POLICY AND GENERAL COMMITTEE

April 1, 2022

ITEM 4

BROKEN HILL CITY COUNCIL REPORT NO. 114/22

SUBJECT: DRAFT DELIVERY PROGRAM 2022-2026 INCORPORATING DRAFT OPERATIONAL PLAN 2022/2023, INCLUSIVE OF THE STATEMENT OF REVENUE POLICY AND DRAFT SCHEDULE OF FEES AND CHARGES 2022/2023 D22/15215

Recommendation

1. That Broken Hill City Council Report No. 114/22 dated April 1, 2022, be received.

2. That Council endorse the Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2022/2023, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2022/2023 for the purpose of public exhibition for community comment for a 28-day period.

3. That Council receives a further report at the conclusion of the exhibition period, outlining submissions received and any recommendation for changes arising, with a view to adopting the Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2022/2023, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2022/2023 for implementation on 1 July 2022.

4. That Council select one of the three Rating options provided in this report.

5. That Council Select one of the two options for weighbridge fees and vouchers.

Executive Summary:

The purpose of this report is to recommend to Council to endorse the Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2022/2023, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2022/2023 developed in accordance with Sections 404 and 405 of the *Local Government Act 1993,* for the purpose of public exhibition for community comment for a 28-day period.

A further report, at the completion of the exhibition period, will be presented to Council outlining submissions received and any recommended changes arising, to allow Council to consider community feedback prior to the Delivery Program being adopted by Council.

In accordance with the *Local Government Act 1993* and the Integrated Planning and Reporting Guidelines, Council is required to prepare several documents to facilitate the integration of long-term planning and implementation of Council activities. Core documents include the Community Strategic Plan, the Resourcing Strategy, the 4-year Delivery Program and the annual Operational Plan.

The Delivery Program is designed as the single point of reference for all principal activities undertaken by Council during its term of office. All plans, functions, projects, activities and funding allocations must be directly linked to this Program. Supporting the Delivery Program is the annual Operational Plan, which identifies the projects and actions that will be undertaken during the year to achieve the commitments made in the Delivery Program.

Report:

Following the Council election in December 2021, Council is required to prepare and adopt a new Community Strategic Plan, Resourcing Strategy, Delivery Program and Operational Plan.

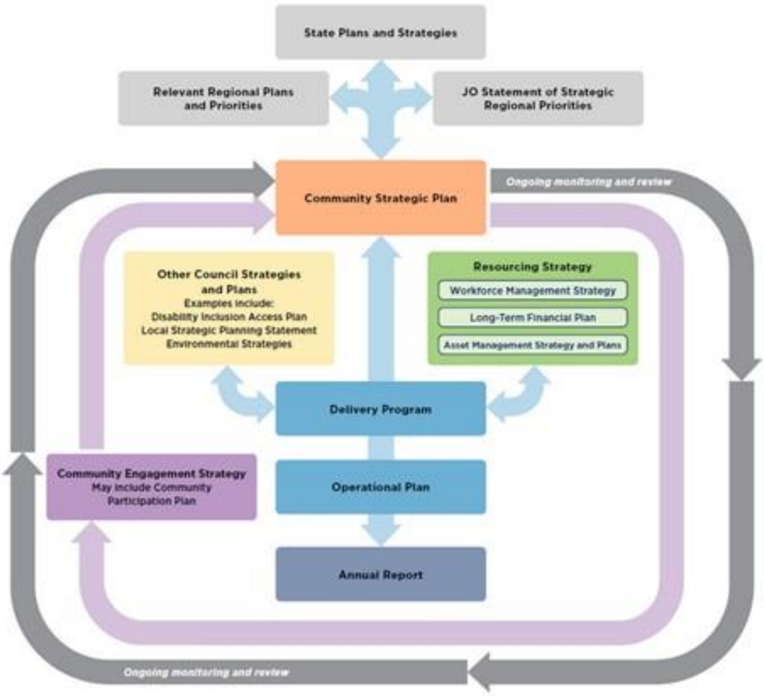
The Delivery Program directly addresses the objectives endorsed in the Community Strategic Plan and the activities Council will undertake to perform all its functions, with specific strategies identified for each under the Community Strategic Plan themes Our Community, Our Economy, Our Environment and Our Leadership.

Where Council has not been identified in the Community Strategic Plan as either having lead or support responsibility, the Delivery Program acknowledges that Council plays an important role in lobbying, advocating and supporting the organisations responsible for the implementation of the Objectives.

The Council's role in delivering various services and programs, as outlined in the draft Delivery Program, will need to be reviewed on an ongoing basis and may therefore be subject to change over the life of the Delivery Program.

The draft Delivery Program has been used to inform the development of the remaining documents under the Integrated Planning and Reporting Framework being the Resourcing Strategy, which includes the Long-Term Financial Plan, Workforce Management Plan, Asset Management Strategy and Plans and Operational Plan.

The following diagram outlines the Integrated Planning and Reporting Framework and the links between the Community Strategic Plan and Council's Delivery Program and Operational Plan.



The Draft Delivery Program 2022-2026 Strategies were prepared by the Executive Leadership Team attending workshops in February 2022 and the Draft Operational Plan 2022/2023 Actions were prepared by the Executive Leadership Team and Senior Management Team in March 2022.

The Operational Plan identifies the projects and activities that will be delivered during the year to achieve the commitments made in the Delivery Program, based on the outcomes outlined within the Community Strategic Plan.

A one-day workshop was held with councillors on the 26 April 2022 to work through the 2022/23 Budget and Council's path to financial sustainability.

The Draft Operational Plan 2022/2023 has been prepared within the context of the following parameters:

- Developed in accordance with the revised Long Term Financial Plan and carrying out associated financial strategies to achieve desired business objectives.
- Considering the revenue and expenditure impacts derived from COVID-19.
- Capital projects budgeted at $18.5m inclusive of expected capital grants.
- Without capital grants, capital projects are budgeted at $11.8m
- Total rate revenue increase of 2.3%.

PROPOSED 2022/2023 RATING STRATEGY

RATE PEG

The Minister for Local Government has approved a 0.7% rate peg limit that will apply to Council rates in 2022/2023. The rate peg does not apply to charges levied by Council in relation to waste management.

