



**COOTAMUNDRA-
GUNDAGAI** REGIONAL
COUNCIL

DRAFT

Operational Plan 2020-21

Part 1 - Overview

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Version Control

Ref	Date	Date effective	Council Resolution	Description
0.1	26 May 2020	1 July 2020	134/2020	Presented to Council to facilitate Public Exhibition process.



Introduction

Cootamundra-Gundagai Regional Council was formed by Proclamation of the NSW Government on 12 May 2016. This is the fifth Operational Plan of the Council, and it has been prepared on the basis that all of the services of the two former Councils; Cootamundra Shire and Gundagai Shire, be continued.

In Local Government, we have a long history of serving the community, and we are a vital and integral part of the communities we serve. Our role is to provide community services that meet or exceed community expectations.

Council is responsible for providing a wide range of services to the community as well as to build and maintain community assets and infrastructure such as roads, footpaths and water and sewer networks, as well as to enforce various laws.

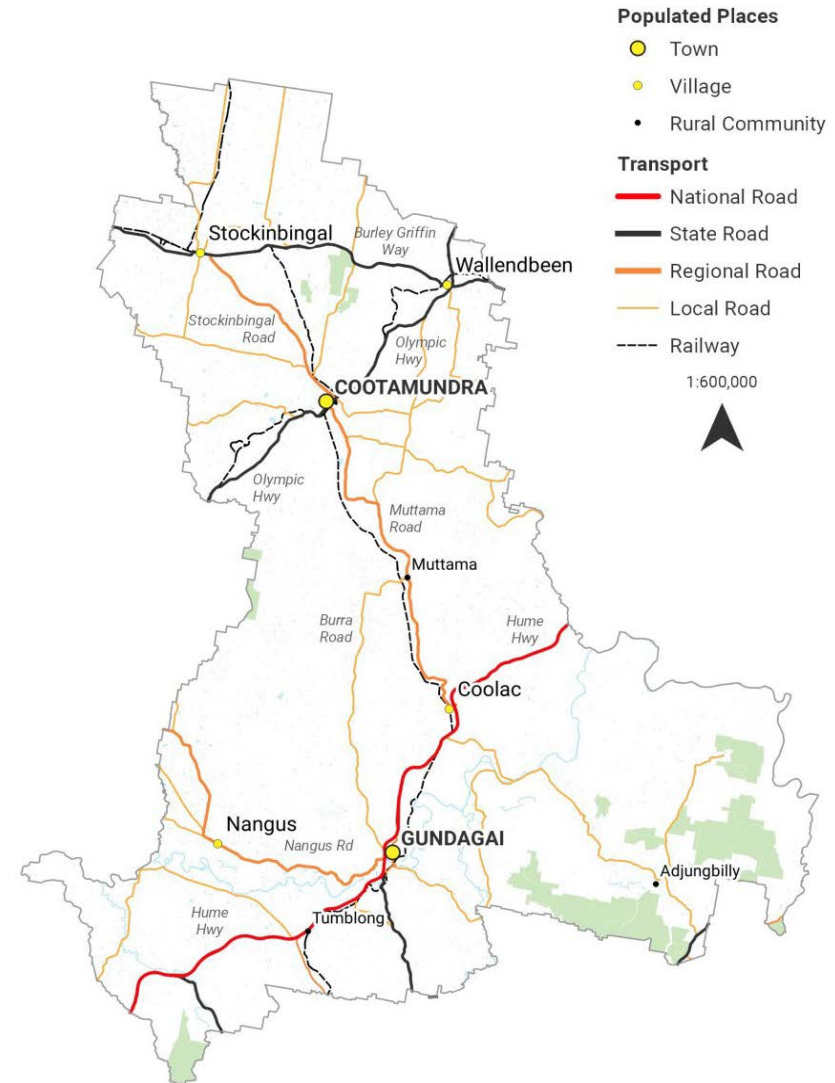
The Operational Plan outlines the activities to be undertaken by Council during the year to provide those services. This plan is broken into sections including this part and:

- Budget,
- Revenue Policy and
- Fees and Charges.

Local Government Area

Cootamundra-Gundagai Regional Council encompasses an area of 3,981 square kilometres of the Riverina region in New South Wales. The population is 11,260, and it includes the towns of Cootamundra and Gundagai, as well as the villages of Coolac, Nangus, Stockinbingal and Wallendbeen.

