



URALLA SHIRE COUNCIL BUSINESS PAPER

BUDGET REVIEW AND FINANCE COMMITTEE MEETING

13 October 2019

Uralla Shire Council
Budget Review and Finance Committee
Business Paper – 13 October 2019

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- A G E N D A -

Budget Review & Finance Committee Meeting

13 October 2019, 12:30pm, Council Chambers

- 1. Opening & Welcome**
- 2. Acknowledgement of Country**
- 3. Apologies, Requests for Leave of Absence**
- 4. Disclosures & Declaration of Interests**
- 5. Announcements**
- 6. Confirmation of Minutes**
- 7. Urgent Supplementary & Late Items of Business**
- 8. Reports to Committee**
Report 1 | Tiered Water Pricing
- 9. Motions on Notice**
- 10. Confidential Business**
- 11. Meeting Close**

1. **OPENING & WELCOME**
2. **ACKNOWLEDGEMENT OF COUNTRY**
3. **APOLOGIES, REQUESTS FOR LEAVE OF ABSENCE**
4. **DISCLOSURES & DECLARATIONS OF INTEREST**
5. **ANNOUNCEMENTS**
6. **CONFIRMATION OF MINUTES**

Minutes to be confirmed at the 13 October 2019 Meeting:

- Budget Review and Finance Committee Meeting held 11 August 2020 (copy enclosed)



MINUTES

Budget Review & Finance Committee

Meeting 11 August 2020, 12:30pm, Council Chambers

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**Minutes of the Budget Review & Finance Committee Meeting
held at 11 August 2020, 12:30pm, Council Chambers**

Resolution No.

ATTENDANCE

Present were the Chairperson Cr R Crouch (Deputy Mayor), and Councillors, M Dusting, N Ledger, T O'Connor, L Sampson, I Strutt, T Toomey, General Manager (Ms K Jessep), Director Infrastructure and Development (Mr T Seymour), Executive Manager Corporate Services (Ms S Glasson), 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 recognises the traditional custodians of the land on which this meeting is being held and acknowledge Aboriginal Elders past and present and we pay respect to them and their heritage.

4. WEBCAST INFORMATION

This meeting is being audio recorded with the recording made available on Council's website after the meeting.

Discussion on records management and advice to the community on the website regarding the availability of recordings.

5. APOLOGIES, REQUESTS FOR LEAVE OF ABSENCE

The Chair advised receipt of an apology from Mayor Cr M Pearce and Cr R Bell

MOTION (Moved: Cr M Dusting; Seconded: Cr L Sampson)

That:

The Committee accept the apology from Mayor Cr M Pearce and Cr R Bell for the meeting held 11 August 2020.

BRFC07/20 CARRIED UNANIMOUSLY

6. DISCLOSURES & DECLARATION OF INTERESTS

There were no disclosures or declarations made.

7. CONFIRMATION OF MINUTES

Discussion regarding minutes being confirmed at next Council meeting as this is a Committee of the Whole and not waiting two months for the next meeting and then proceeding to Council. (Note: GM will seek legal advice from LGNSW on this governance question).

Minutes to be confirmed at the 11 August 2020 Meeting:

- Minutes of Budget Review and Finance Committee meeting held 9 June 2020 (to be confirmed)

Minutes of the Budget Review and Finance Committee Meeting
held at 11 August 2020, 12.30pm, Council Chambers

MOTION (Moved: Cr T Toomey; Seconded: Cr I Strutt)

That:

The Committee confirm the minutes as a true and accurate record of the Budget Review and Finance Committee meeting held 9 June 2020, as a true and accurate record of the Budget Review and Finance Committee meeting held 9 June 2020.

BRFC08/20 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

Report 1 – Frist Draft of the LTFP 2030

MOTION (Moved: Cr T O'Connor/ Seconded: Cr I Strutt)

That the Budget Review and Finance Committee recommend that Council:

1. Set a strategic objective for the General Fund to achieve a balanced operating result before capital grants by 2022/2023 including the full funding of depreciation, amortisation and impairment of intangible assets and infrastructure, property, plant, equipment, and to build reserves of \$4 million over the remaining seven years of the long term financial plan (LTFP).
2. To inform the implementation of the strategic objective Council:
 - a. Workshop Shire continuity and financial sustainability including a review of financial performance measures;
 - b. Workshop a review of service standards and councils operating costs;
 - c. Undertake community engagement on the above and financial strategies;
 - d. Prepare and endorse policy/plans to inform the construction of the LTFP; and
 - e. Undertake community consultation on the LTFP.

