

# Items for Consideration of Council

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# Items for Consideration of Council

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# Reports from Director Corporate Services

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- 1. ORIGIN: Financial & Information Services Unit**  
**FILE REF: Budget**

**REPORT TITLE:**

**Draft Management Plan 2002/2005 and Budget 2002/2003**

**SUMMARY OF REPORT:**

The Draft Management Plan 2002/2005 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 for 2002/2003 of \$114 million.

The Minister for Local Government has set a limit of 3.3% for increase in general purpose rate income for rating year commencing 1 July 2002.

Council intends to seek approval to increase the annual general increase by 2.5% beyond the approved variation of 3.3% for a special rate for "Casuarina Beach" for purpose of providing a higher level of maintenance at Casuarina Beach. This rate will only be levied on Casuarina Beach properties.

The General Fund budget this year has an extensive capital works program of \$18.2 million that will support growth, development and community needs in the Shire. Included is a major increase in loan borrowing of \$3.7 million. This compares to \$5.8 million loan program in 2001/2002.

**RECOMMENDATION:**

That :-

1. The Draft 2002/2005 Management Plan/Budget be adopted and placed on public exhibition for 28 days from 29 April 2002 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 29 May 2002 with the view to adopting the Management Plan/Budget at that meeting.
4. Application be made to the Minister for Local Government for a "Special Variation to General Income" for an increase of 2.5% to fund a higher level of maintenance at Casuarina Beach locality.

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## REPORT:

### DRAFT MANAGEMENT PLAN 2002/2005 AND BUDGET 2002/2003

#### 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 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 2002/03

The Minister for Local Government has announced a 3.3% increase in terms of Section 506 of the Local Government Act 1993 for the rating year commencing 1 July 2002.

#### Proposed 2002/2003 Rate Structure (Minimum Rates)

- General Rate \$465.30 Increase (2001/2002 \$450.50) 3.3% increase
- Sewerage Rate \$219.00 (Same as 2001/2002)
- Water Access Charge \$105.00 Plus Water Use (Residential)
- Domestic Garage Charge \$168.50 (\$4.00 Increase)

The General Fund budget this year provides for a extensive capital works program of \$18.2 million that will support growth, development and community needs in the Shire. Included is a major increase in loan borrowing program of \$3.7 million.

#### STATEMENT OF INTENTION – APPLICATION FOR SPECIAL VARIATIONS TO GENERAL INCOME – “CASUARINA BEACH SPECIAL RATE”

Council intends to seek approval from the Minister for Local Government to increase the annual general increase by 2.5% beyond the notional yield.

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The 2.5% proposed increase will generate \$507,000 additional rate increase next year and will provide a higher level of maintenance to public facilities within the Casuarina Beach development. This rate will only be levied on Casuarina Beach properties.

### **DRAFT BUDGET FOR 2002/2003**

General Fund	\$61.2 million
Water Fund	\$24.2 million
Sewerage Fund	<u>\$29.1 million</u>
<b>Total</b>	<b>\$114.5 million</b>

### **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.
4. Contact owners of properties at Casuarina Beach to provide details of proposed special rate.

The Management Plan is structured to describe what Council will be undertaking 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:-

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- 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 2002/2005 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)).

### **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 2002/2003.

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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?

### 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.

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## COUNCIL'S FINANCIAL POSITION (2002/2003) – 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 (released December 2001)

TSC	NSW	
Average Residential Rates	\$526	\$532
Average Farmland Rate	\$979	\$1302
Average Business Rate	\$1802	\$3162

### READER'S GUIDE TO THE BUDGET

The 2002/2003 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.

#### 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

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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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