



FINANCE ADVISORY COMMITTEE MEETING

BUSINESS AGENDA

15 November 2022

Commencing at 4pm

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- 1 OPENING & WELCOME**
- 2 ACKNOWLEDGEMENT OF COUNTRY**
- 3 WEBCAST INFORMATION**
- 4 APOLOGIES & APPLICATIONS FOR LEAVE OF ABSENCE BY
COUNCILLORS/COMMITTEE MEMBERS**
- 5 DISCLOSURE & DECLARATION OF INTEREST/S**
- 6 CONFIRMATION OF MINUTES**

Finance Advisory Committee Minute for 20 September 2022 were presented and confirmed at the
27 September 2022 Ordinary meeting.
- 7 TABLING OF PETITIONS**
- 8 LATE REPORT/S**

9 REPORTS TO COMMITTEE

9.1 Independent Review of the Uralla Shire Council draft 2022-23 Budget

Department:	Corporate & Community
Prepared By:	Executive Director Corporate & Community
Authorised By:	General Manager
Reference:	UINT/22/13499
Attachments:	1. Independent Review of the Uralla Shire Council draft 2022-23 Budget Presented to Uralla Shire Council by LG Outcomes Pty Ltd November 2022

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Goal:	4. We are an independent shire and well-governed community
Strategy:	4.3. An efficient and effective independent local government

SUMMARY

The purpose of this report is for Mr Chris Weber of LG Outcomes to present his final report from the conduct of an independent review of the 2022/23 budget.

Mr Weber will attend the Finance Advisory Committee to give his presentation during the meeting and to discuss his recommendations.

RECOMMENDATION

That the Finance Advisory Committee workshop the recommendations presented in the Independent Review Report on Council's draft 2022-2023 budget and the management response; and, provide direction on the next steps in Council's financial sustainability planning, as follows...

- <<Insert at meeting>>

REPORT

At the Council's Ordinary Meeting on 24 May 2022, Council resolved to engage an independent financial expert to assist Council with the review of the draft budget to identify any further saving and revenue options for the 2022-23 budget including:

- the forecast fees and charges revenue
- kerbside collections optimum service delivery method
- optimised staffing costs
- retaining services within budget.

Mr Weber's report is attached and is based on reviewing Council's 2022/23 forecast budget.

At Council's Finance Advisory Committee Meeting held on 20 September 2022, the committee resolved that no further work is required by LG Outcomes at this time in relation to the "kerbside collections optimum service delivery program" and "retaining services within budget" components of the original scope. Council

received a business paper on kerbside collection at its 26 July 2022 Ordinary Meeting. Service levels will be a focus in the business planning for 2023/24.

Although this report is based on Councils forecast budget, the report has been written with a view to be able to be understood by those with or without financial experience.

Council has already made a number of improvements to its operation. The body of the report outlines a number of these including:

- Shared services implemented
- Improvement / development of Asset Management Plans
- Workforce and service reviews undertaken
- Commenced full review of Councils IT services
- All budget bids include estimated ongoing/'whole of life' costs

There are further opportunities for cost reduction and increased revenue detailed in the report

Recommendations from the Report and Management Response:

Opportunity	Recommendations for consideration:	Management Response
Realignment of budget to new organisational structure	<ul style="list-style-type: none">• Update 22/23 budget for changes due to updated organisational structure	<ul style="list-style-type: none">• Being progressed through Finance and Human Resources
Consolidation of budget lines	<ul style="list-style-type: none">• Consider consolidating all lines of less than \$5,000 where possible to reduce the administrative effort of managing budgets	<ul style="list-style-type: none">• Being progressed through Finance

Opportunity	Recommendations for consideration:	Management Response
Developing mature asset management plans to inform decision making	<ul style="list-style-type: none"> • Resource the improvements to the asset management plans (AMP) to increase the confidence in the Councils depreciation value • Prioritise the Transport AMP, Water AMP, Sewer AMP and Plant and Equipment AMP 	<ul style="list-style-type: none"> • Engagement of independent asset accounting services to supplement Councils capability – in progress • Up to date Asset Management planning (based on Institute of Public Works Engineers Australia (IPWEA) templates, Practice Notes and Lifecycle modelling software (NAMS+) have been procured • Prepare Council's first Asset Management Maturity Assessment Report – in progress • Update Asset Register – in progress • Determine any additional asset management system requirements including software – in progress • Support recommendation on prioritisation of AMP development

Opportunity	Recommendations for consideration:	Management Response
Operational efficiencies through improved IT facilities	<ul style="list-style-type: none"> • Upgrade Council's core business systems • Improve online customer and planning services • Transfer to SaaS based software products where possible • Transfer to special network provider (or shared services) • Implement products to address high risk areas (e.g., WHS) • Allocate dedicated reserve for IT upgrades • Two screen work-stations (improved efficiency, reduced paper consumption) • Laptop for all office staff – increased work location flexibility, reduced future office space costs. • Introduce a bring your own device phone policy to enable improved e-technology in the field e.g. incident reporting, e-timesheets 	<ul style="list-style-type: none"> • Prepare IT Strategy – in progress • Assess resourcing requirements and implementation schedule – in progress • Prepare budget bids/reports for Council decision for any additional resourcing required
Shared Services	<ul style="list-style-type: none"> • Work with Walcha Council, and other Councils where appropriate, to increase shared services arrangements for services where possible • Currently exploring shared planning and building services; shared Audit Risk and Improvement Committee. 	<ul style="list-style-type: none"> • Shared services in place – Ranger Services, Waste Collection , HR and WHS • Support the recommendation – in progress
Maximise benefits and minimise administrative costs of grants	<ul style="list-style-type: none"> • Minimise the number of projects funded within one grant to reduce operational/administrative effort in managing the fund (e.g., one project funded by the LRCI program only requires one set of progress reports and acquittal, eight projects require eight progress reports, acquittals etc.). 	<ul style="list-style-type: none"> • Support the recommendation

Opportunity	Recommendations for consideration:	Management Response
<p>Combined program of service review and consideration of Special Rate Variation (SRV) scenarios for increased revenue via increased rate revenue</p>	<ul style="list-style-type: none"> • All organisations have opportunities for improvement however Uralla's current forecast position means that action needs to be planned in the very near future if current service levels are to be retained. • It is important that Council understand that even if an SRV is approved, Council can determine the amount it will implement and when. This could include timing rate increases to optimise rate income from the regional energy zone sites. • By being proactive Council can give itself options and flexibility for the future whilst having open and honest conversations with the community whilst undertaking a full review of service levels • It also needs to be noted that realising opportunities will also take time and resources to do so effectively and for long term benefits. • If an SRV is considered Council should, as a starting point, consider the value first and foremost on the funds required to deliver the services rather than a percentage value. Different scenarios can be modelled as required. 	<ul style="list-style-type: none"> • Support the recommendation • Require further advice from Council regarding next steps including advice on this year's Operational Plan Action 4.3.16.3 <i>PROJECT: Organisation wide desktop service review and benchmarking to assess service levels and costs so that the need for savings/efficiencies and additional revenue can be assessed.</i>
<p>Kerbside collection</p>	<ul style="list-style-type: none"> • Refer 26 July 2022 Council report – potential opportunity for reduced risk and greater certainty of costs via contracted services 	<ul style="list-style-type: none"> • Prepare a report to Council with updated options to enable further consideration by Council and either approval for an additional FTE (driver) and approval to borrow funds to purchase two new trucks; or, approval to outsource the service (recommended).

Opportunity	Recommendations for consideration:	Management Response
Expand McMaugh Gardens	<ul style="list-style-type: none"> Increasing the scale of McMaugh Gardens could lead to increased revenue and profit that may: <ul style="list-style-type: none"> Reduce the fluctuations in existing funding and offer an improved service for the community through increased capacity at the facility, and Open up the opportunity for the service to pay an increased dividend to Councils general fund that could be used to offset increased cost pressures 	<ul style="list-style-type: none"> Support the recommendation. Delivery Program Activity – <i>1.1.4 PROJECT: Seek grant funding and undertake a staged expansion of McMaugh Gardens</i> Operational Plan Action: <i>1.4.4.4 PROJECT: Update business case and prepare plans for staged expansion of McMaugh Gardens</i> Grant application submitted for master planning and stage 1 construction.
Implement and resource a planned improvement program	<ul style="list-style-type: none"> In most areas, staff are already operating at capacity or higher. Many good ideas and concepts have been identified however they will take dedicated time and resources to be realised. Council needs to consider how it can resource a short to medium term to realise ongoing medium to long term benefits Consider additional financial management resource for three years which will allow Council to improve systems across the asset accounting, aged care, corporate areas and the updated LTFP required for the new term of Council. 	<ul style="list-style-type: none"> Noted – Executive Team putting some consideration into what actions may need to be deferred or extended due to staff shortages. Agreed – see earlier comments. To be assessed – in short term .36 increase to Finance FTE is within budget; and additional Finance Contract Support is being arranged within budget.

