

# **COBAR SHIRE COUNCIL**



## **EXTRAORDINARY MEETING AGENDA**

**TUESDAY 9 MAY 2017  
STARTING AT 5:00PM  
COUNCIL CHAMBERS**

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## **~ ORDER OF BUSINESS ~**

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Business for the meeting will be as follows:

1. Apologies
  2. Declaration of Interests
  3. General Manager's Report – Part A (Action)
  4. Matters of Urgency
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**CLAUSE 1A – FOUR YEAR DELIVERY PROGRAM – PUBLIC EXHIBITION**

**FILE: L5-22 AOP REFERENCE: 3.3.3**

**ATTACHMENT: YES  
(UNDER SEPARATE COVER)**

**AUTHOR: *Director Corporate and Economic Development, Angela Shepherd***

**Background**

Council is obligated under the Local Government Act to produce a range of Integrated Planning and Reporting (IP&R) documents, starting with the ten year Community Strategic Plan and flowing into the four year Delivery Program and Annual Operational Plan. Our Community Strategic Plan outlines the community's aspirations. The Delivery Program then sets out the activities Council will undertake to address those aspirations.

The Delivery Program addresses each of the strategies identified in the Community Strategic Plan. For each strategy, a set of Council activities has been identified. The aim of identifying the activities is for each to be addressed through actions identified in the Annual Operational Plan. A Council staff member has been identified as responsible for ensuring the implementation of each activity and performance indicators are identified to allow for reporting on the implementation of the Program. Implementation of the Delivery Program will be reported to Council every six months.

Council has undertaken an array of consultations over the last four years to develop this plan, including meetings with sectors (such as Rural Roads, Children's Service, health groups, the Economic Taskforce and more), surveys of residents and feedback Council has received from residents.

The draft Delivery Program 2016/2017 to 2020/2021 is now ready for public exhibition. Under the Local Government Act, Council is required to exhibit the draft Delivery Program for a minimum of 28 days to seek community input. This input will then be assessed prior to putting the draft to Council for adoption in June.

The Delivery Program includes as an appendix, the four year budget to cover the period of the Program. They should be read in conjunction with each other.

Council will hold a community workshop on Wednesday, 17 May 2017 from 6:00pm in the Council Chambers. This will give the public an opportunity to provide input and feedback on the draft. The community will also have four weeks to provide comment during the exhibition phase.

**Financial Implications**

There will be a small cost for advertising the exhibition of the plan, which will be met from the existing budget allocation.

The budget document sets out the full extent of the financial implications of adopting the Delivery Program for 2016/2017 to 2020/2021.

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**RECOMMENDATION**

**That Council resolves to put the draft Delivery Program 2016/2017 to 2020/2021, including the budget on public exhibition for a minimum of 28 days.**

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**CLAUSE 2A – COBAR’S COMMUNITY STRATEGIC PLAN – COBAR SHIRE 2030 – PUBLIC EXHIBITION**

**FILE: A2-8**

**AOP REFERENCE: 3.3.3**

**ATTACHMENT: YES  
(UNDER SEPARATE COVER)**

**AUTHOR: *Director Corporate and Economic Development, Angela Shepherd***

**Background**

A number of consultations have been undertaken to inform the development of Cobar’s Community Strategic Plan – *Cobar Shire 2030*, including interviews, surveys, focus meetings and feedback received from ratepayers. The information collected during consultations has now been used to prepare the draft Community Strategic Plan. A number of plans have already been adopted by Council which were informed by these consultations, including the Economic Action Plan, Crime Prevention Plan and Disability Inclusion Action Plan.

Under the Local Government Act, Council is required to exhibit the draft plan for a minimum of 28 days to gather further community input.

It must be remembered that the Community Strategic Plan is a community document, not a Council one. It forms the basis for the development of Council’s documents, including the Delivery Program and Annual Operational Plan, as well as the suite of documents under the Resource Strategy.

Council will hold a community workshop on Wednesday, 17 May 2017 from 6:00pm in the Council Chambers. This will be a further opportunity for community input and feedback. The community will also have four weeks to provide comment during the exhibition phase.

A separate report is provided in this agenda outlining the Annual Operational Plan along with the annual and ten year budgets.

**Financial Implications**

There will be a small cost for advertising the exhibition of the plan, which will be met from the existing budget allocation.

**RECOMMENDATION**

**That Council resolves to put the draft Community Strategic Plan – *Cobar Shire 2030* – on public exhibition for a minimum of 28 days.**

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**CLAUSE 3A – COUNCIL’S INTEGRATED PLANNING AND REPORTING  
(IP&R) DRAFT BUDGET FOR PUBLIC EXHIBITION**

**FILE: L5-22**

**AOP REFERENCE: 3.3**

**ATTACHMENT: YES**

**(UNDER SEPARATE COVER)**

**AUTHOR: *Director of Finance and Community Services, Kym Miller***

**Purpose**

For Council to place the draft 2017/2018 Annual Operational Plan and Ten Year Financial Plan on public exhibition for at least 28 days to gain feedback from the community so that appropriate comments can be considered prior to adoption. This is a requirement of Section 405 of the Local Government Act 1993. Other components of the Integrated Planning and Reporting suite appear in this agenda.