Council employs 170 people to provide services in the area, with offices and depots in the towns of Cootamundra and Gundagai.



Planning Framework

The Integrated Planning and Reporting Framework is one of the central components of local government in NSW.

The Integrated Planning and Reporting Framework recognised that most communities share similar aspirations: a safe, healthy and pleasant place to live, a sustainable environment, opportunities for social interaction, opportunities for employment and reliable infrastructure. The differences lie in how each community responds to these needs, and the resulting character of the individual towns and villages. It also recognises that all Council's plans and policies are interconnected.

This framework allows Council to draw its various plans together, to understand how they interact and to get the maximum leverage from its efforts by planning holistically for the future.

The Operational Plan supports our Delivery Program 2018-22. It outlines in more detail the actions that Council will undertake in the 2019-20 year and allocate the resources necessary.

The Operational Plan is based on Council's organisational structure and includes budgets, operational objectives and key strategic projects for each of the service units. These activities and projects are linked back to our strategic directions and objectives addressed in Council's Community Strategic Plan.

Also included are Council's annual budget, capital works program and fees and charges, and revenue policy.



Financial Overview

Where are we now?

Under the Local Government Act 1993, Council is required to prepare and adopt an annual budget. The budget must be adopted by 30 June each year.

The 2020-21 annual budget presented in this report has been developed through a process of consultation and review with Council and staff. The projects and activities contained within this Operational Plan budget contribute to the achievement of Council's strategic objectives as detailed in the Delivery Program and Operational Plan.

An operating surplus of \$15,937,019 is budgeted for the 2020-21 year. Council is reliant on capital grants and contributions for the renewal of its assets. Council is committed to improving its financial position in order to increase asset maintenance and asset renewal to sustainable levels, in line with the Long Term Financial Plan, and Asset Management Plans.

The annual budget includes total expenditure on asset renewal and upgrades of \$24million, due largely to capital grants and contributions from the State and Federal Governments.

Future budgets will continue to focus on increasing the level of asset maintenance and reducing the asset backlog to ensure the long term financial sustainability of the organisation.

Improving our financial position

In order to achieve long-term sustainability a comprehensive review of council's financial position was undertaken. Some of the major elements of this process were:

Operational Savings

An ongoing expenditure review has resulted in a reduction in budgeted operational expenditure of \$3.8m. These budgeted savings have been achieved

without a reduction in service levels. This process will continue, with additional improvements intended for adoption through the Quarterly Budget Review process.

Best Practice Water Management

NSW Public Works Advisory are currently updating our Integrated Water Cycle Management (IWCM) plan to reflect the merged council operation. This will include a comprehensive 30-year programme of capital works, providing a basis for a fee structure to be developed.

The IWCM is a major step towards meeting the Best Practice Water & Sewer Guidelines, and is required in order to access funding through the NSW Safe & Secure Water Program.

Special Rate Variation (SRV)

In January 2020 council engaged Dr. Joseph Drew from The University of Technology Sydney to prepare a submission for the Local Government Boundaries Commission proposal to re-establish the pre-merger councils.

In preparing the submission, Dr Drew conducted a full review of councils finances. The review observed that councils rates are significantly lower than the average of our class (OLG Group 11), and recommends Special Rate Variations of 17.5% in each of the 2021/22 and 2022/23 years, and 10% in the 2023/24 year, before returning to the rate peg the following year.

The effect of this SRV is to return the consolidated result to a surplus before capital grants in 2022/23, with the same for General Fund from 2025/26.

Overhaul of User Fees and Charges

Dr Drew's report also identified a need to increase fees and charges to help meet the costs of required infrastructure upgrades. It recommended the alignment of

the fee structures that have been in place for the Water and Sewer operations in the two former councils since amalgamation. Waste charges have been aligned where the operations in the former areas were compatible, and increased to prepare for tip remediation works.

Further information on the Boundaries Commission Inquiry, and the work of Dr Joseph Drew can be found at:

<https://www.cgrc.nsw.gov.au/boundaries-commission-inquiry/>

Budget Analysis

This section of the report analyses the planned operational income and expenditure budget for the 2020/21 year. All figures are rounded to the nearest thousand.

