals and upgrades of between \$220,000 and \$587,000 per annum, the cash position of the Fund will deteriorate from available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

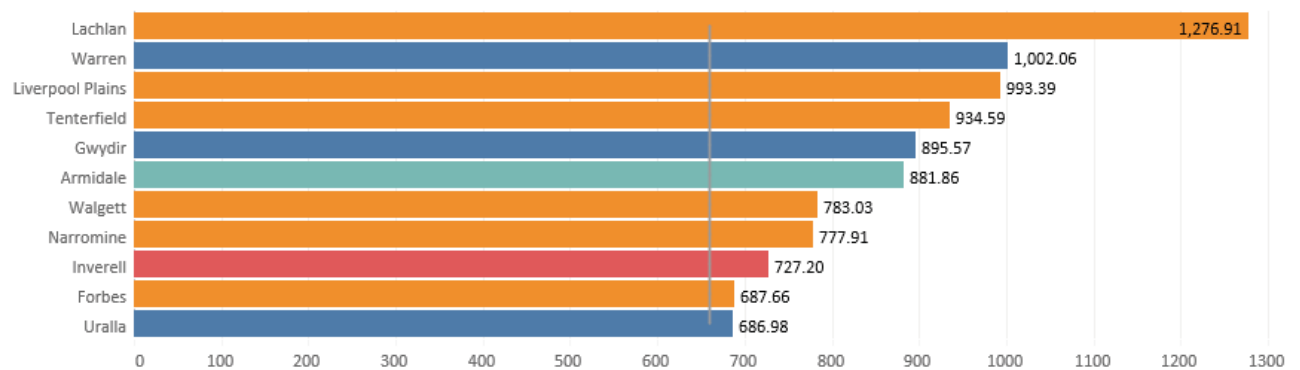
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Information obtained from the NSW Department of Planning, Industry and Environment² indicates that Uralla Shire Council currently (based on 2018-19 data) has the third-lowest median residential bill for water amongst LWU's with less than 1,500 connections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



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

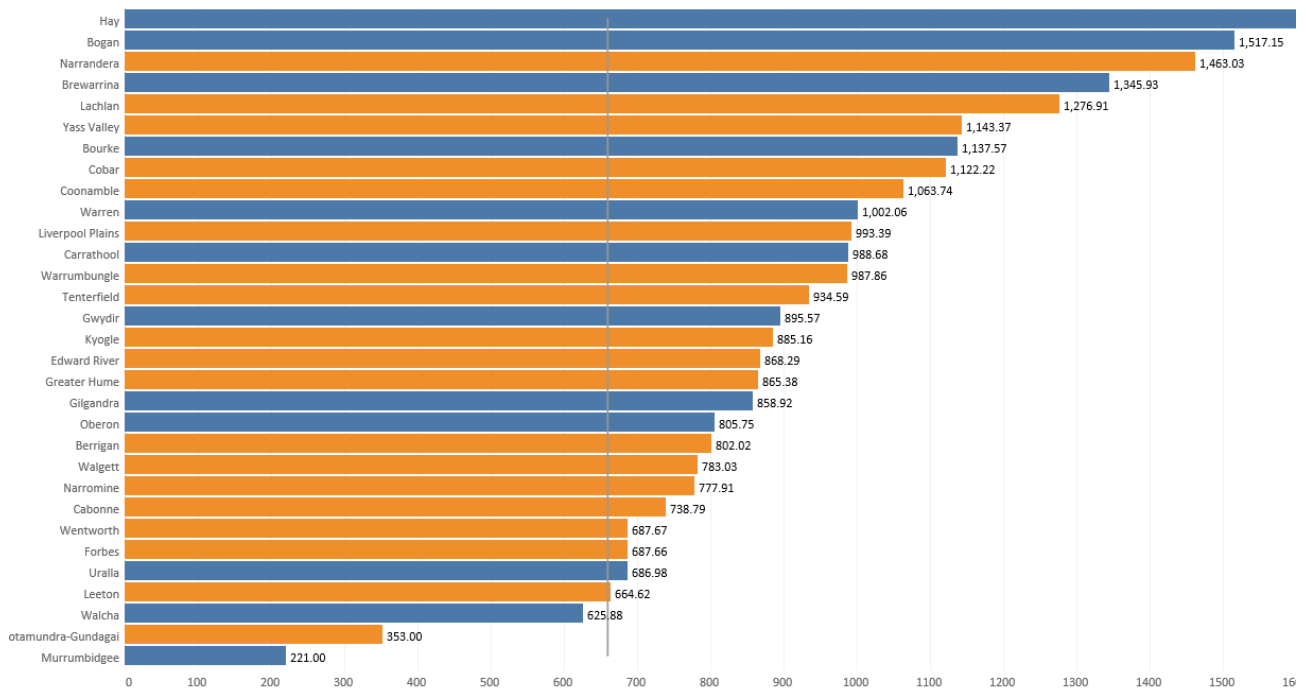
Similar information is contained in selected LWU's that are similar in size to USC or which are neighbours of USC – see graph 5 below.