**Background**

Under the Integrated Planning and Reporting framework, Council is required to adopt the Annual Operational Plan (including Revenue Policy, Fees and Charges and Budget and Ten Year Financial Plan) by 30 June each year to allow the sending of rates notices within the required time. Prior to adoption, Council must exhibit the draft documents for a minimum of 28 days to seek community input and must then consider any submissions prior to adoption.

The draft documents will be placed in the Shire Libraries, the Administration Building and on Council’s Website. The community will be alerted to the release of the draft documents through the media and Council’s Website.

Council will hold a Public Meeting on Wednesday, 17 May 2017 at 6:00pm in the Council Chambers to explain the documents to those interested and to receive feedback from the community.

**Executive Summary – Whole of Council**

Table 1 below shows the summarised statements of income and expenditure for the four years 2017/2018 to 2020/2021. The same table also shows cash movements by year:

**Table 1 - 2016-2017 to 2020-2021**

	2017/2018			2018/2019			2019/2020			2020/2021		
	Revenue	Expenditure	Surplus/ Deficit	Revenue	Expenditure	Surplus/ Deficit	Revenue	Expenditure	Surplus/ Deficit	Revenue	Expenditure	Surplus/ Deficit
<b>General Fund</b>												
Governance	135,741	688,830	-553,088	138,399	704,400	-566,001	141,113	735,229	-594,116	143,881	806,823	-662,942
Corporate Support	6,117,749	8,114,391	-1,996,642	6,414,983	8,281,528	-1,866,546	6,485,781	8,462,845	-1,977,064	6,670,540	8,775,176	-2,104,636
Public Order & Safety	220,320	469,766	-249,446	224,726	478,229	-253,503	231,468	490,602	-259,134	238,412	503,342	-264,930
Public Health	154,887	425,182	-270,296	157,984	448,405	-290,421	162,724	460,760	-298,036	167,606	473,455	-305,850
Community Services & Education	5,217,842	5,129,329	88,513	5,321,279	5,248,749	72,530	2,505,913	2,656,917	-151,003	2,575,331	2,728,183	-152,853
Environment	900,212	911,323	-11,111	917,916	927,869	-9,953	944,643	952,298	-7,655	972,172	977,441	-5,269
Housing & Community Amenities	293,288	624,352	-331,064	298,854	635,529	-336,675	307,369	650,400	-343,031	316,140	665,707	-349,566
Recreation & Culture	251,018	2,218,566	-1,967,548	256,038	2,253,807	-1,997,769	263,719	2,301,148	-2,037,429	271,631	2,351,075	-2,079,444
Mining & Manufacture	10,000	12,949	-2,949	10,200	13,208	-3,008	10,506	13,604	-3,098	10,821	14,013	-3,191
Transport & Communication	6,660,019	8,496,151	-1,836,132	5,281,147	8,807,634	-3,526,487	5,830,129	8,766,746	-2,936,617	5,563,376	10,014,747	-4,451,371
Economic Affairs	5,789,132	5,205,884	583,248	3,771,857	3,496,856	275,001	3,826,027	3,590,402	235,625	3,901,722	3,606,934	294,788
General Purpose Revenues	7,463,300		7,463,300	7,612,566		7,612,566	7,840,943		7,840,943	8,576,171		8,576,171
<b>TOTAL GENERAL FUND OPERATIONS</b>	<b>33,213,508</b>	<b>32,296,723</b>	<b>916,785</b>	<b>30,405,950</b>	<b>31,296,216</b>	<b>-890,266</b>	<b>28,550,336</b>	<b>29,080,951</b>	<b>-530,615</b>	<b>29,407,804</b>	<b>30,916,897</b>	<b>-1,509,093</b>
Water	11,075,343	3,143,013	7,932,330	14,836,250	3,350,302	11,485,947	3,304,377	3,387,136	-82,759	3,403,208	3,471,187	-67,978
Sewer	2,363,332	908,508	1,454,824	777,779	908,978	-131,199	799,882	924,247	-124,365	822,648	939,974	-117,326
<b>TOTAL OTHER FUNDS</b>	<b>13,438,675</b>	<b>4,051,521</b>	<b>9,387,154</b>	<b>15,614,028</b>	<b>4,259,280</b>	<b>11,354,748</b>	<b>4,104,259</b>	<b>4,311,383</b>	<b>-207,124</b>	<b>4,225,857</b>	<b>4,411,161</b>	<b>-185,304</b>
Write off of old filtration plant												
<b>To accumulated surplus</b>	<b>46,652,182</b>	<b>36,348,243</b>	<b>10,303,939</b>	<b>46,019,978</b>	<b>35,555,496</b>	<b>10,464,482</b>	<b>32,654,595</b>	<b>33,392,335</b>	<b>-737,739</b>	<b>33,633,660</b>	<b>35,328,058</b>	<b>-1,694,398</b>
<i>less Capital Grants and Contributions</i>												
<i>General Fund</i>			705,000			0			400,000			0
<i>Water Fund</i>			8,000,000			11,720,000			0			0
<i>Sewer Fund</i>			1,600,000			0			0			0
<i>Total Capital Grants and Conts</i>			10,305,000			11,720,000			400,000			0
<b>Operating surplus/ deficit after capital</b>			<b>-1,061</b>			<b>-1,255,518</b>			<b>-1,137,739</b>			<b>-1,694,398</b>
Ratio of Capex/ Dep			259.37%			268.20%			76.69%			86.69%
Depreciation			6,412,803			6,652,803			6,712,803			7,812,803



