



**EXTRAORDINARY MEETING
13 JULY 2016**

Your attendance is requested at the Extraordinary Meeting to be held Hilltops Council, Young Chambers, 189 Boorowa Street, Young on Wednesday, 13 July 2016 at 5.30pm

5.30pm Extraordinary Meeting of Hilltops Council

**WENDY TUCKERMAN
ADMINISTRATOR**

Hilltops Council
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BUSINESS

1. OPENING OF THE MEETING

- May I firstly acknowledge the traditional owners of land we meet on today – I humbly make my respects to the Wiradjuri people, their past, future and present elders.
- I note there are a number of people in attendance. If you are asked to evacuate, the emergency procedure is to:
 - * Exit via the door leading out of the southern side of the building directly outside the Council Chambers;
 - * Proceed to the footpath opposite the Council building.
- The General Manager will be tape recording the Council Meeting for the purpose of ensuring the accuracy of the minutes.

2. APOLOGIES

3. DECLARATIONS OF INTEREST

4. REPORTS

- GENERAL MANAGER

AGENDA

GENERAL MANAGERS REPORT 3
EOM16/36 – OPERATIONAL PLAN, BUDGET AND REVENUE POLICY3

GENERAL MANAGERS REPORT

EOM16/36 – OPERATIONAL PLAN, BUDGET AND REVENUE POLICY

Reference: 2.17.7.3
Responsible Officer: General Manager

PURPOSE

The purpose of this report is to present the Hilltops Council 2016/17 Operational Plan and associated budget and revenue policy to Council for consideration.

REPORT

The Draft Hilltops Council Operational Plan and associated budget and revenue policy was presented to Council to consider placing on public exhibition at the 8 June 2017 Ordinary meeting of Council. The plan was subsequently placed on public exhibition from 9 June 2016 until 7 July 2016. During the exhibition period 35 written submissions were received. All of the submissions received focused on the advertised revenue policy and more specifically the proposed rates for the former Young Shire area as proposed. The majority (if not all) of submissions were from residents of the former Young Shire with the majority of the submissions consistently stating:

"I am a rate payer in the Hilltops Shire Council situated in the Young Area and I am Opposed to the draft operational plan. My opposition relates to an unfair rate rise of my rates of 4.5% as compared to other residents receiving a 1.8% Increase"

There were no additional specific comments in relation to the content of the Operational Plan or Budget contained within the submissions other than matters relating to rates.

In addition to the 35 written submissions, a petition titled "Young Shire Rate Rise Rip-off Petition" was submitted which asked the following question:

"Do you think a rate increase of 4.5% to 5.5% for Young Shire Ratepayers is justified? Yes or No?"

The petition contained a list of 1299 names with 1297 of those names identified as responding no to the question asked and 2 responding yes. It is difficult to ascertain whether the full list of names was completed by separate individuals or some had their name listed by others on their behalf however the overwhelming response to the specific question asked in the petition was "no".

During the exhibition period the draft operational plan, budget and revenue policy were also discussed and considered by the Young, Harden and Boorowa Local Representative Committees (LRC's).

Each of the LRC's subsequently made recommendations to Council in relation to the plan, budget and revenue policy as detailed below:

Young LRC

1. Recommend that the Administrator not pass on the proposed rate rise of 4.5% to the ratepayers of the former Young Shire as recommended by staff. The Young LRC feels that given the surplus that is forecast and taking into account the equity that the former Young Shire Council placed into the new Council as proclaimed on the 12th May, 2016 that the recommended statutory 1.8% rate rise should be implemented across the three former Council areas.
2. Recommend that a budget be prepared as soon as possible to show the cost of the \$5 million Transition Fund.

Boorowa LRC

That should the rate pegging catch up not be taken up, that project cuts be taken out of the Young Capital Works Program.

Harden LRC

Recommend that Council only apply a 1.8% rate increase across the Hilltops Council area including the former Young Shire with additional funds required to deliver the capital works plan to be funded from the former Young Shires reserves.