CONCLUSION

Finance Advisory Committee discussion on Mr Weber's report and the management response will assist in determining the next steps in Council's financial sustainability planning.

COUNCIL IMPLICATIONS**Community Engagement/Communication**

Council consult on its draft Operational Plan, Revenue Policy and Budget each year prior to finalisation and adoption.

Policy and Regulation

Local Government Act 1993 (NSW), Local Government (General) Regulation 2021 (NSW), Office of Local Government, Integrated Planning & Reporting: Guidelines, September 2021.

Financial/Long Term Financial Plan (LTFP)

Council resolution 12.07/22 - That Council:

I. agree that the draft Long Term Financial Plan (LTFP) 2023-2032 was placed on public exhibition from 8 June 2022 to 7 July 2022;

II. note that no submissions were received during the public exhibition period;

III. understand that one of the fundamental requirements for the preparation of meaningful and workable long term financial plans are completed and adopted asset management plans;

IV. receive the draft Long Term Financial Plan (LTFP) 2023-2032, as advertised, as a base document; and

V. note that the following work must be undertaken during the first half of the Financial Year 2022/2023 to enable a refined scenario to be developed for incorporation into a meaningful and workable Long Term Financial Plan (LTFP) 2022-2032, namely:

a. completion of the asset management plans;

b. an organisation-wide service review (desktop benchmarking); and

c. the review of the adopted budget to identify any further savings and revenue options

for the Financial Year 2022/2023 as the base year for the Long Term Financial Plan 2023-2032.

Asset Management/Asset Management Strategy

Council have adopted an Asset Management Strategy and an Asset Management Policy.

The Draft Asset Maturity Management Plan advises the following:

The maturity assessment was prepared cognisant of a small, rural, remote Council in north NSW, with limited resources and specific asset management needs.

The assessment, has identified that while draft Asset Management Plans for council's seven groups have been well progressed, four elements of asset management practice in which "core" level maturity are yet to be achieved. These elements are:

- Governance and management
 - Data and Systems
 - Skills and Processes
 - Levels of Service – agreed levels of service at lowest cost.
-
- Council has completed draft asset management plans for seven asset groups. However, the level of confidence on data integrity is still low. There is lack of a consolidated integrated, accurate, up to date asset register with appropriate components and the required functionality to ensure security and data

integrity, which includes all information about each asset sorted by asset group. To achieve a robust and well-maintained asset register, it is suggested that Asset Management Implementation Team spearhead by Asset Manager and Manager Finance and IT continuously manage and maintain up to date asset register for all asset classes and asset condition of asset groups systematically.

- Council does not have defined and documented procedures for determining asset replacement and treatment unit rates, which are then stored in the Asset Management System. Unit rates are currently provided by the external valuer, when the revaluation takes place every 5 years. Local unit rates should be established by Council for annual review of re-valuations and register updating
- Council does not have documented *repeatable* methods to carry out reliable and consistent asset condition surveys, renewal needs and defect condition assessments, as documented in a Condition Rating Assessment Manual for applicable asset classes. Council relies on external valuers to condition assess assets, when the revaluation takes place, every 5 years, when often only a very small sample of assets are inspected. The methodology and subsequent asset data outputs from the financial valuation reports do not provide adequate information for asset management planning purposes.

These items are identified with the highest priority in the asset management strategies and improvement plan in the Council's adopted Asset Management Strategy.

Workforce/Workforce Management Strategy

Council have adopted a Workforce Management Strategy. National workforce shortages are effecting Council's recruitment and retention as well as access to casual labour hire and contractors.

Legal and Risk Management

Council's recent and continuing financial deficits are creating a potential high risk to Council. The purpose of this report and the focus on asset management data, planning and general operational efficiencies as well as revenue is intended to manage this risk.

Performance Measures

Preparation and adoption of LTFP 2023

Project Management

General Manager/Executive Director Corporate and Community/Executive Director Infrastructure and Development



Independent Review of the Uralla Shire Council draft 2022-23 Budget

This report is presented to Uralla Shire
Council by LG Outcomes Pty Ltd
November 2022

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Executive Summary

At the Council's Ordinary Meeting on 24 May 2022, Council resolved to engage an independent financial expert to assist Council with the review of the draft budget to identify any further saving and revenue options for the 2022-23 budget including:

- the forecast fees and charges revenue
- kerbside collections optimum service delivery method
- optimised staffing costs
- retaining services within budget.

This report is based on reviewing Council's 2022/23 forecast budget.

At Council's Finance Advisory Committee Meeting held on 20 September 2022, the committee resolved that no further work is required by LG Outcomes at this time in relation to the "kerbside collections optimum service delivery program" and "retaining services within budget" components of the original scope. Council received a business paper on kerbside collection at its 26 July 2022 Ordinary Meeting. Service levels will be a focus in the business planning for 2023/24.

Although this report is based on Councils forecast budget, the report has been written with a view to be able to be understood by those with or without financial experience.

LG Outcomes would like to thank Uralla Shire Council (USC) for allowing to us to undertake this review for USC and would welcome the chance to work with Council again in the future should the opportunity arise.

General Findings

Forecast Budget	General Fund	Water Fund	Sewer Fund	McMaugh Garden	Consolidated Fund
Net Operating Result before grants & contributions provided for capital purposes	(\$1,536,493)	(\$293,399)	(\$104,989)	\$166,911	(\$1,767,970)
Cash Result	\$0	\$0	\$0	\$782,107	\$782,107

- The 22/23 budget is largely similar to the 21/22 forecast budget with CPI increases included while costs have increased at a higher rate (e.g., wages, insurance and fuel). This included cost constraint measures such as reducing forecast overtime by 50% (this was an approx. \$300k reduction) as outlined to in the 15 March 2022 Budget Review and Finance committee meeting.
- It is recognised that pre the 2011 fit for the future process Council's approach to managing its financial position was based on ensuring solvency more so than long term sustainability as is required following the fit for the future process.
- Depreciation has increased significantly over the past ten years.
- Council has very limited reserves in place, especially unrestricted reserves in the general fund.
- Based on current forecasts, Council's general fund appears that it will run out of unrestricted cash in 2024/25.
- Council has sought to keep costs down for the community.
- Council takes its role in the community care and aged care services very seriously and see it as a non-negotiable service that Council provides including scope to increase the service.
- The % increases for CPI and materials in Councils long term financial plan (LTFP) were set at reasonable levels for the time but are now likely to be lower than actual increases due to the rapid rise in inflationary pressures.
- Council does not currently have mature asset management plans for all asset classes and has made it a priority to address this – the Transport Asset Management and Buildings Asset Management are the only plans to have reached a degree of maturity.

- The total change of overheads between 2020/21 forecast and this year's forecast is \$57,000 over a \$2m total which is a 2.85% increase and in line with wage increase and CPI estimates.
- There will be additional Information Technology (IT) costs required to upgrade Councils system to be fit for purpose.

The forecast fees and charges revenue

With the exception of the Tablelands Community Support service area, Councils fees and charges have been essentially forecast based on previous year forecasts plus a minimal increase (often equal to rate peg or a similar value).

Generally, the findings for the forecast fees and charges was that they have been largely based on previous years forecasts with a conservative increase applied.

For the Tablelands Community Support service area, there has been a large reduction in the forecast income. This is due to the change in how these services are claimed and paid for. Previously, Council was provided with a budget, paid in advance, and would seek to provide as many services as the funding would allow. Council accepted the funds on the basis that there was no risk because if Council didn't spend the money, it could just be given back. The forecast for 22/23 is based on the previous service levels actually delivered, which is what Council will be funded for.

Whilst the forecasts were largely values are based on previous budgets, this does not mean that the fees and charges were set at a level that would meet full cost recovery for the relevant service. Councils' management team have already requested staff commence reviewing and preparing for the fees and charges associated 2023/24 budget. This will be critical to an open conversation with regards to fees, charges and the associated service levels.

