

Items for Consideration of Council

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Items Deferred

ITEM DEFERRED FROM MEETING HELD 7 MAY 2003

Cr Beck

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RESOLVED that Budget be deferred until the Special Meeting of Council on 14 May 2003.

4. ORIGIN: Financial & Information Services Unit

FILE REF: Budget

REPORT TITLE:

Draft Management Plan 2003/2006 and Budget 2003/2004

SUMMARY OF REPORT:

The Draft Management Plan 2003/2006 (which forms an attachment to this Business Paper) is part of the process of providing clear purpose and direction in the management planning of Council's proposed activities, functions and services over the next three years. The Plan includes the Revenue Policy, Fees and Charges and Draft Budget 2003/2004 of \$125 million.

The Minister for Local Government has set a limit of 3.6% for increase in general purpose rate income for rating year commencing 1 July 2003.

The 2003/2004 budget has an extensive capital works program of \$53 million that will support growth and community needs in the Shire.

RECOMMENDATION:

That :-

1. The Draft 2003/2006 Management Plan/Budget be adopted and placed on public exhibition for 28 days from 12 May 2003 and submissions be invited.
2. The proposed community consultation and feedback process be applied to provide scope for all ratepayers to participate.
3. Submissions received be considered by Council at its meeting of 18 June 2003 with the view to adopting the Management Plan/Budget at that meeting.

Items Deferred

REPORT:

DRAFT MANAGEMENT PLAN 2003/2006 AND BUDGET 2003/2004

BACKGROUND

Meeting community needs is a major challenge facing Council. This year's Management Plan focuses on delivering essential services whilst maintaining our assets at an improved standard. In relative terms, the Tweed Shire has continued to grow at a steady rate. This growth brings with it many challenges, placing increased demands on the resources of Council.

The Management Plan is the core corporate and strategic document that Council applies in determining its resourcing priorities and therefore is an important document in the systematic evaluation of service levels, objectives and performance achievement.

The three major urban areas and 17 villages together with rural and farmland properties represent a diverse array of needs and expectations. The management planning process provides the opportunity for all people to participate in the establishment of this 3 year planning document. To this end, Council provides leadership in developing a forward service plan based on research material, personal contact with ratepayers and their assessment of community needs in the context of statutory requirements and constraints.

The Council is supported by a professional team of officers whose performance to date has demonstrated the Council's high level of efficiency and service performance. Based on the Department of Local Government performance comparison indices, the Tweed Shire is ranked as one of the highest performing authorities in the state. This has been achieved through strong management practices, responsible financial planning, effective resource allocation and the use of technology. In addition, Council is committed to ensuring that its infrastructure is maintained in a responsible manner and is striving to balance the need for timely construction of asset management projects, to meet the growth in population, by a program of sensible borrowing to fund these works.

VARIATION TO GENERAL INCOME FOR 2003/04

The following is an extract from Department of Local Government Circular No 03/07:-

“VARIATION OF GENERAL INCOME

The Minister for Local Government has announced a 3.6% increase in terms of Section 506 of the Local Government Act 1993 for the rating year commencing 1 July 2003.

VARIATION OF DOMESTIC WASTE MANAGEMENT SERVICE CHARGE

*The Minister **has not** specified a percentage in terms of Section 507 of the Local Government Act, 1993, by which the amounts of annual charges for domestic waste management services may be varied by the rating year commencing 1/7/2003. This has the effect that no Ministerial limitation is placed on variations to the charge. However the amount of the charge remains subject to Section 504(3) of the Act and councils will need to review their waste management operations in order to determine the appropriate current and future costs to be included as part of the **reasonable cost** determination.*

The “reasonable cost” determination applies to both Section 496 and Section 502 components of the charge. The Department has already provided councils with guidance on determining reasonable cost and this can be found in Section 9.8 of the Local Government Code of Accounting Practice and Financial Reporting.

Items Deferred

The determination of the annual charge for domestic waste management services will continue to be subject to independent audit review.”