Based on feedback provided from the Harden LRC a modification to section 5.5.1 of the Harden component of the operational plan has been made to accurately reflect where a domestic waste collection services will be provided (Jugiong and Galong rather than Jugiong and Wombat as included in the draft).

Rates Catch up

Based on the focus during the public exhibition period of the plan, budget and revenue policy on the rates catch up further explanation is provided below on the rates catch-up. In addition, a Council Rates Q and A that has been placed on Councils website has also been attached for reference.

Council has available a rate catch-up amount of \$182,000 for the 2016/2017 rate year attributable to the former Young Shire Council LGA. Such amount has been calculated in accordance with the requirements of the Chief Executive, Local Government and has been subject to verification by external audit. The Audit Certificate and Special Schedule 9 – Permissible Income Calculation form part of the Audited 2014-2015 Annual Financial Reports which were delivered to the community in late 2015.

The Notional General Income for a council is calculated on the previous years Notional General Income Yield PLUS any income which is attributable to new rate assessments LESS any reduction in income attributable to amalgamation rate assessments PLUS the amount of the rate peg. Any catch up from the previous year is then added (or subtracted if excess rates were collected in the previous year).

This final figure is the Total Permissible Income that the Council may derive from the General Rate.

To determine if any catch up (or excess) is present the actual Notional General Income Yield (the actual amount generated from General Rates) is deducted from the Total Permissible Income, along with any Unused catch up and any income lost due to valuation objection.

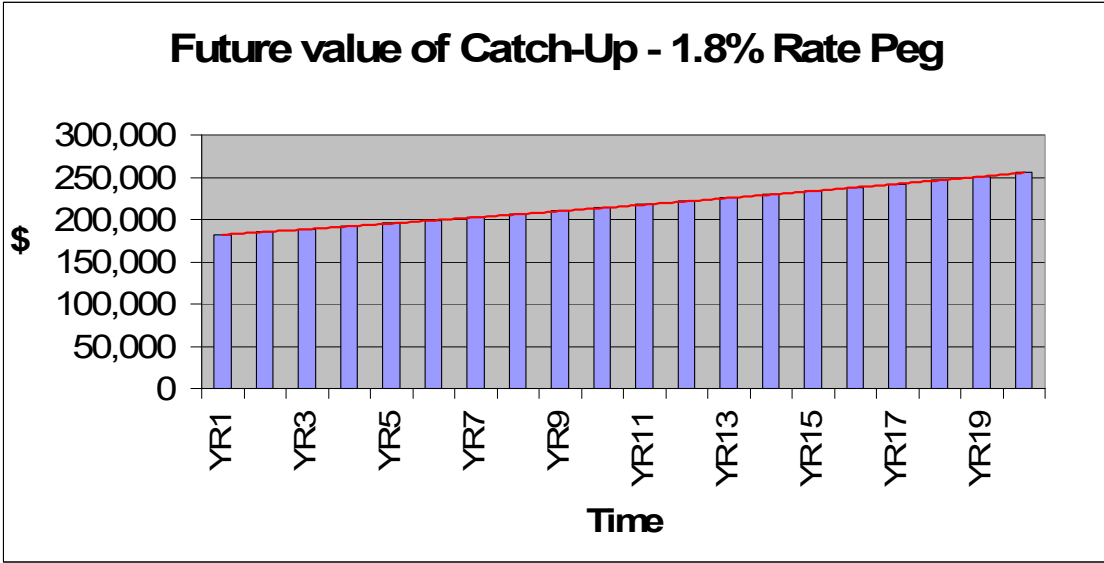
The following table illustrates the rate categories where the catch up may be directly identified.

<u>Rate</u>	<u>Rate Code</u>	<u>Amount</u>
Farmland	AA	112,954.45
Rural Residential	AB	9,747.90
Residential Bendick Murrell	AB1	596.88
Residential Koorawatha	AB3	1,660.00
Residential Young	AC	28,755.37
Business Young CBD	AF	8,003.21
Business Non-CBD	AG	12,547.64

This data has been compiled from a Supplementary Valuation list provided by the NSW Valuer General.