Kerbside collections optimum service delivery method

Council received a report regarding this matter at its ordinary meeting 26 July 2022. The report provided information regarding costs and options.

LG Outcomes reviewed the Council report; however, this matter has not been extensively reviewed any further as part of this report to avoid a duplication of effort and costs for Uralla Shire Council.

No further work in being undertaken by LG Outcomes following the discussions from the Finance advisory committee meeting held 20 September 2022.

Staffing costs

- General fund employee benefits and costs increase from 21/22 of approx. \$169,605 (2.13%). Aligns with award wages increase
- Water fund employee benefits and costs decrease from 21/22 of approx. \$13,000 (0.32%)
- Sewer fund employee benefits and costs increase from 21/22 of approx. \$81,512 (27.91%)
- Council's workforce plan has undergone significant review and new organisational structure is in the process of being implemented.
- Staff recruitment is currently extremely competitive and why greater use of contractors is becoming more common and likely to continue, at least in the short term.

Retaining services within budget

Noted that no further work in being undertaken by LG Outcomes following the discussions from the Finance advisory committee meeting held 20 September 2022.

The background behind this is that the focus would be on the business planning process for 2023/24 using the improved asset management plans which provide improved clarity on service levels rather than just previous expenditure levels on service areas.

What has already been done to improve operations

Council has already made a number of improvements to its operation. The body of the report outlines a number of these including:

- Shared services implemented
- Improvement / development of Asset Management Plans
- Workforce and service reviews undertaken
- Commenced full review of Councils IT services
- All budget bids include estimated ongoing/'whole of life' costs

Additional opportunities for cost reduction - implemented / commenced / proposed

- Removed bottled water from admin building
- Reduced overtime budget
- Energy costs
- Reductions to community group allocations (recommendation not accepted and additional budget allocations made)
- Amended office cleaning regime
- Review asset renewals that would only be delivered if 100% grant funded

Additional opportunities for increased revenue - implemented / commenced / proposed

- Expand aged care facilities (McMaugh Gardens)
- Increase community care and transport services
- Increase water, sewer and waste fees and charges
- Adjust all services to have charges set on a full cost recovery basis (needs to be carefully considered for community service obligations)
- Special Rate Variation to increase base rate income
- Increased revenue (rating or otherwise) from the potential energy related development
- Increased grant funds for asset renewal

Recommendations for consideration

A high number of proactive ideas have been identified from Council staff through this review. The below list outlines a number of the key items for consideration and more detail for each item can be seen in the body of the report.

- | | |
|--|---|
| • Realignment of budget to new organisational structure | • Maximise benefits and minimise administrative costs of grants |
| • Consolidation / simplification of budget lines | • Combined program of service review and consideration of Special Rate Variation (SRV) scenarios for increased revenue via increased rate revenue |
| • Developing mature asset management plans to inform decision making | • Kerbside collection |
| • Operational efficiencies through improved IT facilities | • Expand McMaugh Gardens |
| • Review opportunities for further shared services | • Implement and resource a planned improvement program |

Conclusion

In conclusion, the 2022/23 budget appears to be reasonable in the circumstances. The review process has been a valuable undertaking highlighting current and proposed continuous improvement. Resources will need to be allocated to realise many of the efficiency opportunities identified in the report (it should be noted staff are making attempts to realise these gains as time allows but the time is limited beyond normal operational duties).

Without additional guaranteed grant funding (which is not expected), to address the operating deficit and maintain current service levels Council will need to increase revenue.

REPORT

Background

At Council's Ordinary Meeting on 24 May 2022, Council resolved 20.05/22 which included: *That:*
2. concurrently, Council vote funds [per report] to engage an independent financial expert to assist Council with the review of the draft budget to identify any further saving and revenue options for the 2022-23 budget including:

- a. the forecast fees and charges revenue*
- b. kerbside collections optimum service delivery method*
- c. optimised staffing costs*
- d. retaining services within budget.*

LG Outcomes was engaged to conduct an independent review of Council's budget and look for opportunities to assist Uralla Shire Council moving towards a balanced budget.

The review has looked at:

- The proposed 2022/23 budget,
- Organisational structure (staffing costs),
- A brief overview of potential operational efficiency gains that Council could make,
- Council's expenditure,
- Forecast fees and charges revenue,
- Kerbside collections optimum service delivery method,
- Retaining services within budget, and
- Council's revenue sources including comparison to other similar Councils.

At Council's Finance Advisory Committee Meeting held on 20 September 2022, the committee resolved;

That the Financial Advisory Committee receive a brief on the progress of the Draft Independent Review of the 2022-23 budget by C Weber of LG Outcomes and clarify the requirements of Council resolution 20.05/22:

Part b. kerbside collections optimum service delivery program – revisit the business case information in the report to the July 2022 Council report (not further work by LG Outcomes at this time); and
Part d. retaining services within budget – focus on the business planning process for 2023/24 using the improved asset management plans which provide improved clarity on service levels rather than just previous expenditure levels on service areas (not further work by LG Outcomes at this time);

At the Council's Ordinary Meeting on 27 September 2022, Council resolved;

That Council adopt the Minutes of the Financial Advisory Committee Meeting held 20 September 2022 as a true and correct record. (RES11.09/22)

Council received a business paper on kerbside collection at its 26 July 2022 Ordinary Meeting. Service levels will be a focus in the business planning for 2023/24.

Findings:

The proposed 2022/23 budget

Forecast Budget	General Fund	Water Fund	Sewer Fund	McMaugh Garden	Consolidated Fund
Net Operating Result before grants & contributions provided for capital purposes	(\$1,536,493)	(\$293,399)	(\$104,989)	\$166,911	(\$1,767,970)
Cash Result	\$0	\$0	\$0	\$782,107	\$782,107

- The 22/23 budget is largely similar to the 21/22 forecast budget with CPI increases included as well as a 2.5% increase to wages and superannuation, approximately 10% increase to insurance costs, 25% increase to fuel costs and reduction of overtime budget by 50%.
- The 22/23 budget includes consolidation of some budget lines which will assist with reducing administration effort – but further consolidation is possible in this area
- The largest increases relate to wages in the community services area which are intended to be self-funding.
- There will be adjustments to Councils wages over the first six months of the FY as the new structure is implemented following endorsement of Councils workforce management strategy; however, the new structure is intended to be, on average, cost neutral (transition costs funded from the organisation development restriction and short-term vacancies).
- The total change of overheads between last year's forecast and this year's forecast is \$57,000 over a \$2m total which is a 2.85% increase and in line with wage increase and CPI estimates. There are reasonable changes between departments as the allocation of overheads was reviewed and updated for the 22/23 budget.
- The value spent on unsealed roads in the past two years is greater than the 22/23 unsealed roads budget (*need to confirm exact values*). Depending on weather and service levels, this may lead to recommendations for additional budget allocations to achieve expected service standards during the 2022/23 financial year.
- Post preparation of the budget, additional revenue of \$279,000 has been identified due to:
 - Higher than forecast financial assistance grants (\$129,000), and
 - Higher than forecast interest revenue (\$150,000)
- There will be additional IT costs, estimated to be in the range of \$350,000 to \$400,000 over the next 2-3 years required to upgrade Councils system to be fit for purpose.
- The changes associated with the organisational structural change will be incorporated into the 1st and 2nd quarter budget reviews as the change process is implemented.