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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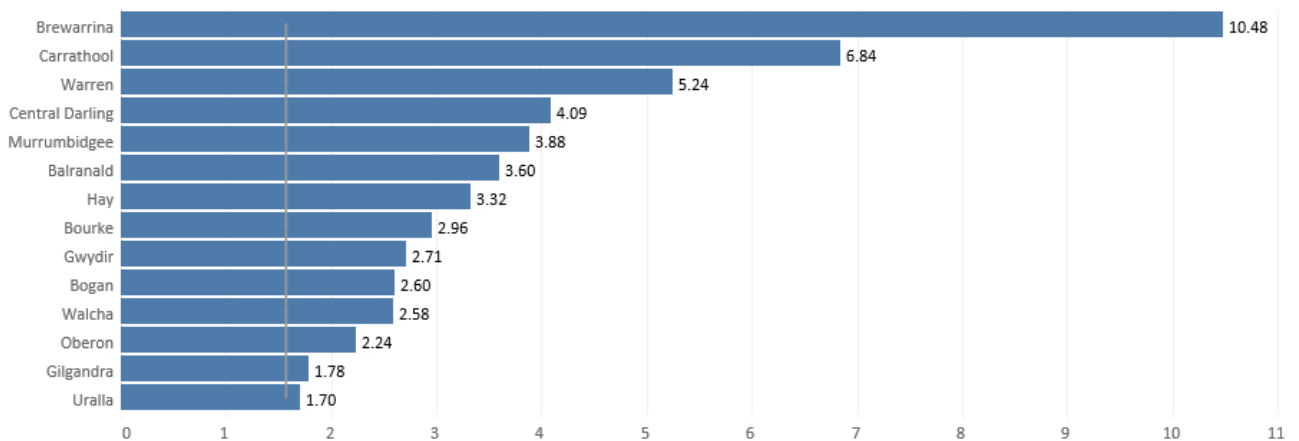


Graph 6 – Typical residential bill for 2018-19 – usage – WS – selected LWU’s of financially similar councils

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

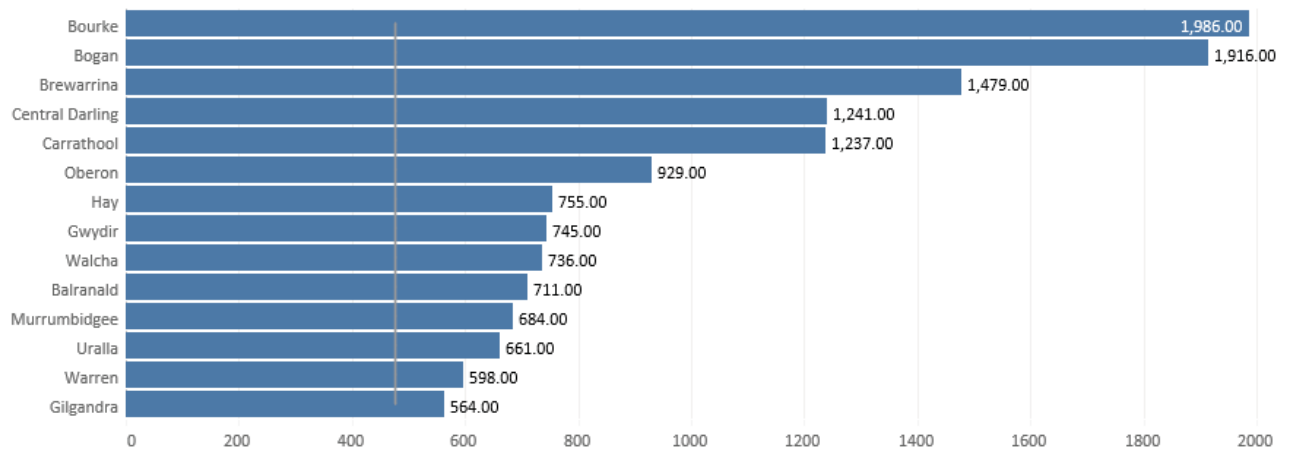
Uralla also has the lowest number of employees per 1,000 properties compared to others in the grouping of less than 1,500 properties, as seen in the graph below.