Proposed 2003/2004 Rate Structure (Minimum Rates)

• General Rate	\$482.00	(2002/2003 \$465.30) 3.6% increase
• Sewerage Rate	\$430.00	2002/03 - \$419.00)
• Water Access Charge	\$106.00 Plus Water Use (Residential)	(2002/2003 - \$105.00)
• Domestic Garage Charge	\$173.50	2002/2003 - \$168.50)
	<u>\$1191.50</u>	<u>\$1157.80</u>

MANAGEMENT PLAN

The Management Plan provides a 3 year program aimed at effectively meeting the expected needs of the community. The Plan clearly states Council's vision and mission, the core values and prioritised principal activities provide a clear indication of Council's intention for the coming 12 months and the following 2 years.

COMMUNITY CONSULTATION

The next stage of the Management Plan process involves seeking feedback from the communities of the Tweed as to their expectation of the Plan. To facilitate this style the organisations will:-

1. Place copies of the Draft Management Plan and supplementary documents on public display at both the Tweed Heads and Murwillumbah Civic Centres.
2. Encourage ratepayers to write to Council expressing their views on the Management Plan and its priorities.
3. Make available Management to clarify issues associated with programs and priorities.

The Management Plan is structured to describe what Council will be undertaken this year, its performance targets and how it would measure its level of performance. Statutory performance indicators requirements are supported by an additional range of management performance measures. These will form the basis of the General Manager's quarterly reports and the annual report to the community.

The 3 year Management Plan is a complete document and therefore needs to be read in its totality to appreciate the strategic direction and priorities considered most appropriate in these difficult economic times.

LEGAL REQUIREMENTS

Section 402 of the Local Government Act 1993, provides that, during each year a Council must prepare a draft Management Plan with respect to:-

- a) Council's activities for at least the next three years.
- b) The Council's revenue policy for the next year.

The act provides that the draft Management Plan must contain the following statements with respect to the Council's activities for the period to which it relates:-

Items Deferred

- A statement of the principal activities that the Council proposes to conduct.
- A statement of the objectives and performance targets for each of its principal activities.
- A statement of the means by which the Council proposes to achieve these targets.
- A statement of the manner in which the Council proposes to assess its performance in respect of each of its principal activities.
- Statements with respect to such other matters as may be described by the regulations.

The act requires the statement of principal activities to include the following particulars:-

- Capital works projects to be carried out by the Council.
- Services to be provided by the Council.
- Asset replacement programs to be implemented by the Council.
- Sales of assets to be conducted by the Council.
- Activities of a business or commercial nature to be undertaken by the Council.
- Human Resources activities (such as training programs) to be undertaken by the Council.
- Activities to properly manage, develop, protect, restore, enhance and conserve the environment in a manner that is consistent with and promotes the principles of ecologically sustainable development.
- Activities in response to, and to address priorities identified in, the Council's current comprehensive report as to the state of the environment and any other relevant reports.
- Programs to be undertaken by the Council to implement its equal employment opportunity management plan.

The General Manager must report to the Council within 6 weeks after the end of each quarter as to the extent to which the performance targets set by the Council's current Management Plan have been achieved during that quarter.

The Management Plan for 2003/2006 must be adopted by Council prior to 30 June 2001.

OVERVIEW

The intention of the Local Government Act is that financial planning is an integral part of the Management Plan and Council must show how it proposes to fund the activities it plans to undertake.

The draft Management Plan includes details of sources amounts and bases of calculation of the revenue proposed to be raised in the next year (S.404). These details are supported by a detailed estimate of Council's income and expenditure (S.404(1)). A general estimate of income and expenditure for the second and subsequent years covered by the management plan has also been prepared (S.404(4)).

Items Deferred

WHY HAVE A REVENUE POLICY

Council has both the political and managerial autonomy to determine the appropriate fee or charge to be levied for any good or service provided in accordance with its agreed activities and functions. Council needs to be aware of each and every fee and charge proposed in 2003/2004.