The revenue generated by the catch up had been incorporated into the Young Shire Long Term Financial Plan and has formed part of the general revenues available to Council for the current year as exhibited in the draft budget and revenue policy.

The following graph illustrates the value over time for the catch up at a constant 1.8% rate peg for the next 20 years.

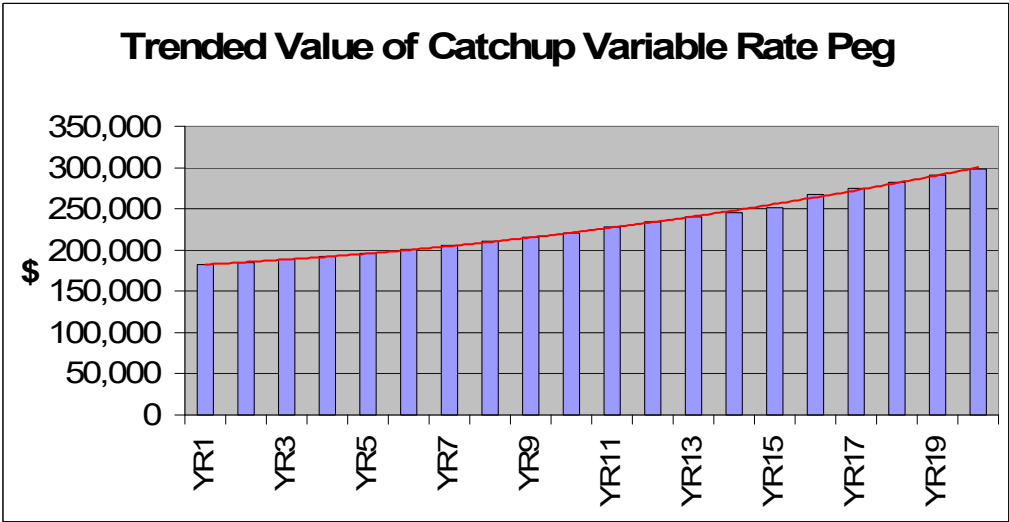


Based on this model the year 20 value of the current catch up amount would be in the order of \$255,000 per year.

A more realistic approach to such model would be to assume that the rate peg would remain fixed for 4 years and then increment upwards over time.

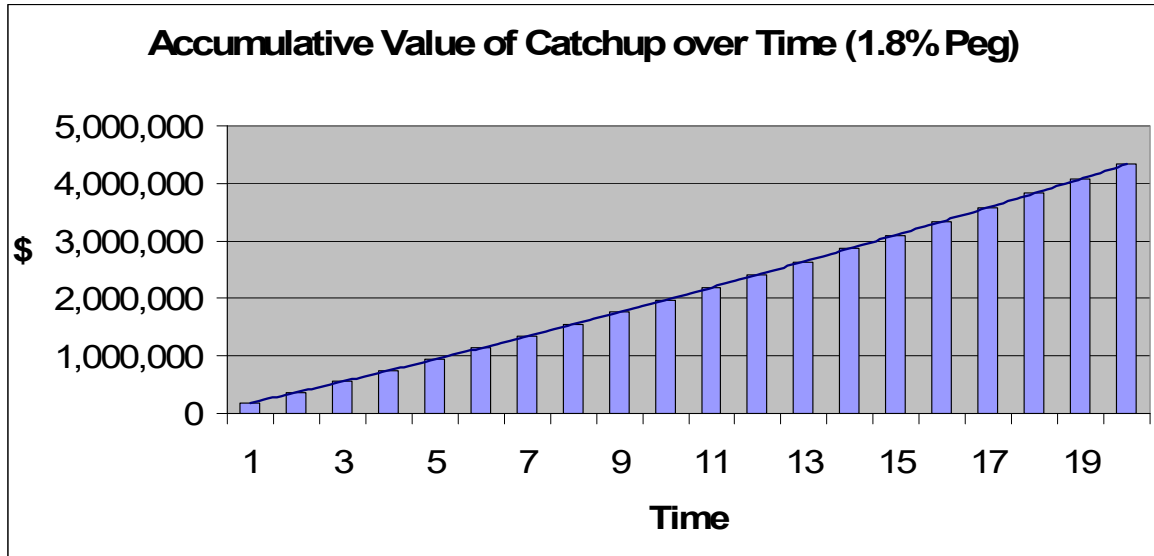
Using the following basic assumptions, a revised model is shown below;