Graph 7 – Total workforce per 1,000 properties

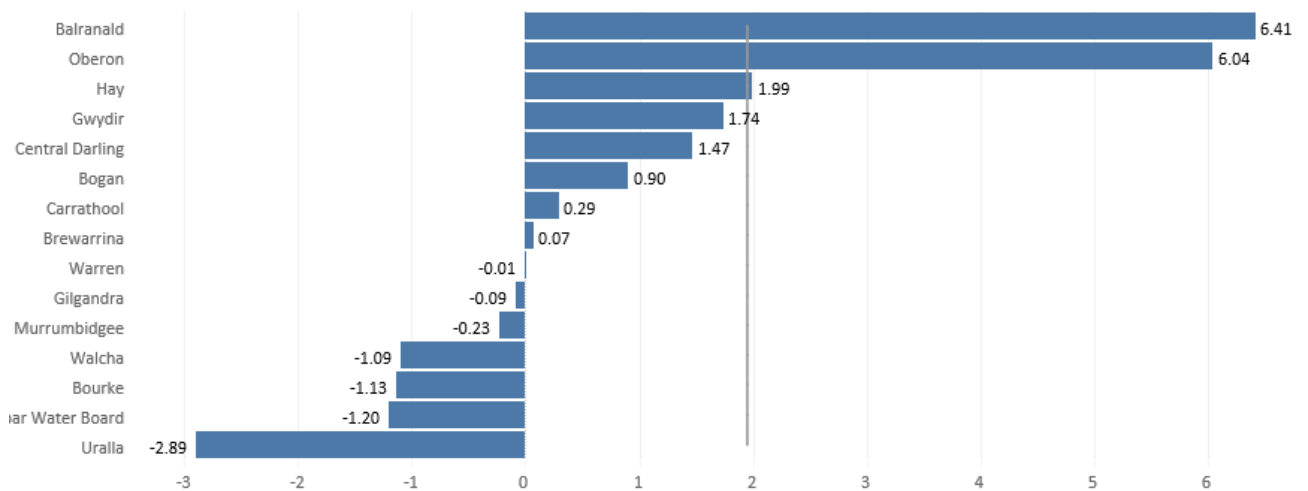
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Uralla also has one of the lowest operating cost (OMA) (\$/prop) in the grouping of less than 1,500 properties, as seen in the graph below.



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

From: [Tara Toomey](#)
 To: [Kate Jessep](#)
 Cc: [AU Uralla AllCouncillors](#)
 Subject: Water Fund
 Date: Tuesday, 22 December 2020 12:42:20 PM

Dear Kate

Over the last twelve months we have had several workshops on the water fund relating to bringing it into surplus in the longer term. To the frustration of councillors, and I believe staff, we seem to be repeatedly going over the same ground without undertaking a properly informed analysis of our costs and charges. In the last five years costs associated with the fund have increased substantially, well ahead of inflation. I don't understand why these increases have been necessary. To analyse our true position to put me (and other councillors) in a position where we can make properly informed, hard strategic decisions I need the following information:

- The staff positions allocated against the fund. I realise that some positions are only partly allocated against this fund, so can you please also identify those positions with the relevant % allocated against the fund please. I would appreciate the information for each year : 2016, 2017, 2018, 2019 and now for 2020.

What I am looking for is something like the table below - the % are just examples of course, and there are no doubt more than 3 positions.

I have noted at the bottom of the table the actual totals for employment expenditure allocated against the water fund for each year. I need to understand the breakdown of those numbers as they relate to specific positions, ideally by relation also to the workforce management plan.