Operating Position

	2019/20 Adopted budget \$'000	2020/21 Operational Plan budget \$'000	Variance \$,000
Total income (excluding capital grants and contributions)	39,907	36,203	(3,704)
Total expenses	45,665	36,389	9,276
Operating result Before capital grants and contributions	(5,758)	(186)	5,572

Operating result (\$186,000 deficit)

The operating result is a measure of annual financial performance. Council is budgeting for an operating deficit - and is reliant on capital funding for its asset renewal.

A number of external factors and internal decisions have impacted on the increased deficit result, with the detail listed on the following pages.

Operating Income

	2019/20 Adopted budget \$'000	2020/21 Operational Plan budget \$'000	Variance \$,000
Rates and annual charges	12,975	14,895	1,920
User charges and fees	8,181	7,873	(308)
Interest and investment revenue	677	210	(467)
Other revenues	400	347	(53)
Grants and contributions provided for operating purposes	10,511	10,209	(302)
Operating Income	32,743	33,535	790

Rates and annual charges (\$1,920,000 increase)

This increase relates to the application of the rate peg of 2.6 for the 2019-20 financial year, as announced by the Independent Pricing and Regulatory Tribunal NSW. Also, annual charges have increased in line with the recommendations of Dr Joseph Drew.

User charges and fees (\$308,000 decrease)

User charges and fees relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include water consumption charges, waste tipping services, development application fees, building inspections and use of Council facilities.

In addition, Council provides a service contract to the Roads and Maritime Authority for the upgrade of the State Roads within the local government area. A decrease in projected revenue from this arrangement is the bulk of the overall projected change.

Interest (\$467,000 decrease)

Interest income is earned on Council's funds, which are invested in accordance with the Investment Policy. The return on these investments is expected to fall as funds held in reserve for major projects are expended, and interest rates drop to unprecedented levels.

Other Revenues (\$53,000 decrease)

Other revenues relates to a range of items such as property rentals, cost recoupments, insurance rebates and other miscellaneous items.

Grants and operating contributions (\$302,000 decrease)

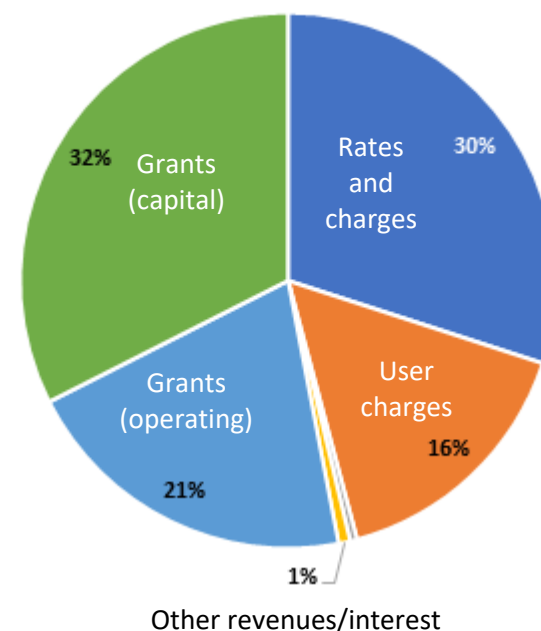
Operating grants and contributions include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers.

Although Roads to Recovery grants are often expended on capital works, the income is classified as operating grants because Council is allocating the funding to roads maintenance and renewal projects.

Significant grants and contributions budgeted to be received in the 2020/21year are as follows.

Financial Assistance Grant	\$5,280,000
Local Roads & Community Infrastructure program	\$986,000
Roads to Recovery Program	\$985,000
Regional Roads block grant	\$875,000
Pensioner rebates subsidy	\$208,000
Fuel rebates	\$110,000
Local Government Infrastructure Renewal Scheme Subsidy (LIRS)	\$61,998
Hazard Reduction funding	\$70,000
Noxious weeds grants	\$85,000
State library subsidy	\$60,000

2020-21 Income



Operating Expenses

	2019/20 Adopted budget \$'000	2020/21 Operational Plan budget \$'000	Variance \$,000
Employee costs	11,955	12,461	506
Borrowing costs	184	281	97
Materials and contracts	14,102	8,719	(5,383)
Depreciation	7,677	8,940	1,263
Other expenses	4,988	3,320	(1,668)
Operating Expenses	38,906	33,721	(5,185)

Employee costs (\$506,000 increase)

Council has allowed for the 2.5% increase in the local government award, along with 2 additional positions.

Council's workers compensation insurance premiums remain high due a negative claims experience in the year following the merger. The premiums are expected to remain high for at least two more years.