General Comments

- This review is based on reviewing Council's position with regards to long term sustainability.
- It is recognised that pre the 2011 fit for the future process Council's approach to managing its financial position was based on ensuring solvency more so than long term sustainability as is required following the fit for the future process.
- A major requirement of the fit for the future process has been in relation to Council having current and accurate asset management plans on which to base critical decisions.
- Council does not currently have mature asset management plans for all asset classes having struggled to find the right staff to address this for a number of years and with limited asset database. Without this, capital expenditure has been talked about as being set to depreciation + capital grants. The issue here is getting confidence in the depreciation values and understanding where capital grants are being spent on new assets versus existing assets. Council recently adopted an Asset Management Strategy.
- Depreciation has increased significantly over the past ten years – this has been driven by external revaluations, componentisation and increased asset service level (most grant funded), however, it has not exceeded the 'rule of thumb' that depreciation approximately doubles every 10 years.
- Council has very limited reserves in place, especially unrestricted reserves in the general fund and Council needs to closely monitor the forecast cash position to ensure it doesn't run out of cash. This will be heavily dependant of future works programs and grant funding but is mentioned to ensure that Council's cash position is considered very carefully.
- Council's water and sewer funds require further review to ensure sustainable into the future.
- Council has sought to keep costs down for the community.
- Council takes its role in the community care and aged services very seriously and see it as a non-negotiable service that Council provides including scope to increase the service.
- Maximising local employment is very important to Council.
- With Council's financial position as it is, the organisation has sought to manage without filling vacant positions for long periods at a time to save money. Whilst this does provide some short-term budget relief it is not a sustainable strategy. There are significant risk and consequences arising from this approach – namely placing extra burden on the remaining staff which can lead to burn-out, staff turnover and increases in workers compensation matters.
- The % increases for CPI and materials in Council's Long Term Financial Plan (LTFP) were set at reasonable levels for the time but likely to be lower than actual increases due to the rapid rise in inflationary pressures.
- Council is progressing with the update of its Asset management plans as a priority – this is critical for improved information into the future.
- **Appendix five** shows that in relation to Council's Net Operating Result before grants & contributions provided for capital purposes, Council has been running at a deficit in the general fund for a number of years. If this is not addressed Council will see reduced services being delivered to the community including the potential scenario where it is not able to replace assets as they need to be renewed.
- **Appendix one** and **Appendix four** answer queries raised through the review process.
- **Appendix two** provides reference data for the comparison of Council's rates compared to Armidale Regional Council (nearby Council) and other group 10 councils.

Optimised Staffing costs (The organisational structure)

Employee Benefits and On-costs					
	Consolidated	General Fund	Water Fund	Sewer Fund	McMaugh
Uralla	\$11,221,791	\$8,134,227	\$400,070	\$292,034	\$2,395,460
Council A	\$9,456,543	\$8,654,834	\$442,293	\$359,416	N/a
Council B	\$10,019,000	\$8,869,000	\$831,000	\$319,000	N/a

- General fund employee benefits and costs increase from 21/22 of approx. \$169,605 (2.13%). Aligns with award wages increase
- Adjustments to the water and sewer fund employ benefits and costs arising from changes to staffing appointments, an additional FTE position at Bundarra for the new sewer system and treatment plan, and reduction in overtime budget resulting in:
 - Water fund employee benefits and costs decrease from 21/22 of approx. \$13,000 (0.32%).
 - Sewer fund employee benefits and costs increase from 21/22 of approx. \$81,512 (27.91% - increase relates to new Technical Officer Waste, Water and Sewer).
- Based on initial comparisons of the newly adopted structure from Council's workforce management strategy, Council's structure is in line with a number of other similar councils (in some admin/corporate services, e.g., finance USC has less resources allocated than similar councils).
- Other similar sized councils tend to have either a two or three director model with the two-director model being more common at this time. This is because the two-director model allows for recruitment at the senior staff contract level. This places these roles at a total remuneration package (TRP) level that is competitive in the market to attract and retain good candidates and allows for greater accountability through the performance management nature of the contract employment.
- Putting in place a fit for purpose org structure and seeking to have full employment will provide the best opportunity for local employment to be maximised, however it is important to note that recruitment is extremely competitive at the moment and why greater use of short-term contractors for specific projects is becoming more common in local government and likely to continue at least in the short term. One of the reasons for this is to avoid the burn out the staff Council has (and reduce the risk of losing staff and/or increase sickness costs including potential workers comp claims).
- When comparing to other councils it is important to note the USC overall wages will be higher due to the large aged-care facilities operated by Council.
- The implementation of Council's workforce management plan is well underway
- The structure as it is, is a lean structure. The ability to scale up as required will be dependent on access to contractors.
- **Appendix three** shows an example of Uralla's structure compared to another similar sized Council in the New England JO.
- Once the vacant positions are filled, some priorities will include:
 - Having access to a pool of casuals as required,
 - Cross training of staff to optimise staff time and capability,
 - Employee development to increase staff retention (and where possible seek to provide development opportunities for Uralla locals),
 - Review use of volunteers, and
 - Identifying where contractors are required and engaging them well in advance to maximise cost effectiveness.

What has already been done to improve our operations

- Shared services – HR (ten-month agreement) and WHS Advisor (three-year agreement) shared with Walcha Council; continued shared Ranger service.
- Improvement / Development of Asset Management Plans.
- Planning introduction of water telemetry in 22/23.
- Commenced full review of Councils IT services.
- Commenced implementation of new IT products where appropriate (e.g., InfoCouncil).
- Implemented a procurement portal/process to drive consistency for procurement processes.
- Commenced cross training between certain functional areas (e.g., aspects of finance and planning) to reduce key person dependency and reduce delays in service times.
- Request for Quote (RFQ) process to review Councils electricity expenditure.
- Organisational structure reviewed, new workforce management plan developed, and implementation close to completion.
- Improved management of overtime (OT) and time-in-leiu (TIL).
- Focus on annual leave planning/taking and long service leave planning/taking.
- Introduction of an online procurement framework and training.
- Use of e-requisitions and e-purchase orders.
- All budget bids include estimated ongoing / 'whole of life' costs.

Retaining services within budget

- Service level discussions required given the inflationary pressures on operational costs.
- Noted that no further work in being undertaken by LG Outcomes following the discussions from the Finance advisory committee meeting held 20 September 2022.
- The background behind this is that the focus would be on the business planning process for 2023/24 using the improved asset management plans which provide improved clarity on service levels rather than just previous expenditure levels on service areas.

What opportunities for cost reduction have already been implemented / commenced

- Reductions to community group allocations (recommendation not accepted and additional budget allocations made).
- Removed bottled water from admin building.
- Reduced overtime budget.
- Energy costs.
- Amended office cleaning regime.
- Review asset renewals that would only be delivered if 100% grant funded.

What opportunities for increased revenue have already been proposed

- Expand McMaugh Gardens.
- Increase community care and transport services.
- Increase water fees and introduce tiered pricing.
- Increase sewer fees.
- Increase fees collected from waste management services.
- Special Rate Variation to increase base rate income.
- Increased revenue (rating or otherwise) from the potential energy related development.
- Increased grant funds for asset renewal.

An overview of potential operational efficiency gains that Council could make

- IT – improved performance and use of systems. There have been improvements over the past 4-5 years however there are large opportunities remaining. Funds will need to be allocated to update and enhance Council's IT services. IT advances to be realised include:
 - Online timesheets (and pay by exception)
 - Real time budget information
 - Business Papers
 - Increased use of CRM
 - Cyber security training
 - Increased digitisation of processes
 - Electronic WHS system
 - HR systems (onboarding, Learning management)
 - Intranet for improved access to information and communications
 - Upgrade PC's, desktops and introduce mobile devices
 - Asset Management System (operations and strategic)
- Outsourcing of waste collection services. Reduced risk and opportunities for staff redeployment.
- Removal of accounts at the Uralla Landfill to be replaced with a pay as you go service and longer-term view to make the facility cashless.
- Review of procurement in standing contracts.
- Continued development to increase the maturity of Councils asset management plans to inform decision making (commenced and progressing).
- Consolidation of budget lines – consolidate all lines of less than \$5,000 where possible to reduce the administrative effort of managing budgets.
- Increased Shared Services - work with Walcha Council, and other Councils where possible and in the best interest of Council, to increase shared services arrangements for services.
- Migrate leaseback vehicles to novated lease arrangements (in accordance with the award) to reduce Council expenses and fringe benefits tax (FBT) costs.
- Review assets Council could consider selling or transferring to independent community groups that would lower Councils operational costs without impacting services for the community:
 - Grace Munro Centre, Aged Care Facility, Bundarra
 - Childcare centre
 - VIC (consider options to merge with library or relocate to McCrossins Mill)
 - Old Uralla Courthouse
 - Uralla Neighbourhood Centre (town hall)
 - Bundarra School of the Arts (town hall)
- Minimise the number of projects funded within one grant to reduce operational/administrative effort in managing the fund (e.g., one project funded by the LRCI program only requires one set of progress reports and acquittal, eight projects require eight progress reports, acquittals etc).