	2017/2018	2018/2019	2019/2020	2020/2021
<b>SUMMARY OF CASH FLOW</b>				
Opening Balance	10,250,000	10,054,678	9,070,363	9,688,378
From operations	10,303,939	10,464,482	-737,739	-1,694,398
<u>add back</u> depreciation	6,412,803	6,652,803	6,712,803	7,812,803
Principal Repayments	279,064	258,600	209,049	222,429
New Borrowings				
Capital spend - net	16,633,000	17,843,000	5,148,000	6,773,000
<b>Years Movement</b>	<u>-195,322</u>	<u>-984,315</u>	<u>618,015</u>	<u>-877,023</u>
<b>Closing Balance</b>	<u><b>10,054,678</b></u>	<u><b>9,070,363</b></u>	<u><b>9,688,378</b></u>	<u><b>8,811,354</b></u>

Table 2 below shows the operating surplus/deficit by fund after eliminating capital grants and contributions and the cash generated by each fund for the same period. It is essential that Council endeavour to manage its financial affairs without relying on capital grants and contributions.

**TABLE 2**

<b>Year</b>	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
2017-2018	211,785	-67,670	-145,176	-1,061
2018-2019	-890,266	-234,053	-131,199	-1,255,518
2019-2020	-930,615	-82,759	-124,365	-1,137,739
2020-2021	-1,509,093	-67,978	-117,326	-1,694,398

**Cash Generated**

<b>Year</b>	<b>General</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
2017-2018	97,524	-377,670	84,824	-195,322
2018-2019	-479,063	-724,053	218,801	-984,315
2019-2020	235,139	157,241	225,635	618,015
2020-2021	-1,281,719	172,022	232,674	-877,023

Ten year projections are contained in the attachment.

**Executive Summary – Operations**

The budget assumptions are shown in the attachment. The budget and ten year financial plan presented for consideration is that which Council believe will provide a balanced road map for staff to manage the year. No services when compared to those currently made available have been reduced or eliminated.

Best practice in the presentation of Local Government budgets require that an optimistic scenario and pessimistic scenario also be presented. The attachments contain these options.

- The forecast for the 2017/2018 year is a break even result. The General Fund shows a surplus but the Water Fund and the Sewer Fund both show minor deficits. Both funds have significant cash balances but are able to sustain this in the short term. A very conservative approach has been adopted in setting the amount of water sold and it is likely that this level will be exceeded which will eliminate the Water Fund deficit. It is usually not until the third quarter of a year that this becomes apparent. Council acknowledge that the price of water will need to be considered very carefully and that it will have to increase, but along with the Cobar Water Board will try and contain these increases until the Nyngan to Cobar pipeline replacement is completed and a new Water Treatment Plant is constructed and the pipework in Cobar is replaced. Council continues to make very strong overtures to the State and Federal governments for grant assistance as the preferred option to improve water quality in Cobar rather than having to increase costs. Council will wait until the major capital works which are underway are completed before assessing the need for further cost increases to ratepayers.
- Rates have been increased to the level permitted by the NSW Government (1.5%). It is to be noted that costs are increasing at a greater rate.

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- It is assumed that Financial Assistance Grants will increase by 2.5%. This relies on redistribution from within NSW as the Federal Government has temporarily ceased indexing this funding. If the amount is clarified as being significantly different during the exhibition period an adjustment will be made to the final version presented for adoption in June.
  - The Ten Year Plan shows two major extra ordinary events:
    1. The cessation of the operation of the Lilliane Brady Village by Council which will reduce Council's overhead recovery by approximately \$100K and its ability to share the Public Liability Premiums by \$20K pa as well as the cash it generates. However, the quality of care and reduced future capital investment required will offset this if the agreement proceeds as initially offered.
    2. The write off the remaining book value of the existing Water Treatment Plant when the (planned) new plant commences operation.