<u>Period</u>	<u>Assumed Rate Peg</u>
Yr 1-4	1.80%
Yr 5-10	2.30%
Yr 11-15	2.50%
Yr 16 -20	2.80%

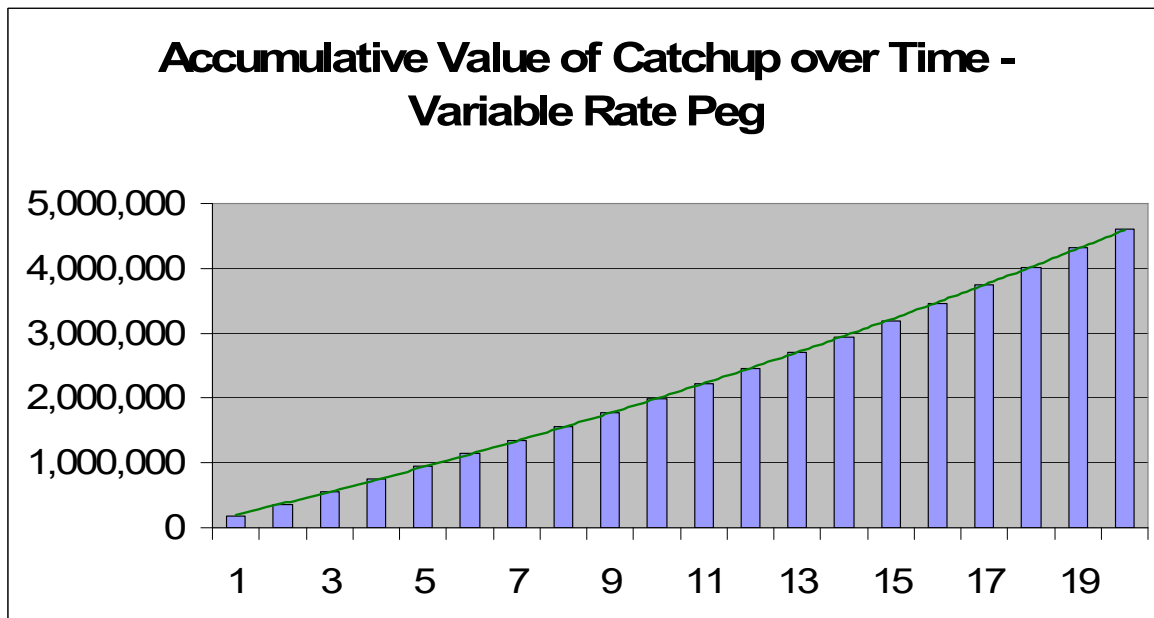


This model indicates that the future trended value would be in the order of \$299,000 at Year 20.

The total value over time for the catch up is shown below;



This model is considered conservative and as such the following trended model is considered to more likely represent the value over time.



This model highlights a value of \$4.6 million over time (20 years)

Additional Changes to Councils Draft Budget

Council identified a number of items of Capital expenditure in the Harden and Boorowa areas that were contingent on successful funding application under the Fixing Country Roads Program.

Both Councils were successful in preliminary rounds, but Hardens application was not successful and Boorowa's was reduced by \$137,000.

OPTIONS

Council has several options available to consider in determining how to address issues raised in this report.

The first option available to Council is to adopt the operational plan, budget and revenue policy as placed on public exhibition. This option would not require the need to consider any deferral of expenditure or alternative funding sources for planned expenditure included in the draft budget.