Council's income and expenditure by service area

Service Area	Operational			Capital			Comments NB: comments are relative to previous budgets
	Income	Expenses	Net result	Income	Expenses	Net result	
Asset Management	\$138,194	\$605,407	-\$467,213	\$ -	\$ -	\$ -	Other than the caravan park, this area is largely and asset service area. Income appears reasonable for the service area as are the expenses given the services provided and the focus on developing more mature asset management plans.
Development & Planning	\$409,133	\$561,644	-\$152,511	\$ -	\$ -	\$ -	Based on previous years, this year's income and expenditure appear reasonable for the area given the compliance nature of the area. There is the potential to increase revenue, and potentially significantly through the proposed energy related development.
Environmental Management	\$-	\$229,083	-\$229,083	\$ -	\$ -	\$ -	Given the compliance aspects of the area, the income is as expected. The expenses appear reasonable given the nature of the service area. This area may see fluctuations over the next few years to meet changing regulations.
Emergency Management	\$4,800	\$219,490	-\$214,690	\$ -	\$ -	\$ -	Given the compliance aspects of the area, the income is as expected. The expenses appear reasonable given the expected outputs for the area. This area may see fluctuations over the next few years given the recent climatic events and emergency services discussions.

Service Area	Operational			Capital			Comments NB: comments are relative to previous budgets
	Income	Expenses	Net result	Income	Expenses	Net result	
Water Cycle	\$2,321,572	\$2,719,960	-\$398,388	\$ -	\$625,710	-\$ 625,710	Income (charges) needs to be reviewed to make sure the service is full cost recovery. Requires updated asset management plan to ensure appropriate reserves are being established for future asset renewal.
Waste Management	\$2,293,613	\$1,634,177	\$659,436	\$ -	\$15,000	-\$ 15,000	Income (charges) needs to be reviewed to make sure the service is full cost recovery. Requires updated asset management plan to ensure appropriate reserves are being established for future asset renewal.
Facilities and Open Space	\$189,802	\$681,224	-\$491,422	\$700,000	\$1,989,180	-\$1,289,180	Full cost recovery from fees not a practical option – would make the service unaffordable and lead to reduced use. Service level discussion required.
Works and Civil	\$2,871,700	\$5,885,923	-\$3,014,223	\$2,050,110	\$3,910,930	-\$1,860,820	Expenditure is in line with previous years however costs are increasing without equal increase in revenue. Service level discussion required. High priority area for the community
Community Care	\$3,045,924	\$3,190,134	-\$144,210	\$ -	\$ -	\$ -	This area should be reviewed with an intent to be self-funding. There are reserves in this area that could be used to offset the general fund component while the review is undertaken
Library Services	\$76,450	\$315,403	-\$238,953	\$ -	\$12,000	-\$12,000	Full cost recovery from fees not a practical option – would make the service unaffordable and lead to reduced use. Expenses based on state library recommended values

Service Area	Operational			Capital			Comments NB: comments are relative to previous budgets
	Income	Expenses	Net result	Income	Expenses	Net result	
Community Development	\$3,550	\$65,757	-\$62,207	\$ -	\$ -	\$ -	The expenses appear reasonable given the expected outputs for the area. This area may have opportunity for grants to fund community-based events.
McMaugh Garden Aged Care Facility	\$3,601,412	\$3,434,497	\$166,915	\$ -	\$50,000	-\$50,000	Operates at cost recovery for and decent reserves in place for operations. Need to ensure the facilities asset management plan is mature enough that reserves are also appropriate to meet future asset renewal.
Economic Development	\$16,700	\$197,237	-\$180,537	\$ -	\$ -	\$ -	Full cost recovery not a practical option. Expenses appear reasonable given the tourism, website and development services.
Civic Leadership	\$ -	\$248,368	-\$248,368	\$ -	\$2,500	-\$2,500	<ul style="list-style-type: none"> Corporate Service – appropriate overheads recovered, and shared services implemented where possible to maximise service costs Expenditure for IT is not currently sufficient to provide fit for purpose systems and hardware The Financial management income includes the Financial Assistance Grants (FAGS)
Organisational Leadership	\$ -	\$539,051	-\$539,051	\$ -	\$ -	\$ -	
Human Resources	\$15,000	\$162,803	-\$ 147,803	\$ -	\$ -	\$ -	
Customer Service and Communications	\$ -	\$294,071	-\$294,071	\$ -	\$ -	\$ -	
Governance	\$ -	\$283,381	-\$283,381	\$ -	\$ -	\$ -	
Records and Governance	\$700	\$105,780	-\$105,080	\$ -	\$ -	\$ -	
Information Technology	\$ -	\$649,431	-\$649,431	\$ -	\$63,640	-\$63,640	
Financial Management	\$6,305,404	\$733,089	\$ 5,572,315	\$ -	\$ -	\$ -	Expenses appear reasonable. Income /recoveries needs to be reviewed to ensure the service is full cost recovery.
Infrastructure Management and Operations (Fleet, Stores and Workshops)	\$120,000	\$426,013	-\$ 306,013	\$ -	\$1,351,745	-\$1,351,745	
TOTAL	\$21,413,954	\$23,181,923	-\$1,767,969	\$2,750,110	\$8,020,705	-\$5,270,595	

Forecast fees and charges revenue

With the exception of the Tablelands Community Support service area, Councils fees and charges have been essentially forecast based on previous year forecasts plus a minimal increase (often equal to rate peg or a similar value).

Whilst the forecasts were largely values are based on previous budgets, this does not mean that the fees and charges were set at a level that would meet full cost recovery for the relevant service.

For the Water and Sewer funds, along with the waste services, the fees and charges need to be further reviewed to make sure the services are at full cost recovery. The Finance advisory committee had reports and a desktop review in relation to the Water Fund presented to it in October 2020 ([business-paper-budget-review-and-finance-committee-meeting-13-oct-2020.pdf \(nsw.gov.au\)](#)) and December 2020 ([business-paper-budget-review-and-finance-committee-meeting-8-december-2020.pdf \(nsw.gov.au\)](#)) however, the outcomes of this work do not appear to have lead to the service being operated at full cost recovery.

This review will require confidence in the updated asset management plans to ensure appropriate reserves are being established for future asset renewal. If appropriate reserves are not established, and the shortfall cannot be raised via efficiency gains and/or grant funds Council will face providing a reduced service level.

For a number of general fund activities, e.g. recreational facilities and library services, it is not practical that these services will be full cost recovery due to the scale of these services within the Uralla Shire region. To charge these services at full cost recovery would make them unaffordable for many residents. Council will need to determine appropriate service levels and the value community service obligation it places on these services.

For the Tablelands Community Support service area, there has been a large reduction in the forecast income. This is due to the change in how these services are claimed and paid for. Previously, Council was provided with a budget, paid in advance, and would seek to provide as many services as the funding would allow.

Council accepted the funds on the basis that there was no risk because if Council didn't spend the money it could just be given back. Until this year the income was guaranteed so was accurately reflected in the forecast budgets, however the actual services delivered have traditionally been lower than the forecasts and the forecast values updated to match the actuals at each financial year end.

The forecast this year is based on the previous service levels delivered and by using this value, the expectation is that at year end the adjustment will not be material in nature. The below table shows the indicative adjustments between the original budget and the revised budget with comments related to the changes:

Description	Original Budget	Amendments	Revised budget	Comments
Tablelands Community Support Commonwealth Grants	2,450,000.00	- 330,000.00	2,120,000.00	<ul style="list-style-type: none"> This covers both CHSP and HCP funding, see note below for funds which were not recognised due to not meeting commitments (currently in cash restrictions)
Tablelands Community Support Private Clients	50,000.00	- 35,000.00	15,000.00	<ul style="list-style-type: none"> Long-term private consumers either passed or transferred into care.

Tablelands Community Support NDIS	190,000.00	- 90,000.00	100,000.00	<ul style="list-style-type: none"> Consistently over budgeted Driven by demand and choice
TCS Social Groups Tamworth Commonwealth Grants	100,000.00	- 100,000.00	-	<ul style="list-style-type: none"> Have not received funds here for last three years No funding has been granted for ATSI specific since 2015 and it was from state. USC/TCS opted to keep taking money from Group Social Support to create this budget. This no longer occurs
TCS Social Groups Tamworth Day Centre Contributions	7,800.00	- 7,800.00	-	<ul style="list-style-type: none"> Included in CHSP income
Tablelands Community Transport Other Sundry Income	63,964.00	- 63,964.00	-	<ul style="list-style-type: none"> Appears to be a carryover of previous practices. Commentary is that actuals have never been this high
	2,861,764.00	- 626,764.00	2,235,000.00	

NB: In relation to all services, due to staff shortages Council had to close referrals to some service types. Consumer choice and demand dictated service delivery. USC provided more than 200% for some service types and very little for others.