Council has applied for an Additional Special Variation (ASV) in accordance with Office of Local Government (OLG) Circular 22-03. The ASV Guidelines allow council to apply for an adjustment for the Rate peg on and permanent or temporary basis to the lower of 2.5% and Council's assumed 2022/23 rate peg as exhibited in its 2021/22 Long Term Financial Plan.

As at the time of writing this report, 92 Councils across NSW have submitted a Special Rate Variation, which highlights the unsatisfactory and unrealistic rate peg set for the 2022-2023 financial year.

		Rates Income Percentage		
	Land Value %	Option1	Option 2	Option 3
Business	11.69%	17.70%	16.88%	16.29%
Residential	72.26%	62.81%	62.81%	62.81%
Business Industr	5.55%	5.49%	4.31%	4.90%
Mining	10.50%	14.00%	16.00%	16.00%

RATING STRATEGY

In 2015/2016, Council adopted the ongoing rating strategy of progressive apportionment of mine rates to residential rates by 1% for eight years. Given the recent positive outlook of both mining companies, the progressive apportionment of mine rates has been frozen for three years commencing in the 2019/20 budget, before being further reviewed for this financial year.

The current percentage of rates paid from mining companies is 14% of Council's permissible income or $2.36m for this financial year. Three Rating options have been modelled as detailed below.

The first option is the application of the rate peg to Council's existing rates model.

The second option is a 2% increase to the total contribution of mining rates, with Industrial rates returning to 4.31% contribution as they were before the large valuation increases for the 2020 financial year and Business rates reducing from 17.58% contribution to 16.76%.

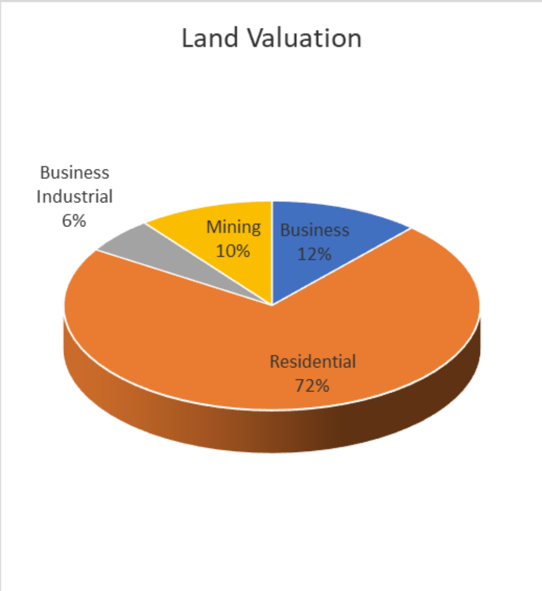
The third rating option developed is an increase of 2% to mining rates contribution, with industrial being reduced to 4.9% and Business reduced to 16.17%.

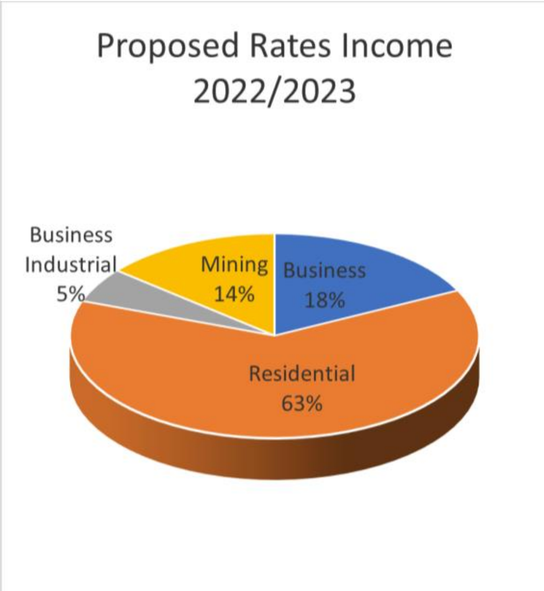
RATES OPTION 1

Rates Option 1 has been prepared with overall rate revenue increasing by 2.3% as per the additional special variation application (ASV). The rating structure stays the same as in 2021/22 and results in the below changes:

This structure was adopted for 2021/22 with the implementation of a subcategory for the industrial precinct of Kanandah and Pinnacles Road/Place. The Industrial subcategory rates were set to contribute 5.9% of total rates revenue, which is halfway between their contribution in 2019/20 and 2020/21 following the revaluation of Broken Hill Properties by the Valuer General in 2109. The effects of the valuation caused a disproportionate increase for industrial properties, the creation of the subcategory and adjustment of the rates model was implemented to provide rates relief for these rate payers. Non-industrial business rates on average increased by 11% due this change.

Rating Category	Land Value 2022/23	Total Property Count	2022/23 Financial Year					% of Total Income	% of Base Rate Income
			Base Rate	Base Rate Income	Ad-Valorem	Ad-Valorem Income	Total Income		
Business	$26,550,250	542	$823	$446,066	0.09522030	$2,528,123	$2,974,189	17.58%	15%
Business Industrial	$12,680,200	71	$1,962	$139,302	0.06226223	$789,498	$928,800	5.49%	15%
Residential	$163,290,600	9433	$551	$5,197,583	0.03307943	$5,401,560	$10,599,143	62.65%	49%
Residential 1(a)	$414,350	11	$377	$4,147	0.01040669	$4,312	$8,459	0.05%	49%
Residential Rural	$1,234,800	11	$528	$5,808	0.00488712	$6,035	$11,843	0.07%	49%
Farmland	$0	0	$0	$0	0.00000000	$0	$0	0.00%	0%
Mining	$24,000,000	2	$0	$0	0.09868848	$2,368,524	$2,368,524	14.00%	0%
MD Business	$163,758	5	$823	$4,510	0.09522030	$15,593	$20,302	0.12%	22%
MD Residual	$164,942	6	$544	$3,003	0.02282214	$3,764	$6,767	0.04%	44%
Totals	**$228,498,900**	**10,081**		**$5,800,419**		**$11,117,408**	**$16,918,025**	100.0%	