Annual Employment Expenditure

	2016	2017	2018	2019	2020
Position A	100%	100%	100%	100%	100%
Position B	50%	50%	50%	75%	75%
Position C	0%	0%	0%	0%	35%
Annual Total	\$386,000	\$430,000	\$312,000	\$370,000	\$581,000

- The depreciation schedule for the water fund including their depreciated value.

Clearly there are more than 3 items, this is just a start in the table below. I would like to see an itemised list for each year, 2016 - 2020.

This also allows for items that are new to the water fund to be easily identified with their relevant depreciated amount.

Annual Depreciation Expenditure

	2016	2017	2018	2019	2020
Item 1	\$400,000	\$350,000	\$300,000	\$250,000	\$200,000
Item 2	n/a	n/a	n/a	n/a	\$500,000
Item 3					
Annual Total	\$275,000	\$277,000	\$485,000	\$464,000	\$451,000

- The list of materials that are allocated to the water fund, identifying those that are fixed and those that are variable, for each year 2016 - 2020. Information showing the annual costs as in the table below is what I am looking for. Again, there are more than 3, this is just a start.

Annual Materials Expenditure

	2016	2017	2018	2019	2020
Fixed Material 1	\$500	\$600	\$700	\$800	\$1,000
Fixed Material 2					
Variable Material 1					
Annual Total	\$272,000	\$288,000	\$494,000	\$599,000	\$1,109,000

- A summary of the items accounted for in our accumulated depreciation.

Accumulated Depreciation

	2016	2017	2018	2019	2020
Item 1	\$400,000	\$350,000	\$300,000	\$250,000	\$200,000
Item 2	n/a	n/a	n/a	n/a	\$500,000
Item 3					
Annual Total	\$1,861,000	\$13,630,000	\$14,377,000	\$15,053,000	\$15,624,000

Sincerely

Tara Toomey

Cr Tara Toomey

ttoomey@uralla.nsw.gov.au

Service review process – indicative areas of consideration (tailored to specific service area as relevant):

1. Service Details

- Trim number
- Service Title
- Service Description & Purpose
- Service Group
 - Cost Centre Numbers
- Category
 - Internal %
 - External %
- Owner Department
- Director
- Team Leader
- Service Review Team Members
- Review Priority
 - Date started
 - Forecast completion date

2. Scope of Review

- Purpose and objectives
- Expected deliverables or outcomes
- Identified opportunities
- Identified limitations
- Resource requirements
- Budgetary requirements
- Linkages with other reviews

3. Key Stake Holders

- Subject matter experts
- Other internal stakeholders
- Review start-up meeting date

4. Community Focus Groups

- External stakeholders
- Relevant committees
- Focus groups-titles and members

5. Information Gathering

- Service relationships
- Minimum requirements
 - i. Legislative requirements
 - ii. Other (includes most recent service output/level resolutions of Council)
- Current outputs
- Current outcomes
- Current levels of service
- Satisfaction with service
 - i. Community engagement process for outwards delivering services / internal staff survey for inwards delivering services (e.g. corporate services).
- Service utilisation
- History of service
- Existing constraints
- Current proposals
- Corporate plans

- Policies & procedures
- Expenditure & income
- Funding sources
- Mode of service delivery
- Employees and contractors
- Resource usage
- Council's role:
 - Coordinator/facilitator
 - Regulator
 - Owner
 - Purchaser
 - Business operator
 - Advocate
 - Educator
 - Provider
 - Funder
 - Others

6. Staff ideas

7. Councillor ideas

8. Other information

Benchmarking with Organisations

9. Review Levels of Service – Issues & Implications

- Provide no service i.e. exit
- Provide a lower level of service
- Provide the same level of service
- Provide a higher level of service

10. Service Delivery Models - Issues & Implications

- Sharing services and resources with other councils
- Strategic relationships with government bodies
- 'Arms length entities' to manage the service
- Joint ventures or public private partnerships (PPP's)
- Community run services or enterprises
- Outsource service or activities to external providers
- New business enterprises to generate additional income

11. Internal Operations

- Organisational Structure
- Process, procedures, work practices and tools
- Optimise or reduce resource usage
- Optimise staff productivity
- Regulatory controls

Funding Arrangements

12. Recommendations

- Recommendations
- Financial implications/Project savings
- Productivity & output changes
- Resource & workforce implications/Staff changes
- Community implications
- Environmental implications
- Risk & insurance implications
- Other implications
- Continuous improvement