Generally, the findings for the forecast fees and charges are that they have been largely based on previous years forecasts. Council's management team have already requested staff commence reviewing and preparing for the fees and charges associated 2023/24 budget. This will be critical to open conversation with regards to fees, charges, and the associated service levels.

Kerbside collections optimum service delivery method

- Council received a report regarding this matter at its ordinary meeting 26 July 2022. The report provided information regarding costs and options.
- LG Outcomes reviewed the Council report, however, this matter has not been extensively reviewed any further as part of this report to avoid a duplication of effort and costs for Uralla Shire Council.
- Thoughts on the July report was that there is opportunity for reduced risk and greater certainty of costs via contracted services. The kerbside collection service only retains one current job for USC and exposes Council to operational and financial risks. The outsourcing of this service, which is common practice across NSW, would;
 - give Council greater certainty over the costs to provide this service,
 - reduce Councils operational risk associated with this service,
 - allow the waste team to focus on the landfill and related waste services, and
 - allow the staff member currently employed to be transferred into another role within Council to avoid any existing staff losing becoming unemployed.
- No further work in being undertaken by LG Outcomes following the discussions from the Finance advisory committee meeting held 20 September 2022.

Recommendations for consideration

Opportunity	Recommendations for consideration:
Realignment of budget to new organisational structure	<ul style="list-style-type: none"> Update 22/23 budget for changes due to updated organisational structure
Consolidation of budget lines	<ul style="list-style-type: none"> Consider consolidating all lines of less than \$5,000 where possible to reduce the administrative effort of managing budgets
Developing mature asset management plans to inform decision making	<ul style="list-style-type: none"> Resource the improvements to the asset management plans (AMP) to increase the confidence in the Councils depreciation value Prioritise the Transport AMP, Water AMP, Sewer AMP and Plant and Equipment AMP
Operational efficiencies through improved IT facilities	<ul style="list-style-type: none"> Upgrade Council's core business systems Improve online customer and planning services Transfer to SaaS based software products where possible Transfer to special network provider (or shared services) Implement products to address high risk areas (e.g., WHS) Allocate dedicated reserve for IT upgrades Two screen work-stations (improved efficiency, reduced paper consumption) Laptop for all office staff – increased work location flexibility, reduced future office space costs. Introduce a bring your own device phone policy to enable improved e-technology in the field e.g. incident reporting, e-timesheets
Shared Services	<ul style="list-style-type: none"> Work with Walcha Council, and other Councils where appropriate, to increase shared services arrangements for services where possible Currently exploring shared planning and building services; shared Audit Risk and Improvement Committee.
Maximise benefits and minimise administrative costs of grants	<ul style="list-style-type: none"> Minimise the number of projects funded within one grant to reduce operational/administrative effort in managing the fund (e.g., one project funded by the LRCI program only requires one set of progress reports and acquittal, eight projects require eight progress reports, acquittals etc.).

Opportunity	Recommendations for consideration:
Combined program of service review and consideration of Special Rate Variation (SRV) scenarios for increased revenue via increased rate revenue	<ul style="list-style-type: none"> • All organisations have opportunities for improvement however Uralla's current forecast position means that action needs to be planned in the very near future if current service levels are to be retained. • It is important that Council understand that even if an SRV is approved, Council can determine the amount it will implement and when. This could include timing rate increases to optimise rate income from the regional energy zone sites. • By being proactive Council can give itself options and flexibility for the future whilst having open and honest conversations with the community whilst undertaking a full review of service levels • It also needs to be noted that realising opportunities will also take time and resources to do so effectively and for long term benefits. • If an SRV is considered Council should, as a starting point, consider the value first and foremost on the funds required to deliver the services rather than a percentage value. Different scenarios can be modelled as required.
Kerbside collection	<ul style="list-style-type: none"> • Refer 26 July 2022 Council report – potential opportunity for reduced risk and greater certainty of costs via contracted services
Expand McMaugh Gardens	<ul style="list-style-type: none"> • Increasing the scale of McMaugh Gardens could lead to increased revenue and profit that may: <ul style="list-style-type: none"> ○ Reduce the fluctuations in existing funding and offer an improved service for the community through increased capacity at the facility, and ○ Open up the opportunity for the service to pay an increased dividend to Councils general fund that could be used to offset increased cost pressures
Implement and resource a planned improvement program	<ul style="list-style-type: none"> • In most areas, staff are already operating at capacity or higher. Many good ideas and concepts have been identified however they will take dedicated time and resources to be realised. • Council needs to consider how it can resource a short to medium term to realise ongoing medium to long term benefits • Consider additional financial management resource for three years which will allow Council to improve systems across the asset accounting, aged care, corporate areas and the updated LTFP required for the new term of Council.

Conclusion

In conclusion, the 2022/23 budget appears to be reasonable in the circumstances. The review process has been a valuable undertaking highlighting current and proposed continuous improvement. Resources will need to be allocated to realise many of the efficiency opportunities identified in the report (it should be noted staff are making attempts to realise these gains as time allows but the time is limited beyond normal operational duties).

Without additional guaranteed grant funding (which is not expected), to address the operating deficit and maintain current service levels Council will need to increase revenue.

APPENDIX 1: Questions from USC Councillor

Item	Query	Initial Response
1	When we are forecasting the employment of a consultant or contractor, are we forecasting that out of grant or recurrent funding?	<p>It varies depending on the nature of the work but as a rule forecasts are made on the work to be done – who undertakes the works is usually then driven by Councils current resources and the specialised nature of the work.</p> <p>The general approach taken is that it the first preference is to use our own staff where possible and then utilise contractors where internal resources can't meet the requirements. The use of contractors is normally due to:</p> <ul style="list-style-type: none"> Covering vacant positions, Short term works with restricted funding (often used for grant-based works so as not to commit Council to ongoing costs beyond the grant), Specialised work that is not practical and/or affordable for Council to have internally on a full-time basis (this will also apply to certain types of roadworks), and Where external parties are required for independence (e.g., audits)
2	Debt collection fees of \$20k - is this really worthwhile? Have we got metrics around this being successful before now? EG, how much have we spent before (\$0k spent in previous years according to the budget documents), and how much have we returned to our rates income as a result?	<ul style="list-style-type: none"> This budget has been reduced to \$5k for the 22/23 financial year Council has put significant effort into getting ratepayers onto payment plans within the hardship policy guidelines. If this continues to be successful, the budget is likely to be able to be kept lower. If these works stop being successful, I would expect you would see an increase in debt recovery costs. LG Outcomes experience from other Councils is that debt recovery costs fluctuate across years and the best way to approach this is to be proactive, so residents don't build up large debts that makes it harder to pay off. This enables legal costs to be reduced and, in many cases, avoid altogether.
3	Councillors print their own business papers now, I have been told by staff that this saves Council \$60k, where is this represented in the budget?	<ul style="list-style-type: none"> The \$60k value was derived from a combination of direct print costs and staff time. which is now used to cover other works The print costs are absorbed into the IT budget and the forecast IT budget is lower than the 21/22 actuals Based on Councils technology suite, Councils IT set-up will require further investment to bring it to currency and drive operational improvements and efficiencies.
4	Civic Leadership budget for 22/23 has \$508,000 but our actual for 20/21 was \$412,431 and 21/22 was \$332,535. Why the increase?	<ul style="list-style-type: none"> The \$508k is higher than the previous actuals but only slightly higher than the 21/22 forecast budget The initial review shows that the increases are largely driven from: <ul style="list-style-type: none"> Increased overheads (note: the total change of overheads between last year's forecast and this year's forecast is \$57,000 over a \$2m total which is a 2.85% increase and in line with wage increase and CPI estimates), Increased elected member allowances (standard increase) – 21/22 actuals well done on budget estimates but offset by increased course seminar and conference fees, and Costs associated with travel, meal reimbursements. The actuals from previous years are hard to use as guidance as vacant positions and staff coverage across areas make it hard to validate the true costs.