	Option 1								
	Rates 2021/22			Proposed Rates2022/23			Change from previous Year		
	Low	Median	High	Low	Median	High	Low	Median	High
Business	$833.12	$3,635.41	$198,558.48	$851.57	$3,698.65	$201,737.83	$18.45	$63.24	$3,179.35
Industrial	$3,907.10	$10,244.07	$66,715.77	$3,904.58	$10,242.88	$66,714.72	-$2.52	-$1.19	-$1.05
Residential	$552.81	$948.66	$7,347.55	$560.92	$961.18	$7,431.52	$8.11	$12.52	$83.97
Residential 1a	$433.59	$5.24	$61.88	$439.44	$12.56	$83.97	$5.85	$7.32	$22.09
Residential Rural	$550.42	$973.94	$2,253.65	$558.79	$987.39	$2,282.48	$8.37	$13.45	$28.83
Mining	$272,602.74	$1,168,297.44	$2,063,992.14	$276,327.74	$1,184,261.76	$2,092,195.78	$3,725.00	$15,964.32	$28,203.64

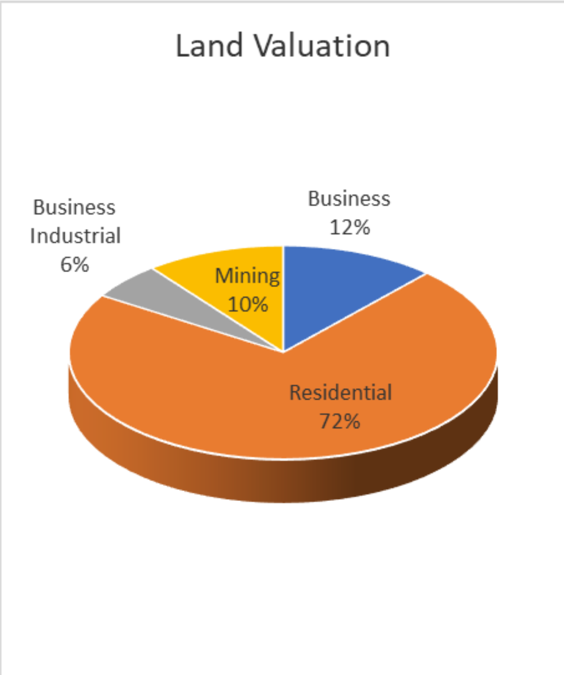
<u>Advantages</u>
Advantages of this scenario are that it provides continuity of the existing rates model as established last year and results in a relatively even distribution of rates increases from this year's rates peg.

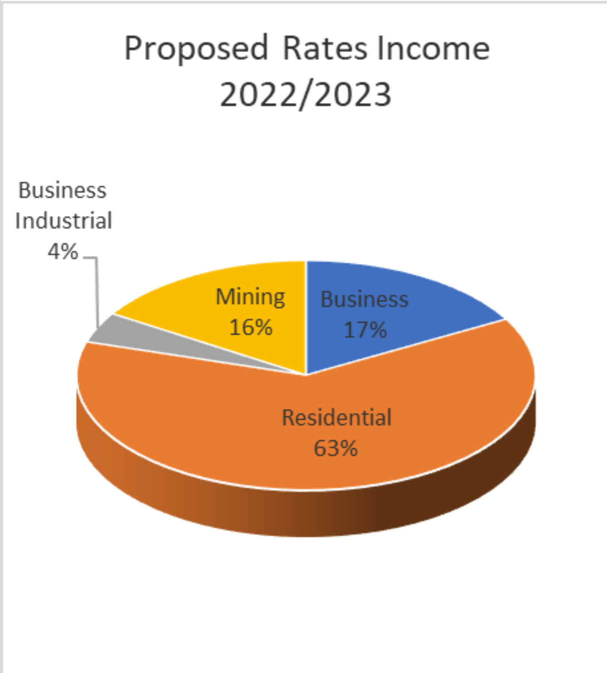
<u>Disadvantages</u>
Disadvantages of this scenario are that it does not provide further rates relief for Business industrial ratepayers who experienced large rates increases following the 2019 revaluation by the valuer general. There is also no rates relief for Business ratepayers who had an average increase of 11% in 2021/22.

RATES OPTION 2

Rates Option 2 has been prepared with overall rate revenue increasing by 2.3% as per the additional special variation application (ASV). Mines rates contribution increases to 16%, while Business industrial reduce to their 2019/20 level of 4.31%. Business rate contribution decreases by 0.82% from 17.58% to 16.76%.

Rating Category	Land Value 2022/23	Total Property Count	2022/23 Financial Year					% of Total Income	% of Base Rate Income
			Base Rate	Base Rate Income	Ad-Valorem	Ad-Valorem Income	Total Income		
Business	$26,550,250	542	$785	$425,470	0.09077093	$2,409,991	$2,835,461	16.76%	15%
Business Industrial	$12,680,200	71	$1,540	$109,340	0.04888147	$619,827	$729,167	4.31%	15%
Residential	$163,290,600	9433	$551	$5,197,583	0.03307943	$5,401,560	$10,599,143	62.65%	49%
Residential 1(a)	$414,350	11	$377	$4,147	0.01040669	$4,312	$8,459	0.05%	49%
Residential Rural	$1,234,800	11	$528	$5,808	0.00488712	$6,035	$11,843	0.07%	49%
Farmland	$0	0	$0	$0	0.00000000	$0	$0	0.00%	0%
Mining	$24,000,000	2	$0	$0	0.11278683	$2,706,884	$2,706,884	16.00%	0%
MD Business	$163,758	5	$785	$4,302	0.09077093	$14,864	$20,302	0.12%	21%
MD Residual	$164,942	6	$544	$3,003	0.02282214	$3,764	$6,767	0.04%	44%
Totals	**$228,498,900**	**10,081**		**$5,749,653**		**$11,167,237**	**$16,918,025**	100.00%	





	Option 2								
	Rates 2021/22			Proposed Rates2022/23			Change from previous Year		
	Low	Median	High	Low	Median	High	Low	Median	High
Business	$833.12	$3,634.83	$198,558.48	$813.26	$3,530.51	$192,538.50	-$19.86	-$104.32	-$6,019.98
Industrial	$3,905.63	$10,244.07	$66,717.24	$3,065.10	$8,041.24	$52,376.73	-$840.53	-$2,202.83	-$14,340.51
Residential	$552.81	$948.66	$7,347.55	$560.92	$961.18	$7,431.52	$8.11	$12.52	$83.97
Residential 1a	$433.59	$5.24	$61.88	$439.44	$12.56	$83.97	$5.85	$7.32	$22.09
Residential Rural	$550.42	$973.94	$2,253.65	$558.79	$987.39	$2,282.48	$8.37	$13.45	$28.83
Mining	$272,602.74	$1,168,297.44	$2,063,992.14	$315,803.12	$1,353,441.96	$2,391,080.80	$43,200.38	$185,144.52	$327,088.66

Advantages

Advantages of this scenario are that it provides average rates relief to Business of 2.8% and Business industrial ratepayers 22%, with business industrial total rates contribution returning to pre 2019 revaluation levels. Business ratepayers also receive an average rates decrease of 1.9%

Disadvantages

Disadvantages of this scenario are that it imposes a rates contribution increase for mining of 2%. This is an overall increase for mines ratepayers of 15.85% from last year. However, this does reflect the change in the overall proportion of mining land when comparted to total land valuations.