The second option is to consider deferral of expenditure as included in the budget. Based on advice from staff of the former Young Shire, Council had commenced the process of considering capital works that may be deferred should the rates catch up not be applied, however Council had not had the opportunity to formally consider this option prior to the amalgamation to create Hilltops Council. A copy of Councils draft consolidated capital works program inclusive of funding sources is attached to this report for reference. Should Council elect to defer expenditure as an alternative to applying the rates catch up it is recommended that Council reduce capital expenditure by a total of \$182,000 with projects that were planned to be funded by revenue to be deferred for future consideration.

The third option available to Council is to consider alternative funding sources for the proposed expenditure. There are two main options to consider for sourcing alternative funding in lieu of reducing income from rates. The first of these options is to consider additional borrowings and the second to consider sourcing funds from reserves. Given the relatively strong reserve levels of the former Young Shire it is recommended that should a decision be made not to reduce expenditure levels, that the reduction in revenue from not applying the rates catch up be offset by transferring funds out of reserve. Taking into consideration recommendations from the LRC's it is recommended that should this option be taken up funds be transferred from the former Young Shire Building and Improvements reserve which has a current balance of \$524,900.

Should Council resolve not to take up the rates catch up available in the current financial year the rates catch up will be available for consideration again for the following financial year. In addition to the catch up available based on the current financial year it is possible that a further additional rates catch up may need to be considered for the subsequent year.

STATUTORY PROVISIONS

There are numerous sections of the Local Government Act and Regulation which relate to this report. Chapter 15 of the Act outlines how Councils are financed and Section 406 outlines Integrated Planning and Reporting requirements. In addition, the Local Government (Council Amalgamations) Proclamation 2016 has implications for this report.

CONSULTATION

As previously outlined in this report the draft operational plan, budget and revenue policy was placed on public exhibition from 9 June 2016 until 7 July 2016 with submissions received previously discussed in this report. In addition, the draft documents were reviewed and discussed by the Harden, Young and Boorowa LRC's with the recommendations made by those committees included in this report.

Towards the end of the public exhibition period Council provided a Rates Q and A document on its website to provide further explanation around the rating system.

Ultimately, Council was relatively restricted in its ability to consult further given the timeframes given between amalgamation and being required to adopt an operational plan, budget and revenue policy.

RELATIONSHIP TO INTEGRATED PLANS

The Operational Plan, Budget and Revenue Policy form part of the Integrated Planning and Reporting Framework. The documents presented attempt to address the long term community goals identified by each of the former Harden, Young and Boorowa Council's.

Hilltops Council will be required to develop in consultation with the Community a new Community Strategic Plan during the period following the first election of the Hilltops Council currently scheduled for September 2017.

FINANCIAL IMPLICATIONS

The financial implications relating to this report and the options available to Council have been explained throughout the content of the report.

CONCLUSION

It is apparent from submissions received during the public consultation period on the draft Operational Plan, Budget and Revenue Policy that a significant portion of the former Young Shire are dissatisfied with the proposed rates catch up. This report has articulated the options available to Council and the consequences associated with alternate decision paths. Should the rates catch up not be taken up in the current year the Council has the opportunity to reconsider the catch up in the next financial year. Additionally, Council has the opportunity to make future financial decisions to offset the consequences associated with the current revenue policy and budget.

The recommendation below includes the rate structure based on 1.8% across the Council area, an alternative rate structure is attached if Council elects to adopt the draft budget as advertised including the rates catch up of \$182,000.

ATTACHMENTS

- Attachment 1 - Hilltops Operational Plan 2016/17
- Attachment 2 - Hilltops Council Rates Q&A
- Attachment 3 - Hilltops Council consolidated capital works budget
- Attachment 4 - Hilltops Alternate rate structure with Catch up included.

RECOMMENDATION

It is recommended that Council:

- 1. defer consideration of the rates catch up for the current financial year and apply the rate peg of 1.8% across the Hilltops Local Government Area.**
- 2. Transfer \$182,000 from the former Young Shire Buildings and Improvements reserve to offset the revenue impact of not applying the rates catch to fund planned expenditure as included in the draft budget**
- 3. Council adopt the Draft Hilltops Council 2016/17 Operational Plan and associated budget and revenue policy, with the following changes**
 - **Changes to revenue policy to reflect 1.8% rate peg in all areas.**
 - **Transfer of \$182,000 from Young Shire Buildings and Improvement Reserve**
 - **Remove capital expenditure of \$730,250 relating to Bundarbo Bridge, Harden. Council to continue to source grant funding for the project**

- Reduction to Boorowa Councils Fixing Country Roads Grant Income of \$137,000 as per the finalised Grant application.