Service Review Document Check

Closeout Meeting

Approvals & Follow-up Actions

9.2 HORIZONTAL SERVICE REVIEW – PRIORITY 3 ACTIONS - SUMMARY



Department: Finance
Prepared by: Chief Financial Officer
TRIM Reference: UINT/21/1165
Attachments: Nil

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

SUMMARY:

This report provides Councillors with the opportunity to proceed with further investigations into potential savings and/or increased revenue opportunities based on information taken from the Horizontal Service Review (HSR) undertaken in October 2018.

RECOMMENDATION:

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 as follows:
< insert table from report at the meeting >

BACKGROUND:

The 2020/21 Operational Plan includes a strategy to operate in a financially responsible and sustainable manner. To achieve this strategy, it may be necessary to apply for a Special Rate Variation (SRV).

Before seeking a resolution of Council to make an application for an increase in rate revenue in accordance with the Independent Pricing and Regulatory Tribunal criteria, further investigation/analysis of cost savings and revenue raising opportunities need to be undertaken.

Council has previously considered priority one and two options detailed in the Horizontal Service Review (HSR) undertaken in October 2018.

The purpose of this review is to put any idea for further cost savings or improved revenue (other than an SRV), identified as priority 3 in the HSR, 'on the table' for consideration by Committee of the Whole.

REPORT:

The third tranche of potential action items from the HSR was reported as:

Opportunity	Recurrent Benefit*
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	31,000
2. Rent out the café space at the Visitors Information Centre. Suggest \$250 per day fee hire.	15,000
3. Upgrade street lighting	16,553
4. Remove the Community Grants Program and other sponsorships	60,000
5. Privatise McMaugh Gardens	30,000
6. Solar power – water and sewer services	20,000
7. Solar power - pool	1,570
8. Improve procurement management practices, including with Joint Organisation	5,000
9. Joint Organisation – shared services across all back-end administration services	40,000
10. Transition indoor workforce from 9 day fortnight RDO system to 19 day month (excluding TCS/TCT LG Staff)	70,000
11. Various waste services ideas, mostly already subject to service review	
12. Reduce opening days of swimming pool	48,000
13. Review of water and sewer reticulation condition	-
14. Review Transport Asset Management Plan for reduction of proposed service levels	100,000
15. Better fleet management (of vehicles)/cost benefit of staff leaseback arrangements	10,000
16. Ask community how we can make savings	-

*** Estimated benefit as reported in the Horizontal Service Review (not confirmed by way of detailed analysis)**

The following table provides the Committee with the opportunity to either reject or seek further information on each item.

The table includes a recommendation from Executive as a start-point, subject to review and decision by the Committee.

Some items have already been implemented or are in the process of being implemented.

If further investigation is required, a further report will subsequently be provided to the Committee with recommendations arising from the investigations for final consideration.

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		31,000	I
2. Rent out the café space at the Visitors Information Centre. Suggest \$250 per day fee hire.		15,000	I
3. Upgrade street lighting	16,553		U
4. Remove the Community Grants Program and other sponsorships		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	

*** Estimated benefit as reported in the Horizontal Service Review (not confirmed by way of detailed analysis)**

Once the above items have been actioned, Council can then commence consideration of items from the HSR that were marked as un-prioritised.

KEY ISSUES:

- Financial sustainability is one of the key risks that needs to be managed by Council.
- Without financial sustainability Council may not be able to remain independent.
- The continued review of costs and revenue raising opportunities needs to be undertaken as part of the process to determine if a SRV is necessary.

COUNCIL IMPLICATIONS:

1. Community Engagement/ Communication (per engagement strategy)

Staff have commenced a service register; reports have been presented to the Finance Committee, ARIC and Council in relation to financial sustainability. A quarterly report of the Operational Plan which includes strategies to achieve financial sustainability is presented to Council.

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 as noted in the tables above.

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 move from a 9 day fortnight to 19 day month.

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

Completion of all items marked I.

8. Project Management

Chief Financial Officer.

10 CONFIDENTIAL MATTERS

- NIL

11 CONCLUSION OF THE MEETING

END OF
Budget, Review & Finance Committee
BUSINESS PAPER