Industrial ratepayers' overall contribution decreases to 2020 levels following the 2019 revaluation by the Valuer General it ignores the significant changes in value of the underlying properties that have been recognised on sale.

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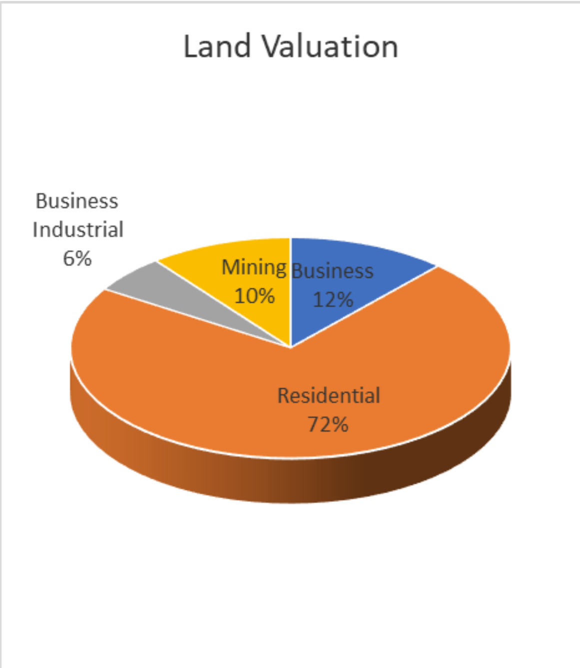
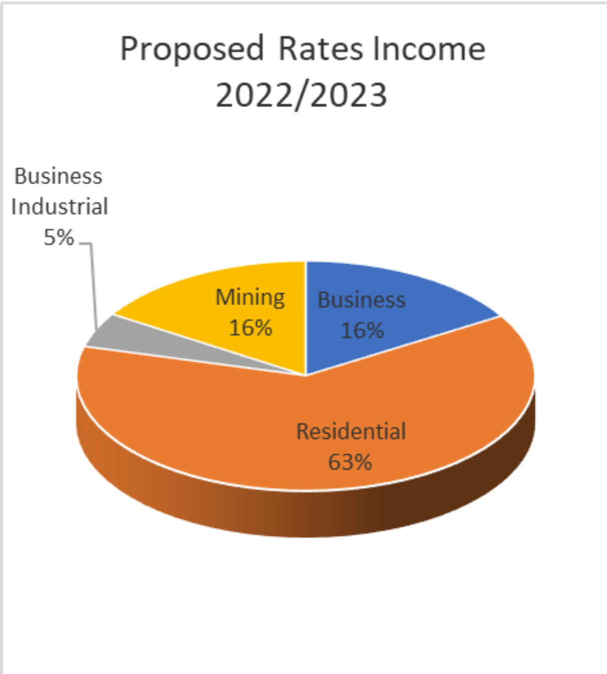
RATES OPTION 3

Rates Option 3 has been prepared with overall rate revenue increasing by 2.3% as per the additional special variation application (ASV). Mines rates contribution increases to 16%, while Business industrial reduce to 4.90%. This is halfway between their contribution for 2021/22 and their 2019/20 levels of 4.31%. Business rate contribution decreases by 1.41% from 17.58% to 16.17%.

Rating Category	Land Value 2022/23	Total Property Count	2022/23 Financial Year					% of Total Income	% of Base Rate Income
			Base Rate	Base Rate Income	Ad-Valorem	Ad-Valorem Income	Total Income		
Business	$26,550,250	542	$757	$410,294	0.08758300	$2,325,351	$2,735,645	16.17%	15%
Business Industrial	$12,680,200	71	$1,751	$124,321	0.05557185	$704,662	$828,983	4.90%	15%
Residential	$163,290,600	9433	$551	$5,197,583	0.03307943	$5,401,560	$10,599,143	62.65%	49%
Residential 1(a)	$414,350	11	$377	$4,147	0.01040669	$4,312	$8,459	0.05%	49%
Residential Rural	$1,234,800	11	$528	$5,808	0.00488712	$6,035	$11,843	0.07%	49%
Farmland	$0	0	$0	$0	0.00000000	$0	$0	0.00%	0%
Mining	$24,000,000	2	$0	$0	0.11278683	$2,706,884	$2,706,884	16.00%	0%
MD Business	$163,758	5	$757	$4,148	0.08758300	$14,342	$20,302	0.12%	20%
MD Residual	$164,942	6	$544	$3,003	0.02282214	$3,764	$6,767	0.04%	44%
Totals	**$228,498,900**	**10,081**		**$5,749,304**		**$11,166,910**	**$16,918,025**	100.0%	





	Option 3								
	Rates 2021/22			Proposed Rates2022/23			Change from previous Year		
	Low	Median	High	Low	Median	High	Low	Median	High
Business	$833.12	$3,634.18	$198,558.48	$783.27	$3,402.01	$185,557.13	-$49.85	-$232.17	-$13,001.35
Industrial	$3,905.63	$10,260.80	$67,022.28	$3,484.84	$9,142.06	$59,545.72	-$420.79	-$1,118.74	-$7,476.56
Residential	$552.81	$948.66	$7,347.55	$560.92	$961.18	$7,431.52	$8.11	$12.52	$83.97
Residential 1a	$433.59	$5.24	$61.88	$439.44	$12.56	$83.97	$5.85	$7.32	$22.09
Residential Rural	$550.42	$973.94	$2,253.65	$558.79	$987.39	$2,282.48	$8.37	$13.45	$28.83
Mining	$272,602.74	$1,168,297.44	$2,063,992.14	$315,803.12	$1,353,441.96	$2,391,080.80	$43,200.38	$185,144.52	$327,088.66

Advantages

Advantages of this scenario are that it provides average rates relief of 6.1% to business ratepayers and 10.7% to industrial ratepayers. It provides a balance between rates relief for industrial ratepayers and recognises but also softens the impact of the change in value of underlying properties. This scenario also provides additional relief to business ratepayers as compared to the previous 2 scenarios following their average increase of 11% in the previous year following the creation of the business industrial subcategory. This scenario also brings business and business industrial rate categories overall rates contribution more closely into line with their overall land valuations.