Item	Query	Initial Response
5	Finance works and overheads expenditure has a number of line items that are significantly increased over the previous actuals, and the 20/21 actuals. I would need to understand why.	<ul style="list-style-type: none"> Corporate overheads have been reviewed and adjusted based on most up to date data – across the entire budget you will see several ups and downs across the various areas The total change of overheads between the 21/22 forecast and 22/23 year's forecast is \$57,000 over a \$2m total which is a 2.85% increase and in line with wage increase and CPI estimates.
6	we increased our fees and charges for cemeteries in a couple of areas, yet we are not forecasting increases in the cemetery plot purchase fee?	<ul style="list-style-type: none"> Correct. Version 0.1 modelling proposed increases to fees and estimated income based on recent activity level. Council then reduced the amount of the proposed fee increase which in turn reduced the amount of forecast revenue (still an increase on previous year).
7	why are we using hot mix on town roads, which comes at an increased cost? And it is contracted too, so the grant or recurrent funding doesn't provide best value in our budget.	<ul style="list-style-type: none"> Hot mix (asphalt) can usually be applied quicker and can deal with profiling issues in the roads which means road users are less impacted by the road works and you get a smoother ride quicker. The cost comparison on recent rates is \$36/m² for an asphalt overlay (Nominal 45mm thick) and a bitumen reseal is \$10/m² 10mm stone chip seal. Both have a design life of 8-10 years, it is difficult to reseal the asphalt again whereas as long as the chip seal is ok you can continue to resurface Asphalt was used as a rehabilitation technique in this circumstance.. Asphalt does provide a stronger wearing surface. Generally, it is anticipated that most residential town roads would receive a reseal treatment (not asphalt unless there is a particular requirement). When asphalt is deemed the relevant treatment, contractors with specialist equipment will be required.

Item	Query	Initial Response
8	why are we using contracted heavy patching systems on our rural sealed roads? What is the cost compared to our own staff doing the patching work?	<ul style="list-style-type: none"> • Council current staffing levels and plant are fully committed with programmed construction and maintenance. At current staffing levels there is not capacity to undertake this work or any specialised training. Additionally, USC doesn't have the specialised plant to undertake this. • The last year's completed heavy patching works was primarily outsourced, especially works on the main roads as the contractors manage all aspects of the project, including traffic control and project supervision, as the companies provide a ganger and overseer level supervision. • That being said USC roads construction is currently completing Northeys Road, rehabilitation project. This is 2.7km long gravel overlay and widening. This will have pavement stabilisation prior to sealing. Uralla Shire Council has done and intends to do all the grading, rolling and dust suppression, and will complete the stabilisation component by using plant hire from the stabilisation companies. This is to carry out the pavement mixing with their full-sized pavement stabilisation machines and spreader trucks, with Council doing the grading, rolling and moisture control. This is called a part service and is on hourly rates for the hire of these very expensive specialised pieces of equipment. Council staff undertook the majority of the construction upgrade works on Hawthorne Drive last year and this year, as well as the road construction approaches for the new Tolleys Gully Bridge. Realistically a Council of Uralla's size do not have the work or the collateral to justify investing in these large and expensive machines. • However Uralla Shire Council has many patches on the lower level sealed rural and urban streets that could be completed more economically with Councils gear. At the October 2022 Roads Capital Working Group meeting, Councils Fleet Coordinator detailed costing for a smaller mixing machine that could be attached to a loader, a spreader trailer and a small roller that would equip Council to complete these tasks more economically. By adding this to Councils plant, the profile would be more capable and versatile in completing the minor patching more economically however this is dependent on having enough staff with some specialised training to do this and also manage.

Item	Query	Initial Response
9	can you provide advice on our organisational model as compared to other councils. EG the balance between office staff, outdoor staff, contractors and consultants. Council has a strong commitment to local employment and this factors heavily in to my questions in this area.	<ul style="list-style-type: none"> • Having reviewed Councils structure to other regional Councils of a similar size, the newly adopted organisational model in Councils workforce management strategy is in line with these Councils. • Other similar Councils tend to have either a two or three director model with the two-director model being more common at this time. This is because the two-director model allows for recruitment at the senior staff level. This places these roles at a TRP level that is competitive in the market to attract good candidates and allows for greater accountability through the performance management nature of the contract employment. • Putting in place a strong org structure and seeking to have full employment will provide the best opportunity for local employment to be maximised, however it is important to note that recruitment is extremely competitive at the moment and why greater use of short-term contractors for specific projects is becoming more common in local government and likely to continue at least in the short term. One of the reasons for this is to avoid burn out the staff we have (which reduces risk of losing staff and/or increase sickness costs including potential workers comp claims).
10	I'd like to understand our comparison on use of contractors in all areas of the organisation, e.g., finance, roads, policy development, asset plan development - I do not know where we use contractors or consultants so would like to understand this.	<p>The balance of staff v contractors is consistent with what has been observed by LG Outcomes in other Councils similar in size to Uralla.</p> <p>Generally, as mentioned above, the general approach taken is that it the first preference is to use our own staff where possible and then utilise contractors where internal resources can't meet the requirements. The use of contractors is normally due to:</p> <ul style="list-style-type: none"> • Covering vacant positions, • Short term works with restricted funding (often used for grant-based works so as not to commit Council to ongoing costs beyond the grant), • Specialised work that is not practical and/or affordable for Council to have internally on a full-time basis (this will also apply to certain types of roadworks), and • Where external parties are required for independence (e.g., audits) <p>There has been use of contractors of some cases where the organisation has been looking to not fill vacant positions and need urgent short-term works undertaken – this can have a flow effect to make the previous year's actuals not realistic but has saved Council money in the short term.</p>
11	what specific costs in managing our water have increased, have we validated these increases are essential?	<ul style="list-style-type: none"> • Increases in operating costs in 21/22 versus 20/21: • \$60,000 increase in Water Treatment, mostly due to increase in treatment chemical prices and more water being treated because customer demand is higher than in 20/21. • \$20,000 increase in Mains & Meter Maintenance being mostly wages and materials (parts). These works response to unplanned failures (bursts, leaks) and so are driven by failure of old infrastructure. • Basically more demand either from higher consumption and/or more faults to be fixed.

Item	Query	Initial Response
12	Leachate dam - details and costs of current arrangement and forecast details and costs would be helpful please.	<ul style="list-style-type: none"> EPA licence condition L2 is leachate is permitted to be discharged due to stormwater events greater than or equal to a 1-in-50 year 24-hour duration event. Leachate overflows reported on at least 8 occasions 1999 to 2016 plus further overflows 2021 & 2022. Council fined \$15k in 2017 for overflow from dam. EPA added to Licence a requirement for a Leachate Management Strategy in May 2021, completed in 2022. Water balance modelling in Strategy demonstrates that in wet years existing leachate irrigation (evaporation) system unable to dispose of water fast enough to prevent overflow of dams as rainfall exceeds evaporation. Strategy recommends off-site disposal of leachate to sewer and other works needed to improve containment of leachate. Tankering leachate too expensive to be sustainable (\$20 per 1000 litres). Additional Pollution Reduction Program added to Licence mid 2022 requiring implementation of Leachate Management Strategy. \$50,000 leachate disposal Capital budget in 21/22 carried to 22/23. Construction underway of small diameter pipeline to 'trickle' flow leachate to sewer to steadily reduce leachate dam water level, far cheaper than tankering the leachate. Irrigation system modified with extra sprinklers to improve evaporation. New diesel engine purchased to replace engine that previously ran leachate irrigation pump (old one broke due to high use). Life time to date cost \$30,033 including on-costs. Expect further cost \$15,000 to finalise pipeline including bore small pipe under New England Highway (subject to RMS approval) so leachate flow entirely by gravity to Sewage Treatment Plant.

APPENDIX 2: Comparison of rates to similar Councils

The following table shows the rates comparisons for Uralla to other similar Councils from the 2019/20 financial year - this information comes from the NSW YourCouncil site. The rates incomes were sourced from the various Councils revenue policies.