It also contains a number of major items that will only proceed if grant funding is received for them. These are marked with an asterisk in the schedule of planned capital expenditure in the attachments. Other lesser value projects will also be considered on their merits and may also only proceed if grant funded.

#### **Executive Summary – Cash Movement**

A cash usage of \$195k is forecast which is satisfactory as Council will have approximately \$10.5 at the beginning of the period and has been cash positive in recent years. This is in fact less than the debt reduction of \$276k.

#### **Executive Summary – Capital Expenditure**

A total capital expenditure of \$16.6M is forecast. This is 245% of the depreciation budgeted. A complete list of proposed capital expenditure for the budget year and following nine years is included in the attachments. Those items that are more than likely only to be undertaken if grant funded are marked with an asterisk and a corresponding allocation of grant funding appears in the financial plan.

- It is to be noted that Capital Grants and Contributions of \$10.3M are forecast. Winning these is a meritorious performance.
- The Water Filtration Plant is budgeted to be completed in 2019/2020 after construction commences in 2017/2018. A further provision to upgrade Cobar's reticulation system is also included with planned outlays of \$7M over the next two years included in line with preliminary costings. This is shown as being grant funded mostly.
- The raw water network is being expanded to include Dalton Park (Goold Street) – this will be a cash positive action to Council after the payback period.
- \$1.7M is included to upgrade Sewerage Treatment Plant in Cobar. This is mostly grant funded.

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- Council should note that asset renewal has been considered at length in preparing this list as the consequences of failing to keep assets in good repair are emerging. A recent example is the swimming pool and housing stock which both required major allocations of renewal expenditure. A detailed analysis has been made of housing conditions and will be formulated into a plan to restore them to a safe acceptable level.
  - \$650k has been allocated for significant asset renewals. This includes repairs to the Swimming Pool, replacing the roof at the Community Centre, Depot repairs and expenditure on housing stock. Ongoing amounts have been included in the Ten Year Plan so as to prevent another major period of deterioration.
  - Commitment to a high level of investment in plant with a net outgoing of \$1.2M. The plant schedule will be presented to Council along with the Works Schedule early in the year 2017/2018.
  - \$100k has been included to use as ‘matching money’ when grant opportunities appear. This has proven to be a sound allocation in prior years.

### **Executive Summary – the years beyond 2017/2018**

Whilst 2017/2018 is a satisfactory forecast and will follow recent surplus years the years beyond are not acceptable. The major driver of the forecast operating deficits is a reduction in funding (revenue) advised by the Federal Government under the Roads to Recovery program. This stream of funding has provided revenue in excess of the initially announced level for three years but it reverts to the ‘normal’ level in 2017/2018. No suggestions have been made by the Federal Government that they will revert to a higher level.

These forecast deficits are in line with forecast made at the time of successfully applying for a Special Rate Variation.

An action plan is currently being prepared by senior management with a commitment to report to Council each quarter. Whilst it is always prudent to monitor minor expenses the gap is large enough to warrant a strategic solution which will require Council approval. It is recommended that an application be made to the Innovation Fund to fund a Service Delivery Review (estimated cost of \$150k) as the basis of finding a long term solution to Council’s financial structure so that it does not have to rely so heavily on winning grants on an ad hoc basis.

### **Compliance Requirement**

Council must adopt the Annual Operational Plan by 30 June 2017 to allow the sending of rate notices within the required time.

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**Financial Implications**

There will be a small cost for advertising the exhibition of the plan, which will be met from the existing budget allocation.

**RECOMMENDATION**

- 1. That Council place the draft 2017/2018 Annual Operational Plan Budget and Ten Year Financial Plan (together with) other Integrated Planning Documents on public exhibition for a minimum of 28 days to seek community feedback prior to adoption.**
- 2. That Council apply to the next round of the “Innovation Fund” for up to \$150,000 to have a Service Delivery Report prepared; noting that Council will be required to contribute 30% in cash and in-kind.**

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# **ATTACHMENTS**



## **EXTRAORDINARY MEETING AGENDA**

**TUESDAY 9 MAY 2017**

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## ~ REFERENCE TO ATTACHMENTS ~

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**PART A – ACTION**

*Page Number*

Clause 1A – Four Year Delivery Program – Public Exhibition.....Under Separate Cover

Clause 2A – Cobar’s Community Strategic Plan – Cobar Shire 2030 – Public Exhibition.....Under Separate Cover

Clause 3A – Council’s Integrated Planning and Reporting (IP&R) Draft Budget for Public Exhibition .....Under Separate Cover