Disadvantages
Disadvantages of this scenario are that it imposes a rates contribution increase for mining of 2%. This is an overall increase for mines ratepayers of 15.85% from last year. However, this does reflect the change in the overall proportion of mining land when comparted to total land valuations.

2022/2023 BUDGET

The Draft Operational Plan 2022/2023 includes the 2022/2023 budget, in the form of the Revenue Policy.

The 2022/2023 budget has been developed in accordance with the Long Term Financial Plan, adopting efficiency measures to ensure continuous improvements towards becoming financially sustainable, adjusting budgetary forecasts and expectations due to the effects of COVID-19, whilst achieving desired business objectives.

IMPACTS OF COVID-19 AND OPERATING RESULT

The COVID-19 (novel coronavirus) pandemic is an unprecedented public health crisis which has fast tracked an associated economic crisis. Short term unemployment rose significantly, with job losses impacting many sectors across our community such as accommodation and food services, retail trade, arts and recreation services, education services, construction and professional services.

With a long-term projected decline in population for Broken Hill at the time, it was feared further job losses may hasten any decline, unless focused stimulus was implemented and received.

To date the broader financial implications of the pandemic have been severe. The City of Broken Hill has not been immune to these impacts and has sustained a significant financial impact from this crisis. Major projected and actual impacts include additional operational costs, as the Council increased cleaning and maintenance regimes and losses in revenue as the local community and wider economy were impacted.

Prolonged and reoccurring closures/restrictions of the City's community facilities, such as the Broken Hill City Art Gallery, Aquatic Centre and other community centres, have also resulted in a reduction in revenue and visitation and the City now needs to rebuild from this base.

A range of initiatives designed to alleviate financial pressure on small businesses across the City were presented to Council in March 2020. They included a revised procurement policy to favour local businesses, a freeze on overdue interest and a freeze on debt recovery until 31 December 2020.

To reduce the threat to its own operations, Council initially closed customer-facing facilities, expanded online service alternatives, discouraged non-essential staff travel and encouraged staff to work from home where possible to reduce risk of infection, both in the workplace and the wider community.

By late September 2020, the pandemic had mostly eased in regional NSW and Council was able to gradually ease restrictions on facilities after implementing COVID-19 Safety Plans and greatly increased safety measures.

Reoccurring lockdowns once again resulted in prolonged closures of the City's community facilities in 2021, resulting in a reduction in revenue and visitation.

The changing conditions of the pandemic now present different challenges to Council, than in previous years. The change to 'a living with COVID-19' approach means lockdowns are now less likely to happen. The big challenge for Council now is managing and protecting its workforce in this environment as much as possible, to ensure Council is able to continue to provide high quality facilities and services to the community.

Council, like most organisations, has experienced disruptions due to loss of staff for periods of time, due to self-isolation requirements. Council has taken a risk-based approach to managing these impacts to ensure business continuity, along with implementing the requirements of NSW Public Health Orders.

The major financial impacts over the past two financial years have resulted in:

- Reduction in revenue from user fees and charges and investment income.
- Reduction in revenue for capital grants due to COVID –19 related delays in capital projects.
- Large increases to input costs such as bitumen, fuel, steel, timber and cement.
- Increased maintenance and cleaning expenditure, partly offset by reductions in staff training and travel expenses.

In last year's LTFP, Council had budgeted for a return to pre-COVID conditions for revenue and expenditure assumptions, for the 2022 Financial year. Reoccurring lockdowns in the second half of 2021 continued to impact negatively on Council revenues and sharply rising materials costs have also negatively affected Council's expenditure.

Council is beginning to see an uplift in revenue generation and the City has experienced a tourism boom over the past 6 months.

Council's foresight in taking advantage of T-Corp's lending opportunity to safeguard Council's workforce and stimulate the local economy through major liveability and amenity improvement projects, has been vital to further sustaining the long-term growth of the City, as well as renewing core infrastructure.

RESIDENTIAL WASTE FEES (WEIGHBRIDGE) OPTIONS

As part of Council's 2022/23 Budget process, options have been assessed for Fees associated with domestic waste fees for waste at Council's Waste Management Facility.

<u>Background:</u>

The weighbridge was commissioned at the Waste Facility on 13 July 2015 to assist Council produce more accurate data on waste types that are brought into the Waste Facility. This improvement was implemented additionally in order to assist meeting State Legislative requirements including the *Protection of the Environment Operations (Waste) Regulation 2014,* implement fees and charges to all applicable facility users, and improve communication between staff and facility users.

It is noted that Broken Hill is not in the 'regulated area' and therefore is not subject to the mandatory requirements of the waste levy and as such the use of a weighbridge. It is however required to ensure that quantity of waste that is transported into or out of the facility is measured, and recorded, using a method specified in the Waste Levy Guidelines or by the EPA. The use of the weighbridge provides the best current option available for Council in regards to electronic tracking and recording of waste entering and leaving the facility, ongoing resource management in accordance with future waste aspirations and the fairest and most accurate process currently available to customers in relation to fee for service.

In its implementation, Council sought to reduce waste going to landfill by recycling and/or reusing material, and transition to a user pays operation as per the Integrated Waste & Resource Recovery Strategy. The weighbridge's purpose was to help achieve this objective. Since 2017 the annual income of the weighbridge has been on average $170,000. The average annual cost to run the waste facility has been on average $2.5M.

In April 2018, Council's Executive Leadership Team conducted a service review into the management of the Broken Hill Waste Facility (Waste Facility). The review resulted in an engagement process with local commercial/business operators and the general community outlining what is required in regard to waste classifications, required testing, responsibilities and an updated and more relevant fee structure. A Report to Council was presented in November 2018 for the adoption of an updated fee structure after a 28-day public display period with a new fee structure implemented in January 2019.