BRFC09/20 CARRIED UNANIMOUSLY

10. NOTICE OF MOTION

There were no Motions on Notice to the 11 August Meeting.

11. CONFIDENTIAL BUSINESS

There were no confidential business items to the 11 August meeting.

12. MEETING CLOSE

The meeting closed at 2:19pm

13. NEXT MEETING DATE

13 Oct 2020 12:30pm

Budget Review and Finance Committee Meeting Minutes confirmed	
Resolution number:	
Date:	
Mayor:	

7. URGENT, SUPPLEMENTARY & LATE ITEMS OF



8. REPORTS TO COMMITTEE

Report to Budget Review & Finance Committee

Report 1 | Tiered Water Pricing

Department: Finance
Prepared by: Corporate Accountant
TRIM Reference: UINT/20/9169
Attachments: Tiered water price modelling

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

SUMMARY

As part of the strategy to operate at a balanced operating position in the Water Fund during the next ten years, it is proposed that Council introduce tiered pricing for water usage.

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 \$3.80 per kilolitre
 - b. Greater than 250 kilolitres \$5.60 per kilolitre
2. Base access charges be varied as follows:
 - a. Per single occupancy property \$400.00
 - b. Per unit in a multi-occupancy property \$270.00

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

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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.

One of the proposed strategies to counter the revenue deficiency was to introduce tiered water pricing. This report examines various options for that pricing, together with other revenue raising opportunities.

REPORT

The ten year Long Term Financial Plan (LTFP) to 30 June 2030 (Base Case) predicts that the Water Fund will incur losses of between \$366,536 and \$459,488 per annum. Assuming the need for infrastructure renewals and upgrades of between \$219,500 and \$586,910 per annum, the cash position of the Fund will deteriorate from available funds of \$1.981 million to borrowings of \$2.310 million. This is obviously not sustainable and identifies the need for immediate action. One strategy to change this long term scenario is to adjust pricing more towards a usage basis.

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 noted below.

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Council	Availability Charge		Consumption Charge	
	Description	\$ p.a.	Description	\$/kL
	<i>Connection size</i>			
Blayney Council	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
	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	
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			

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

- i. 0 to 250 kilolitres \$3.80 per kilolitre
- ii. Greater than 250 kilolitres \$5.60 per kilolitre

A review of historical usage data shows that approximately 85% of consumers (1200 of the total 1421) will not be adversely affected by the introduction of tiers. The proposed increase in charges and the outcome of tiered pricing on revenue, based on various scenarios, is summarised below:

Options	Access Charge per annum	Consumption charge per kL	Total Yield	Change in yield
Current	\$ 359.00	\$ 2.60	\$ 1,151,779.22	\$ -
Option One	\$ 359.00	0-250 kL per annum \$3.90 > 250 kL per annum \$6.30	\$ 1,601,514.81	\$ 449,735.59
Option Two	\$ 400.00	0-250kL per annum \$3.80 > 250 kL per annum \$5.60	\$ 1,602,868.47	\$ 451,089.25
Option Three	\$ 420.00	0-250 kL per annum \$3.75 > 250 kL per annum \$5.25	\$ 1,602,834.80	\$ 451,055.58

Tiered pricing has been identified as the primary mechanism to address funding shortfalls in the Water Fund. Other measures identified as having a positive impact on the revenue deficit are quarterly billing, a meter replacement plan, introduction of access connection pricing based on connection sizing and charging for units or multiple occupancy properties. A brief summary of each of these options is 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.
- Connection size - As noted above, most of Council’s price access charges are based on the water connection size. Whilst Council has a limited number of meters which are not a 20mm connection, the revenue projected from access charges based on connection size (utilising best practice guidelines) is approximately \$40,000 per annum.
- Multiple-occupancy – Council currently charges on a per assessment basis, with reduced charges for strata units. This does not capture multiple occupancy properties,

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nor units which are not under a strata management plan. There is work to be undertaken to identify these properties, however it is recommended that these properties also be charged on a per unit basis.

Specifically the Best Practice Guidelines advises 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 Initiative⁹.
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.

KEY ISSUES

The Water Fund is budgeted to incur losses in each of the next ten years. An increase in revenue is considered the most appropriate way to balance the operating result given that no expenditure reductions have been identified to date. Tiered water pricing is considered the most appropriate way to fill the revenue shortfall. This is also a measure which moves Council towards 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)

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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

The introduction of tiered pricing will result in a balanced operating result and overcoming 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

9. MOTIONS ON NOTICE

No Motions of Notice

10. CONFIDENTIAL BUSINESS

There are no Confidential Business Items.

END OF BUSINESS PAPER