



COOTAMUNDRA-
GUNDAGAI REGIONAL
COUNCIL

Operational Plan 21/22

DRAFT Part 1 – Overview

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Version Control

Ref	Date	Date effective	Council Resolution	Description
0.1	25 May 2021	-	-	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 sixth 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 overview and:

- Actions (projects and activities);
- Revenue Policy;
- Budget (LTFP) 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 11,225, and it includes the towns of Cootamundra and Gundagai, as well as the villages of Coolac, Nangus, Stockinbingal and Wallendbeen.

Council employs 177 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 2021-22 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 2021-22 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 deficit of \$1,245,000, before capital items, is budgeted for the 2021-22 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 \$17 million, funded by capital grants and contributions from the State and Federal Governments, internal and external reserves, loans and rates and other untied funding.

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 \$1.9m. 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.

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.

Dr. Drew observed that council's rates are significantly lower than the average of our class (OLG Group 11), and recommended Special Rate Variations each year from 2021/22 to 2023/24 year, before returning to the rate peg the following year. A Special Rate Variation has been approved.

The effect of this SRV is to return the consolidated result to a surplus before capital grants in 2022/23.



Budget Analysis

This section of the report analyses the planned operational income and expenditure budget for the 2021/22 year. All figures are rounded to the nearest thousand.

Operating Position

	2020/21 Adopted budget \$'000	2021/22 Operational Plan budget \$'000	Variance \$,000
Total income (excluding capital grants and contributions)	38,525	33,677	(2,954)
Total expenses	38,746	34,922	1,930
Operating result Before capital grants and contributions	(221)	(1,245)	(1,024)

Operating result (\$1,245,615 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 result, with the detail listed on the following pages.

Operating Income

	2020/21 Adopted budget \$'000	2021/22 Operational Plan budget \$'000	Variance \$,000
Rates and annual charges	14,895	16,538	1,643
User charges and fees	7,873	7,239	(634)
Interest and investment revenue	210	184	(26)
Other revenues	347	1,054	707
Grants and contributions provided for operating purposes	9,848	8,662	(1,186)
Operating Income	33,173	33,677	504

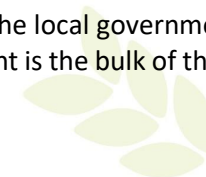
Rates and annual charges (\$1,643,000 increase)

This increase relates to the application of the approved special rates variation, as announced by the Independent Pricing and Regulatory Tribunal NSW.

User charges and fees (\$634,000 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 (\$26,000 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 (\$707,000 increase)

Other revenues relates to a range of items such as property rentals, cost recoupments, insurance rebates and other miscellaneous items. The increase is partly due to recategorization of some items of revenue following the adoption of the 2020-2021 budget. Income from new gravel quarry operations is also a major contributor.

Grants and operating contributions (\$1,186,000 decrease)

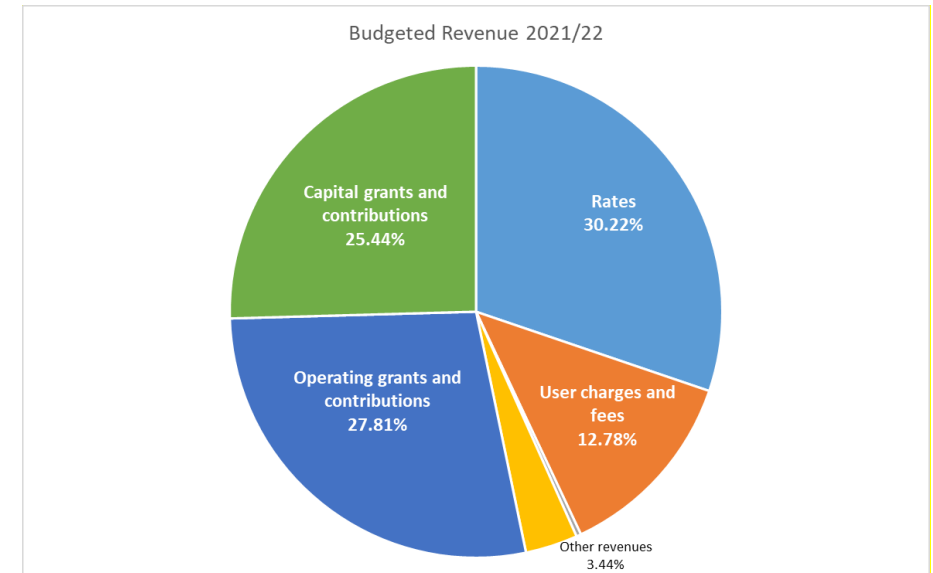
Operating grants and contributions include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers.

The anticipated decrease is mainly due to the reduction in grants received by Council in 2020-2021 on behalf of community organisations.

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 2021/22 year are as follows.

Financial Assistance Grant	\$5,280,000
Roads to Recovery Program	\$985,000
Regional Roads block grant	\$876,000
Pensioner rebates subsidy	\$280,000
Street Lighting Subsidy	\$92,745
Local Government Infrastructure Renewal Scheme Subsidy (LIRS)	\$57,534
State library subsidy	\$90,000



Operating Expenses

	2020/21 Adopted budget \$'000	2021/22 Operational Plan budget \$'000	Variance \$,000
Employee costs	12,461	11,480	(981)
Borrowing costs	281	250	(31)
Materials and contracts	12,042	10,452	(1,590)
Depreciation	8,940	9,509	569
Other expenses	3,145	3,231	86
Operating Expenses	36,869	34,922	(1,947)

Employee costs (\$981,000 decrease)

Council has allowed for the 2% increase in the local government award.

These increases are offset by expected reductions in overtime costs and workers compensation insurance premiums.

Some restructuring of Council's workforce including reduction in employees related to merger projects has resulted in a decrease in employee costs.

Borrowing costs (\$31,000 decrease)

The projected decrease in borrowing costs is due to reduction in interest expense as principal amounts outstanding reduce.

Materials and contracts (\$1,590,000 decrease)

The previous year figure was reflective of the balance of the non-capital projects on council's major projects program.

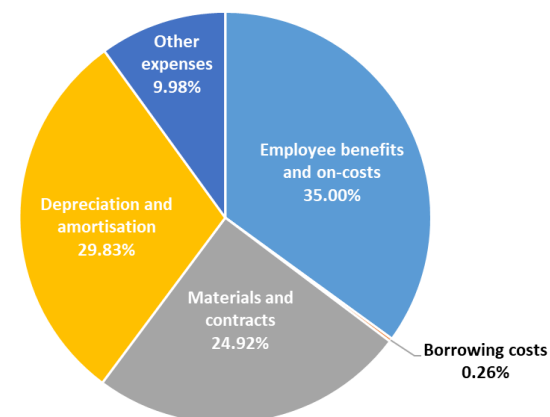
Depreciation (\$569,000 increase)

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

Other operating expenses (\$86,000 increase)

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.

Budgeted Expenditure 2021/22



Capital Expenditure

Plant and Equipment	1,889,288
Office Equipment	40,000
Buildings	1,666,786
Land improvements	2,550,465
Roads, bridges and footpaths	8,788,870
Stormwater drainage	170,000
Water supply network	1,000,000
Sewerage network	750,000
Total Capital Expenditure	\$16,855,409

Capital Funding

Rates & Other Untied Funding	2,712,769
Capital Grants & Contributions	7,757,353
External Restrictions/Reserves	3,496,000
Internal Restrictions/Reserves	1,470,288
New Loans	1,000,000
Sale of Plant and Equipment	419,000
Total Capital Funding	\$16,855,409

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.