The Broken Hill Waste Management Facility is licensed to receive a maximum 60,000 tonnes of waste in any 12-month period. Since the inception of the weighbridge in 2015, the Facility has received an average of 45,965.66 tonnes of waste at the facility each year.

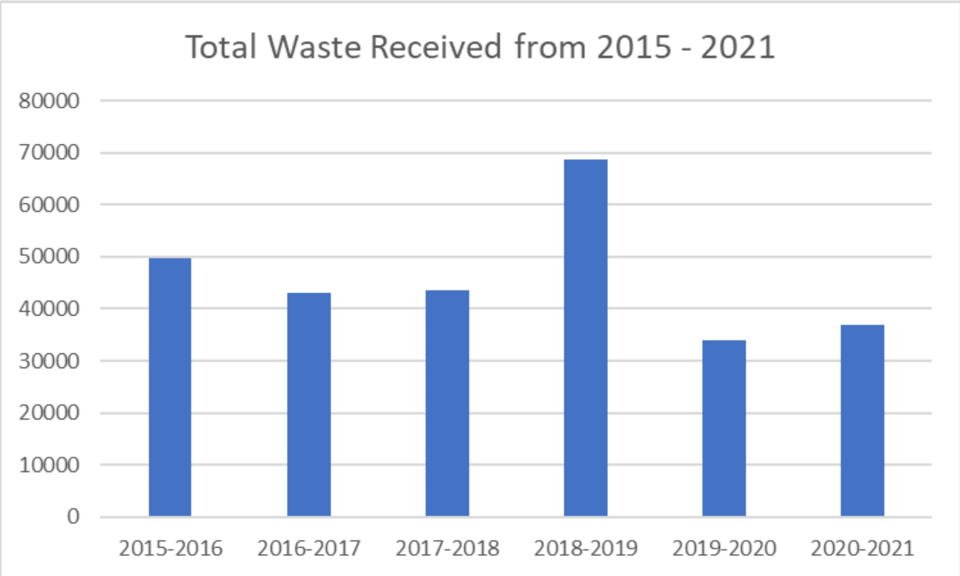


Figure 1. Total waste received from 2015 - 2021
*Note: 2018-2019 significant increase was a result of 32006.11 tonnes of waste from the W2BH Project.

<u>Current waste service to residents</u>

The Council currently provides residents with the capacity to deposit over 8 tonnes per year without incurring any additional fees at the Waste Facility. This is additional to the domestic waste service provided under the provision of waste management services in accordance with sections 496, 501 and 502 of the *Local Government Act, 1993*.
Current services include the provision of 240L (maximum 60kg) weekly collection 52 weeks which equates to 3,120 kg over a 12-month period.

4,469 vouchers were presented at the weighbridge in the first 6 months of the 2021/2022 financial year out of 47,270 issued. This represents only 9 % of the 5 free vouchers issued to 9454 residents and indicates that the current level of free access to the Facility is adequate in providing free waste disposal opportunities for residential users.

Additionally, the Council offers free waste disposal to residents each year on Clean Up Australia Day. On the 6th March 2022, 84 residents utilised the free entry for Clean Up Australia Day which equates to an additional 25 tonnes deposited at the Waste Facility free of charge.

The current offers presented to ratepayers are very generous in comparison to larger Regional City Councils such as Bathurst and Orange which offer as little as 600kg of free tipping per annum, or one load of bulky goods picked up from kerbside annually.

Commercial users and commercial users with residential waste issues

The issue of commercial users with residential waste not being charged has been previously identified as posing a threat to Council through disparity and unfairness in fee charging. Prior to the waste management service review in 2018, charges at the Waste Facility applied to commercial operators only, whilst domestic users used the facility free of charge.
In the August Ordinary Council Report, 2018 it was identified that an inconsistent fee charging process was occurring due to the complicated nature of the adopted fees & charges, as well as inconsistences with fees being charged. Some of the issues that were highlighted include:

- Overcomplicated (numerous fees)
- Fees do not align with Waste Classification Guidelines
- Unfairness in pricing (different charge for commercial and domestic users)
- Small independent operators evading fees by posing as residential users of the waste facility

A disparity and unfairness in fee charging was also highlighted with user charges at the Waste Facility applied for commercial operators only, whilst domestic users can use it free of charge. The review identified a number of ‘commercial operators’ using the facility under the guise of it being domestic waste. These concerns were also raised with other commercial operators, as it leads to unfair competition in the market due to some operators evading fees, enabling them to undercut the market.

As a result of the 2018 review and subsequent community engagement, it was adopted that all users of the Broken Hill Waste Facility be charged for use regardless of whether it is household waste or commercial waste. A simplified, cheaper, and fairer fee structure was developed to accommodate this.

Waste Fees & Alignment to Waste Strategy & Future Industry Development

The use of the current fee structure assists with ensuring that continual community education, community preparedness and ultimately future waste industry development can occur.

The current fee structure is aligned to the following outcomes:

- Community Strategic Plan
    - Reduce resource consumption and minimise waste
    - Increase use and innovation of renewable resources and decrease the use of non-renewable resources
    - Change consumer behavior to reduce impacts on the environment without affecting quality of life
    - Reuse and recycling of resources is embraced by the community
- Sustainability Strategy
    - The Sustainability Strategy is underpinned by 11 action plans including the Carbon Emissions Plan and the Waste Plan. The Carbon Emissions Plan seeks to measure and reduce greenhouse gas emissions while the Waste Plan seeks to reduce waste to landfill, increase recycling and re-use of resources.
- Income for Council through waste separation
    - Sale of steel waste and other saleable materials.
    - Reducing the consumption of the current landfill, through waste reduction and recycling.
    - Ensuring all commercial customers are captures and a fair payment system exists.
- Increased public education through sustainable waste management practices.

- Future ability to create waste industries, through recycling and reuse of rubber and plastics as well as green waste recycling and product development.

Residential Waste Fees & Income

As mentioned above, the introduction of a new waste fee model in 2019, was not intended and didn't result in a money-making exercise by Council in relation to residential waste fees, as highlighted below. The intention has and is to ensure a fairer and more transparent process in the use of the waste facility, whilst maintaining a cost recovery model, ensuring waste stream separation and community education as well as alignment to long term waste strategies and goals.