A Revenue Policy is an issue that is of major interest to Tweed Shire Council with the Local Government Act insisting upon greater reliance on user charges and less reliance on rates. The need to balance these considerations with the community service obligations of Council means that the issue of pricing may not be a particularly easy one.

A Revenue Policy for a charge or fee should identify:-

- Cost relating to a particular service or function of local government;
- Any revenue which may be earmarked for that service or function;
- Options for recovering the cost of a service or function.

Council exists to provide services for the benefit of the local community, therefore it should operate in an efficient manner. Tweed Shire Council is not a profit making concern, however, the development and undertaking of non-statutory activities should not be precluded – such an approach to provision of services must take account of a number of major characteristics of local government including:-

- A large part of its revenue comes from ratepayers who understandably expect a certain level and quality of service for payments of rates;
- Local Government policies, budget and pricing are developed and set by representatives elected by the ratepayers;
- Local Government receives large grants from other spheres of government which often prescribed policies and pricing practices;
- Commonwealth and State Legislation are prescriptive in certain areas in relation to the powers of local government; and
- A responsibility of allocating revenues in the most efficient and effective manner.

What services can be charged for?

The following questions need to be addressed when considering the level of fees and charges covered in the Revenue Policy:-

- Which groups (persons or entities) will benefit from the service?
- Can this target group be charged for the service?
- Should this target group be charged for the service?
- How will the target group be charged?
- Will the target group pay, or will other groups be forced to subsidise the provision of the service?

Items Deferred

COMMUNITY SERVICE OBLIGATION

It is the degree to which Council is obliged to provide a service (or part of a service) to the community which it may not otherwise do if motivated purely by economic or financial considerations.

COUNCIL'S FINANCIAL POSITION (2003/2004) – BUDGET

The Budget as presented in the General Fund is balanced. If any surplus funds become available from operations during the year, these should be applied to increase the level of accumulated funds so that Council has a sound financial platform on which it can build.

BUDGET FORMAT

Program Budgeting provides both a financial and management analysis of the individual programs and services offered by Council and in conjunction with the various program objectives and performance measures allows an ongoing review of services related back to the individual program objective. Extensive use of activity based costing is used to support this process.

OBJECTIVES OF THE BUDGET

During the review of the Budget by the Management, the objectives of the Budget were:-

- To recognise, and as far as possible meet, the stated policies and priorities of Council;
- To restrain expenditure, wherever possible;
- To maximise income from all sources subject to the stated policies of Council;
- To achieve economy of operation;
- To achieve “self funding” where appropriate.

Department of Local Government Comparative Information

	TSC	NSW	Grouping
Average Residential Rates per Property	\$541.00	\$550.00	\$573.00
Average Farmland Rate per Property	\$975.00	\$1,337.00	\$1,228.00
Average Business Rate per Property	\$1,751.00	\$3,950.00	\$3,232.00

(Dept Local Government Sept 2002)

READER'S GUIDE TO THE BUDGET

The 2003/2004 Annual Operating Budget for Tweed Shire Council is intended to serve four purposes:-

1. The Budget as a Policy Document

As a policy document the Budget indicates what services the Shire will provide during the twelve-month period beginning July 2001 and why. The Budget also provides detailed information such as revenue sources and trends, expenditure categories, and descriptions of all operating funds.

2. The Budget as an Operation Guide

As an operation guide, the Budget indicates how services will be delivered to the community.

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3. The Budget as a Financial Plan

As a financial plan, the Budget outlines how much the Council's services will cost and how they will be funded. The Budget document includes appropriations from operation funds for capital improvement purposes. The operating and maintenance cost impact of completed capital projects is reflected in the adopted operating budget described in this document.

4. The Budget as a Communications Device

The Budget is designed to be user friendly with a summary information in text, tables and graphs. Also included at the end of this document is a glossary of budget terms.

SUMMARY

In preparing the Budget, every effort has been made to address the objectives and strategies of the Draft Management Plan and is only presented to this meeting after many months of discussions and deliberations. Every endeavour has been made to target priorities and to recommend changes in a fair manner.

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