These increases are offset slightly by expected reductions to Fringe Benefits Tax incurred.

Borrowing costs (\$97,000 increase)

The projected increase in borrowing costs relates to interest on the borrowings proposed to fund the replacement of the Gundagai Sewerage Treatment Plant.

Materials and contracts (\$5,383,000 increase)

The previous year figure was reflective of the balance of the non-capital projects on council's major projects program. A reduction in RMS contract work will lower the associated costs.

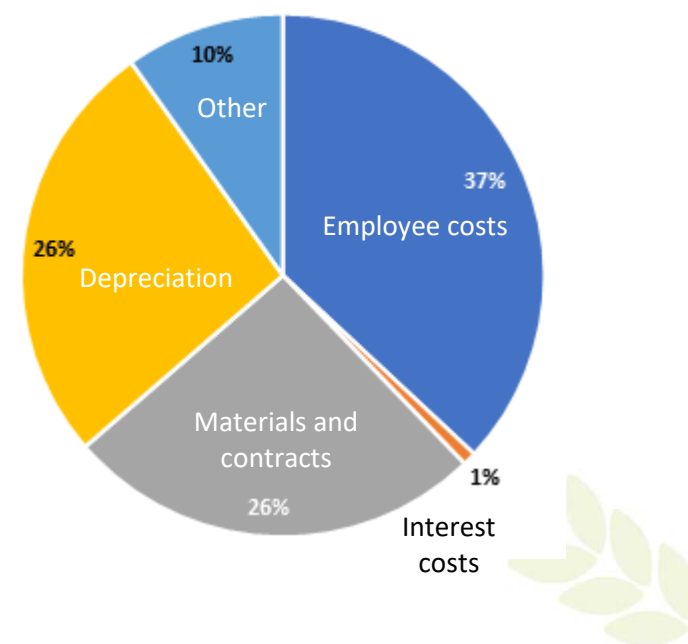
Depreciation (\$1,263,000 decrease)

Depreciation relates to the usage of Council's property, plant and equipment including infrastructure assets such as roads and bridges.

Other operating expenses (\$1,668,000 decrease)

Other operating expenses relate to costs such as the Mayoral and Councillor fees, insurances, electricity, bank fees, computer software licencing, memberships, donations and contributions to State government services, such as the Emergency Services Levy. The previous year was inflated by grant related allowances.

2020-21 Expenses



Capital Works

Capital expenditure & funding	2019/20	2020/21
Operating plan		
Capital expenditure		
Plant and equipment	2,484,000	1,466,000
Office equipment	40,000	40,000
Buildings	205,000	834,526
Land improvements	193,000	25,000
Waste infrastructure	-	455,000
Roads, bridges and footpaths	4,290,000	7,450,000
Stormwater drainage	750,000	160,000
Recreation assets	129,000	-
Water supply network	4,100,000	1,000,000
Sewerage network	6,174,000	12,597,339
Other assets	5,170,226	-
Total Capital Expenditure	23,535,226	24,027,865
Capital Funding		
Rates & Other Untied Funding	178,226	73,811
Capital Grants & Contributions	12,278,000	16,123,054
Reserves:		
- External Restrictions/Reserves	4,595,000	2,365,000
- Internal Restrictions/Reserves	1,787,000	1,047,000
New Loans	4,000,000	4,000,000
Receipts from Sale of Assets		
- Plant & Equipment	697,000	419,000
- Land & Buildings		
Total Capital Funding	23,535,226	24,027,865
Net capital funding	-	-