Table 1 shows the product and total income for each waste stream for the first 6 months of the 2021/2022 financial year. These figures represent non-account paying customers which are predominantly residential customers. Note: there is a small number of commercial users who do not have account who would be included in these figures.

WEIGH BRIDGE CASH CUSTOMERS 1/7/2021 – 31/12/2021		
PRODUCT	**TOTAL WEIGHT (tonne)**	**TOTAL 6 MONTH INCOME ($)**
Aluminum	0.26	0**
Asbestos (N220)	11.02	4,948***
Batteries	1.1	0**
Bricks or concrete (Greater than 1 tonne)	506.23	10,114
Car/Station Wagon/MGB	0*	1,295
Commingled Recyclables	0*	0**
Dead animals - cat or dog	0*	65***
Dead animals – medium	0*	26***
Dead Animals RANA/RSPCA	0*	0**
E-Waste	0*	0**
Ferrous (iron or steel)	0*	0**
Glass	2.7	0**
Green waste (Greater Than 1 Tonne)	49.24	492
Green waste (Up to 1 Tonne)	7.62	0**
Manures	0.03	0**
Mattresses	0*	3,510***
Mixed Waste	74.86	4,519
Mixed waste from outside Broken Hill Local Government Area	8.84	1,494
Offal/meat products/bones	0.88	68***
Oil	2.5	88
Oil Less than 20L	0.04	0**
Paper/Cardboard	0*	0**
Sewerage/Sludge/Grease trap Waste/Mud (prior arrangement only)	191.72	4,218
Soil (not contaminated or VENM) (Greater than 1 tonne)	1807.33	39
Soil Contaminated	0*	0**
Tyre - Light Truck/4WD	0*	48***
Tyre - Passenger Vehicle/Motorcycle/Scooter	0*	469***

Tyres - Bulk	2.9	1,160***
Van/Ute/Trailer Heaped Load	0*	5,685
Van/Ute/Trailer Level Load	3.34	21,220
Vehicle Tare Weight (Ticket with weight supplied)	0*	682
Wood, Timber	4.62	66
Wood, Timber (under 1 tonne)	8.17	0**
Cash Customers	**2683.5**	**60,206**

Table 1: Weighbridge income for residential users 1/7/2021 – 31/12/2022

* Non weighed products. Products charged per item
** Products free of charge
*** Products requiring additional management practices

Charges for waste received at the Waste Management Facility were implemented in 2019 with residential ratepayers receiving 5 vouchers allowing them free disposal of general waste at the facility. Options for changes to this model are outlined below:

OPTION 1 – Increased Vouchers for Residents (residential use)

The first option for Council's consideration is to continue with the current model of Waste charges but with an increased number of vouchers provided to ratepayers for mixed waste disposal. An increase from 5 vouchers to 8 would allow ratepayers 3 extra visits to the Waste Management Facility free of charge with Recyclables, E-waste, Steel and iron and Green waste up to 1 tonne continuing to be accepted free of charge without the use of a voucher. Additional vouchers can be supplied upon request for eligible residential customers.

OPTION 2 – Current Operating Model.

The second option for Council to consider is to continue with the current model with ratepayers receiving 5 vouchers for mixed waste disposal. Recyclables, E-waste, Steel and iron and Green waste up to 1 tonne would continue to be accepted free of charge.

Revision of Waste Strategy

As per the draft Operational Plan (attached to this report), it is recommended that a long term waste strategy be reviewed and adopted to ensure ongoing sustainable waste management and minimisation within the Broken Hill Local Government Area.

Council is engaged in the process of producing a three year waste management strategy, which will inform our long term goals in alignment with the Community Strategic Plan.

This strategy encompasses a few key areas, with a focus on developing a circular waste economy in the Broken Hill Region, starting with key producers and ending with final consumers, with the end goal of diverting as much waste as possible from waste management facilities, by advocating for the usage of long-lifespan products, re-purposing of otherwise obsolete equipment, and collaboration between industries to achieve optimal outcomes for all areas of the Broken Hill community.

The strategy is being developed to align with the NSW Waste and Sustainable Materials Strategy 2041, which places great emphasis on reducing the total amount of waste initially produced, prior to waste processing steps. The targets of this strategy include:

- 80% average recovery rate from all waste streams by 2030
- Reduce total waste generation per person by 10% by 2030
- Halve the amount of organic waste sent to landfill by 2030

The viability of processes such as recyclable material processing, energy creation, and the establishment of a local industry centred around these processes is being examined. BHCC believes there is potential for additional revenue streams within it's existing waste management processes, and by properly implementing and utilising these streams, overhead expenses created by the waste management centre can be reduced and as a result a reduction in cost to the Community as well as a supply of better recycling facilities to the residents of Broken Hill.

The opportunity is now for Council to capitalise on a market gap in Western NSW and remote Australia. There is large potential for waste industries to be developed and Broken Hill is well situated in regard to land availability, location, transport (road/rail corridors) and having a reputation of being a renewable centre of Australia.

The current fee structure with the provision of additional waste vouchers will ensure that waste stream separation is maintained, residential waste customers are not burdened with additional costs and Council is well positioned for future waste industry development to reduce waste management costs, generate revenue for Council and the Community and ensure sustainable recycling and reuse of waste into the future.

Budget Scenarios

PROPOSED BUDGET (Balanced Scenario)

The 2022/23 Operational Plan and Budget has been built around the Balanced Scenario of the Long Term Financial Plan.

The proposed budget takes into account the current operating environment including the ongoing effects of the COVID-19 pandemic and the Ukraine war, and the inflationary conditions that currently exist with sharp price increases being experienced for materials such as fuel, bitumen, steel, concrete and timber.

At the time of writing the report the assumptions are based on best estimates however, due to the uncertain economic and policy environment we are currently working with, it is expected that further adjustments (immaterial) will be made prior to final adoption of the Operational Plan.

The proposed budget takes a pro-active approach to these circumstances to try and mitigate the impacts to Council's operations, service delivery, capital renewals and impact to the local economy.

Whilst Council has limited control over what revenue it receives beyond the application for an Additional Special Variation for rates as detailed earlier in this report, it can control its expenditure. Operational expenditure has been reduced as best it can, in order to keep Council track towards surplus and the achievement of key financial ratios. Details of Council's expected operational income and expenditure can be found in the attached Delivery Program and Operational Plan.