4. In accordance with the Local Government Act 1993, make the following rates for the 2016/2017 financial year calculated on the current land value for rating purposes of all rateable land subject to such rate within the Council area:

Category	Sub Category	Minimum	Ad Valorem (cents in the \$)	Base Amount	Base %
Boorowa					
Farmland		\$442.00	0.540721		
Residential		\$442.00	0.875826		
Residential	Other	\$442.00	0.611996		
Business		\$442.00	0.992862		
Mining		\$442.00	0.914745		
Harden					
Farmland			0.292320	\$625.20	26%
Residential			0.337492	\$177.87	48%
Residential	Harden-Murrumburrah		1.207037	\$275.24	48%
Business			0.479721	\$275.21	48%
Business	Harden-Murrumburrah		2.458945	\$460.21	38%
Mining		\$419.00	2.500000		
Mining	Gold	\$419.00	5.000000		
Young					
Farmland		\$433.00	0.40650		
Residential		\$433.00	0.69140		
Residential	Young Township	\$433.00	1.02260		
Business		\$433.00	1.35500		
Business	Young CBD	\$433.00	2.00740		
Business	Young Non -CBD	\$433.00	1.80670		
Mining		\$433.00	11.05420		

5. In accordance with the provision of Section 535 and 501 of the local Government Act 1993, Council hereby resolves to make the following annual sewer access charges for the 2016/2017 financial year in accordance with the Revenue Policy:

Category	Annual charge
Boorowa	
Residential	\$672.00
Non residential	\$672.00
Harden	
<i>Residential</i>	\$239.96
<i>Non residential</i>	
20mm Meter	\$239.96
25mm Meter	\$375.08
32mm Meter	\$614.49
Large Connections	
40mm Meter	\$960.09
50mm Meter	\$1,500.23
65mm Meter	\$3,841.84
100mm Meter	\$6,001.10
Community Service Obligations	
20mm Meter	\$120.03
25mm Meter	\$187.54
32mm Meter	\$307.25
40mm Meter	\$480.05
50mm Meter	\$750.12
65mm Meter	\$1,920.92
100mm Meter	\$3,000.55
Vacant Land	\$239.96
Young	
Residential	
Connected	\$720.00
Unconnected	\$540.00
Non Residential	
Connected	\$720.00
unconnected	\$540.00

<i>Annual Sewer Access Charges Continues</i>	<i>Annual Charge</i>
Annual Sewer Charges	
Water Closets (Hotels, Motels, Units and Flats)	\$360.00
Urinals - Schools, churches and associated residences	\$360.00
Water Closets - Schools, churches and associated residences	\$180.00
Water Closets - Others	\$360.00
Urinals Others	\$360.00

6. In accordance with the provision of Section 535 and 501 of the local Government Act 1993, Council hereby resolves to make and levy the following sewer usage charges for the 2016/2017 financial year in accordance with the Revenue Policy

<i>Category</i>	<i>Annual Charge</i>
Harden	
<i>Residential</i>	\$400.09
(based on average consumption of 255kL pa)	
<i>Non residential</i>	\$400.09
Min. + usage calculation	
Usage charges are based on water in"x discharge factor	
Young	
<i>Liquid Trade Waste</i>	
Charge Class 1	\$99.00
Charge Class 2	\$177.00
Charge Class 2S	\$587.00
Charge Class 3	\$587.00

7. In accordance with the provision of Section 535 and 501 of the local Government Act 1993, Council hereby resolves to make and levy the following water access charges for the 2016/2017 financial year in accordance with the Revenue Policy:

Category	Annual Charge
Boorowa	
Residential	\$496.00
Non Residential	\$496.00
Harden	
<i>Residential</i>	
20mm Meter	\$373.29
25mm Meter	\$582.34
32mm Meter	\$955.64
50mm Meter	\$2,333.07
<i>Non Residential</i>	
20mm Meter	\$373.29
25mm Meter	\$582.34
32mm Meter	\$955.64
<i>Large Connections</i>	
40mm Meter	\$1,493.16
50mm Meter	\$2,333.07
65mm Meter	\$5,972.65
100mm Meter	\$9,332.25
<i>Community Service Obligations</i>	
20mm Meter	\$186.64
25mm Meter	\$291.17
32mm Meter	\$477.82
50mm Meter	\$746.58
65mm Meter	\$2,986.32
100mm Meter	\$4,666.12
<i>Unconnected</i>	\$373.29
Young	
<i>Residential</i>	
Connected	\$302.50
Residential Units	\$302.50
Strata - not individually metered	\$302.50
20mm Meter	\$302.50
25mm Meter	\$471.90
32mm Meter	\$774.40
40mm Meter	\$1,210.00
50mm Meter	\$1,890.63

Water Access Charges Cntd	
<i>Non Residential</i>	
Connected	\$302.50
Strata - not individually metered	\$302.50
20mm Meter	\$302.50
25mm Meter	\$471.90
32mm Meter	\$774.40
40mm Meter	\$1,210.00
50mm Meter	\$1,890.63
80mm Meter	\$4,840.00
100mm Meter	\$7,562.50

8. In accordance with the provision of Section 535 and 502 of the local Government Act 1993, Council hereby resolves to make and levy the following water user charges for the 2016/2017 financial year in accordance with the Revenue Policy:

Category	per kl
Boorowa	
<i>per billing period</i>	
0-67 KL	\$2.22
68 + Kl	\$4.44
Raw Water	\$1.02
Harden	
<i>Residential</i>	
<450kl	\$2.24
>450kl	\$3.35
<i>Non residential</i>	\$2.24
Young	
<i>Residential</i>	
1st Quarter	\$2.70
2nd, 3rd & 4th quarter	\$2.97
<i>Non Residential</i>	
1st Quarter	\$2.70
2nd, 3rd & 4th quarter	\$2.97
<i>Council</i>	
1st Quarter	\$1.81
2nd, 3rd & 4th quarter	\$1.90
<i>Monthly Billed accounts</i>	\$1.90

9. In accordance with the provision of Section 535, 496A and 510A of the local Government Act 1993, Council hereby resolves to make the storm water management charge \$25.00 for the 2016/2017 financial year in accordance with the Revenue Policy.
10. In accordance with the provision of Section 535, 496 and 501 of the local Government Act 1993, Council hereby resolves to make and levy the following waste management charges for the 2016/2017 financial year in accordance with the Revenue Policy:

Category		Annual Charge
Boorowa		
Domestic Waste Collection	Occupied 140 Litres bin weekly	\$182.00
Domestic Waste Collection	Unoccupied	\$157.00
Recycling Roadside Pickup	Fortnightly 240 Litre Bin	\$58.00
Commercial Waste Management	per bin per week	\$440.00
Commercial Recycling Pickup	Fortnightly	\$58.00
Waste assess Availability Charge		\$157.00
Harden		
Domestic Waste Collection	Harden Murrumburrah <i>(Includes 140 L DWM Weekly and 240L Recycling Fortnightly)</i>	\$432.38
Organic Collection	18 Pickups a year as per Revenue Policy - 240 Litre bin	\$50.14
Vacant Land		\$29.63
Galong	Domestic Waste Collection 240 Litre Bin Fortnightly	\$345.00
Waste Access Charge	Raised on all properties not subject to a DWM Charge	\$30.16
Commercial Waste	Collection per pickup	\$10.00
Young		
Domestic Waste Collection	Occupied - 140 Litre Bin Weekly	\$279.50
Domestic Waste Management	Unoccupied	\$92.20
Recycling Charge	240 Litre bin Weekly	\$51.00
DWM Non Urban	per rural assess	\$34.60
Green Waste Management	240 Litre Bin Fortnightly	\$52.00