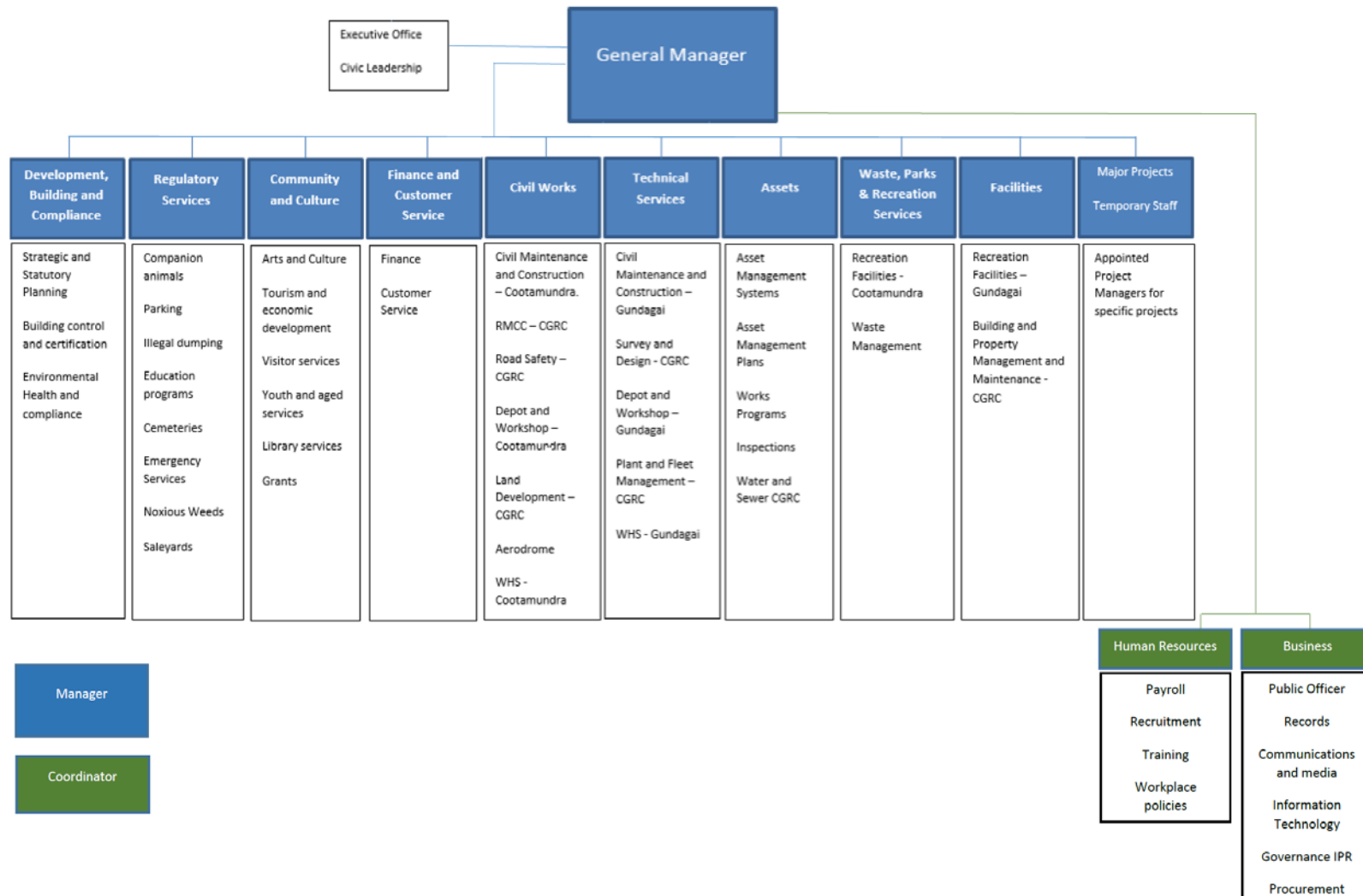
The most significant capital project being undertaken for the 2020/21 financial year is the ongoing Gundagai Sewerage Treatment Plant project. Expenditure on the project is expected to total \$12.6m for the year, with associated grant income of \$10.8m.

Resource	YTD Actuals	+ Commitments	Original Budget	Next Budget
0211 - Restart Grant	-1,417,201	0	0	-2,700,000
0224 - Flood Damage Repair Grant	0	0	-650,000	-1,000,000
0225 - Fixing Country Roads Grant	0	0	-200,000	0
0229 - National Stronger Regions Fund Grant	-91,549	0	-2,681,936	-2,500,000
0230 - Section 7.12 Developers Contributions	-62,139	-105,653	-65,000	-65,000
0233 - Section 64 Developers Contribution	0	0	-10,000	-10,000
0235 - Sewerage Treatment Plant Funding	0	0	-9,800,000	-8,300,000
0240 - Stronger Country Communities Fund Grant	-1,258,631	-682,997	-2,452,229	-1,548,054
Total	-2,829,520	-788,650	-15,859,165	-16,123,054



Functional Structure

The Operational Plan is aligned to Council's organisational structure. Council is responsible for a wide range of services that are broadly summarised into the following functional structure, displaying the Sections with responsibility for each service unit.



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