With expenditure having been controlled as much as possible over the preceding 3 years, particularly as a response to the ongoing COVID-19 pandemic, the main point of difference from the proposed scenario (Balanced) and the alternate options for Council, is the effect on the budget if the rates additional special variation (ASV) was not applied for or unsuccessful, or if the ASV was only applied on a temporary basis

The proposed Balanced Scenario is the preferred option for Council to adopt as it continues the ongoing drive towards financial sustainability of the organisation whilst also providing economic stimulus to the City to retain and grow employment whilst also providing improvement to key community infrastructure for increased livability and attractiveness of the City.

Key Aspects of the proposed Balanced Scenario are:

- Sets the Council up to return to surplus in 2024.
- Maintain Council's current permanent workforce.
- Ensure a healthy cash reserve to weather any unforeseen financial shocks (such as COVID-19).
- Ensure an appropriate rate of asset renewals is maintained so the City's infrastructure backlog is continually reduced.
- Meet all key financial & OLG benchmarks apart from the Operational Ratio for 2022 and 2023

This budget is sensitive to several internal and external drivers including Council decisions, operational performance, the external economic environment and State and Federal Government decisions including changes to legislation. Within the Long Term Financial Plan, there are a number of examples that demonstrate some of Council's main sensitivities and outline the impact of various scenarios on Council's long-term financial position.

For the purpose of this section the Scenarios have been limited to the impact of whether Council were to take advantage of a permanent additional special variation to rates of 2.3% in 2022/23 and if Council made no changes to its operating model including efficiency savings and only applied a 0.7% rate peg.

SCENARIO 2 – Temporary Additional Special Variation

This scenario follows the same assumptions as the proposed scenario, but with a temporary special variation to rates rather than a permanent one.

This effect of a temporary variation is that the additional rates revenue raised in 2022/23 from the additional variation is not added to Councils base permissible income and as such rates revenue is reduced in future years. Due to this revenue shortfall Councils return to surplus is made more difficult and vulnerable to unexpected events.

This model pushes reduces Council's surplus in 2024 and Council's cash position will be extremely tight. Another financial shock like the one currently experienced with COVID-19, will ensure vast service cuts to the community, for the Council to remain viable.

Key Aspects of this Scenario

- Surplus reduced in 2024.
- Capital works reduced to protect Council's cash reserves.
- Inefficient operating model.
- Borrowings remain the same
- Some key financial ratios & OLG benchmarks will not be met in the short term.

<u>SCENARIO 3 – No Additional Special Variation</u>

This scenario is based on the same expenditure assumptions in line with the previous two scenarios, however, Rates revenue is projected using the standard 0.7% rate peg as advised by IPART without the additional special variation (ASV). This scenario is also modelled without Council achieving key efficiencies and inflation modelled at 4% As you will see below, this pushes Council's breakeven point back to 2025, minimises capital works and puts Council in a high-risk cash position for the immediate future.

If this scenario was adopted, it would create a revenue shortfall of approximately three million dollars over 10 years. Council would find itself in a precarious position similar to that of 2013, when there was not enough cash available to cover external restriction and payable provisions, as well as not meeting the key criteria of a sustainable Council.

This position would see staff levels reduced and Council would be vulnerable to further financial shocks like that of the Covid pandemic.

<u>Key Aspects to this Scenario</u>

- Income Shortfall continues to grow putting pressure on services
- Breakeven pushed back to 2025
- Inefficient operating model.
- Borrowings remain the same.
- Some key financial ratios & OLG benchmarks will not be met in the short term.

The Balanced scenario Budget is achievable, responsible, affordable and significantly improves the financial position of Council during the COVID-19 pandemic; allowing Council to continue to meet the expectations of the community, maintain service levels and stimulates the local economy to assist in the economic recovery of businesses and retain and grow local employment

Consequently, the budgeted loss for 2022/2023 is $0.77 million; this is a decrease in the budget deficit of $1.25 million in 2021/2022 (excluding extraordinary items).

Quarterly budget reviews will be undertaken to measure Council's financial performance against the financial projections contained within this Operational plan, as well as unexpected adjustments due to COVID-19 or other factors during the year. Any decisions impacting on Council's financial position for the year will be incorporated into these reviews.

CAPITAL PROJECTS

The total capital expenditure budget for 2022/2023 has been set at $18.5, inclusive of major capital projects with expected capital grants. The net cost to Council inclusive of these capital grants is: $11.8m.

Projects reliant on capital funding will not proceed without this or will be subject to additional approval by Council.

Details in relation to specific capital items are included within the Operational Plan.

The level of capital expenditure will again be closely managed in 2022/2023 to ensure the objectives of the Long Term Financial Plan and Asset Management Plans are met. External funding of $6.7m has been factored into this capital program; with the remaining $11.8m to be funded from Council internally and externally restricted funds.

FEES AND CHARGES

Fees and Charges are included in the Operational Plan for the purposes of public consultation. Statutory fees are increased/decreased as per published government gazettes. Cost recovery fees are analysed accordingly to ensure costs are fully recoverable or the appropriate subsidy from Council is applied. Fees are analysed to ensure government competitive neutrality is achieved.

Community Engagement:

The Draft Delivery Program 2022-2026 incorporating the Draft Operational Plan 2022/2023, inclusive of the Statement of Revenue Policy and Draft Schedule of Fees and Charges 2022/2023 will be placed on public exhibition for 28 days for community comment.

Strategic Direction:

Key Direction:	4.	Our Leadership
Objective:	4.1	Openness and transparency in decision making
Strategy:	4.1.1	Support the organisation to operate within its legal framework

Relevant Legislation:

Local Government Act 1993

Local Government (General) Regulation 2021

Integrated Planning and Reporting Guidelines

Financial Implications:

Financial implications of the Delivery Program are outlined in Council's Long Term Financial Plan.

Included within the Draft Operational Plan 2022/2023 is the Statement of Revenue Policy, Annual Budget and the Draft Schedule of Fees and Charges 2022/2023.

Attachments

1. ⇩ Draft Delivery Program 2022-2026 and Operational Plan 2022/2023 inclusive of Draft Fees and Charges 2022/2023

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