Category	Uralla 19/20	Armidale	Blayney	Kyogle	Tenterfield	Glenn Innes	Gwydir	Walcha	Group Average	USC / Group \$ Difference
Total Annual Rates Income (2022/23 \$)	\$4,214,441		\$9,538,797 (\$4,819,557 ex mining)	\$7,727,500	\$4,840,182	\$7,496,521	\$8,485,498	\$3,658,225		
No of assessments	3,054		3,944	5,256	5,078	5,214	3,120	1,792		
Average Ordinary Residential Rate	\$740.30	\$1,021.80	\$662.20	\$1,080	\$624.50	\$824	\$722.30	\$508.20	\$781.80	-\$41.50
Average Ordinary Business Rate	\$704	\$3,737.70	\$1,182.40	\$1,368	\$1,280	\$1,800	\$1,346	\$822.70	\$1,575.70	-\$871.70
Average Ordinary Farmland Rate	\$3,561.60	\$3,165.90	\$2,968.70	\$1,897	\$1,569.20	\$3,001	\$5,565	\$3,998.60	\$2,992.10	\$569.50
Average Ordinary Mining Rate	\$0	\$5,818.20	\$2,202,000	\$0	\$900	\$0	\$0	\$0	\$389,816.20	-\$389,816.20
Typical Residential Water	\$721.80	\$605.70	Not Available	\$695	\$847.90	\$628	\$862	\$309	\$811.10	-\$89.30
Typical Residential Sewer	\$632	\$450	\$736 (22/23)	\$821	\$1,138	562	\$500	\$611.50	\$651	-\$19.00
Typical Residential Water & Sewer	\$1,353.80	\$1055.70	Not Available	\$1,516	\$1,985.90	\$1,190	\$1,362	\$1,071.50	\$1,299.90	\$53.90
Avg Domestic Waste Charge	\$276.00	\$402.20	\$356.30	\$324	\$293.20	\$317	\$327	\$528.90	\$340.60	-\$64.60

APPENDIX 3: Comparison of staff to similar Council

The following table shows the staff comparisons for Uralla to another similar sized Council in the New England JO. Please note different Councils use different structures so this comparison is based on aligning the other Councils structures to the USC structure.

Category	Uralla	Council A
Executive Office (includes Senior staff)	6 (GM, EA, 2 Exec Directors, 2 Exec Support)	7.5 (GM, EA, 2 Directors, 2 Support, 1.5 web and Comms)
Engineering - Assets and Support	2.2 (1 Term)	4.5
Development & Planning	3 (1/2 FTE shared with WC)	4
Civil Infrastructure	33.74 (2 Term)	32
Parks, Open Space and Environment	5	11 (includes weeds and Ranger)
Fleet, Stores and Workshop	5.21	7
Water and Waste	17.32	15
Community – Nursing/Facility and Care	47.3	1 Community Development Advisor
Library (incl. arts and culture)	1.44	7
Tourism (including economic development)	1.29	4
Finance and IT	4.64	8
Governance and Customer Service	5.01	6
HR and Safety	3 (1/2 FTE shared with WC)	3

APPENDIX 4: Other questions raised during review period

Item	Query	Initial Response
1	RFS and ESL contribution – Can Council offset the depreciation of the red fleet by the amount of the ESL?	<ul style="list-style-type: none"> No, the depreciation is based on the asset list and complete RFS asset schedule The ESL value is essentially a contribution to emergency services.
2	Should Council focus on core services and exit/outsource discretionary services such as: <ul style="list-style-type: none"> - McMaugh Gardens - TCS - TCT 	<ul style="list-style-type: none"> Discussion/decision for Council however based on previous discussion Council sees its aged care services as an important service for the committee (supported by recent grant applications focused on McMaugh Gardens)
3	Can Council continue to run at an operating deficit?	<ul style="list-style-type: none"> Council has a responsibility to operate using sound financial management. Council does have the option to consider how it deals with assets fully funded by grant funds and those of intergenerational equity. This could include making allowances for assets that will only be renewed if fully grant funded. Council could consider setting a policy and/or make a resolution (based on reasonable parameters) that it would only maintain and not renew fully grant funded assets without being 100% grant funded in the future. These values could be included in future budget reports and noted in Councils EOFY statements to inform the community of the quantum of depreciation that it will not be spending and/or putting into an asset renewal reserve.

APPENDIX 5: RESULT BY FUND

Sourced from <https://www.uralla.nsw.gov.au/Council/Our-Council/Integrated-Planning-and-Reporting#section-4>

2020/2021

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	5,708	473	686
User charges and fees	4,539	531	13
Interest and investment revenue	111	27	24
Other revenues	594	21	36
Grants and contributions provided for operating purposes	8,193	16	13
Grants and contributions provided for capital purposes	4,085	58	3,125
Total income from continuing operations	23,230	1,126	3,897
Expenses from continuing operations			
Employee benefits and on-costs	9,869	393	236
Materials and services	5,663	628	327
Borrowing costs	77	—	—
Depreciation, amortisation and impairment of non-financial assets	4,617	440	216
Other expenses	382	4	3
Net losses from the disposal of assets	502	—	—
Total expenses from continuing operations	21,110	1,465	782
Operating result from continuing operations	2,120	(339)	3,115
Net operating result for the year	2,120	(339)	3,115
Net operating result attributable to each council fund	2,120	(339)	3,115
Net operating result for the year before grants and contributions provided for capital purposes	(1,965)	(397)	(10)

2019/20

Note 25. Result by fund

\$ '000	General ⁽¹⁾ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	5,511	480	653
User charges and fees	4,508	560	7
Interest and investment revenue	236	62	54
Other revenues	563	—	12
Grants and contributions provided for operating purposes	7,535	541	13
Grants and contributions provided for capital purposes	2,630	220	138
Total income from continuing operations	20,983	1,863	877
Expenses from continuing operations			
Employee benefits and on-costs	8,933	581	193
Borrowing costs	149	—	—
Materials and contracts	3,779	1,109	254
Depreciation and amortisation	4,079	451	220
Other expenses	1,473	4	7
Net losses from the disposal of assets	955	—	—
Total expenses from continuing operations	19,368	2,145	674
Operating result from continuing operations	1,615	(282)	203
Net operating result for the year	1,615	(282)	203
Net operating result attributable to each council fund	1,615	(282)	203
Net operating result for the year before grants and contributions provided for capital purposes	(1,015)	(502)	65

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

2018/19

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations:			
Rates and annual charges	5,375	415	726
User charges and fees	4,466	582	10
Interest and investment revenue	271	73	64
Other revenues	603	9	=
Grants and contributions provided for operating purposes	7,627	17	15
Grants and contributions provided for capital purposes	1,323	=	208
Total income from continuing operations	19,665	1,096	1,023
Expenses from continuing operations			
Employee benefits and on-costs	8,964	370	185
Borrowing costs	179	=	=
Materials and contracts	3,763	599	257
Depreciation and amortisation	3,834	464	225
Other expenses	1,575	5	9
Net losses from the disposal of assets	1,531	=	=
Total expenses from continuing operations	19,846	1,438	676
Operating result from continuing operations	(181)	(342)	347
Net operating result for the year	(181)	(342)	347
Net operating result attributable to each council fund	(181)	(342)	347
Net operating result for the year before grants and contributions provided for capital purposes	(1,504)	(342)	139

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

2009/2010 – pre Fit for the Future

URALLA SHIRE COUNCIL			
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2010			
NOTE 21 - RESULTS BY FUND			
Moneys raised pursuant to certain sections of the Local Government Act, and of certain other Acts, may not be used for the general purposes of the Council, or must be held as cash or authorised investments until expended for the purposes they were raised. This Note identifies the operating result and net assets of the general purposes operations of the Council, and of the principal special purpose operations.			
Amounts are shown on a gross basis - before consolidation eliminations - and do NOT reconcile to the principal statements, and are shown for the current year only.			
	GENERAL FUND \$'000	WATER SUPPLY \$'000	SEWER \$'000
INCOME STATEMENT			
INCOME			
Rates and Annual Charges	3,746	367	429
User Charges and Fees	1,475	243	20
Investment Revenues	201	0	0
Other Revenues	315	0	0
Grants and Contributions - Operating	7,519	17	13
Grants and Contributions - Capital	759	0	0
Profit from Disposal of Assets	128	0	0
Total Income from Continuing Operations	14,143	627	462
EXPENSES			
Employee Costs	6,283	364	195
Materials and Contracts	4,013	233	124
Borrowing Costs	179	0	0
Depreciation and Amortisation	2,902	56	16
Other Expenses	1,138	0	15
Interest and investment losses	0	107	113
Total expenses from Continuing Operations	14,515	760	463
OPERATING RESULT FROM CONTINUING OPERATIONS	(372)	(133)	(1)
Operating result from discontinued operations	0	0	0
NET OPERATING RESULT FOR YEAR	(372)	(133)	(1)
<i>Net operating result before capital grants and contributions</i>	<i>(1,131)</i>	<i>(133)</i>	<i>(1)</i>

10 CONCLUSION OF MEETING