GENERAL PURPOSE COMMITTEE

SECTION 3

ORGANISATION & RESOURCES

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ITEM: 19 MONTHLY FINANCIAL STATEMENTS - SEPTEMBER 1996

FILE NUMBER: GF011/005 PT04/FNC

REPORT:

A. CASH EXPENDITURE WARRANT No. 3/1996

SUMMARY - Accounts Paid

General Fund Cheque Nos.	46455 - 47282	EFT Nos: 4-74	5,673,577.70
Trust Fund Cheque Nos.	4635 - 4645		892,297.08
			6,565,874.78

CERTIFICATE BY RESPONSIBLE ACCOUNTING OFFICER

This summary Warrant presented above is fully supported by Vouchers and Invoices which have been duly certified as to the receipt of goods and/or rendition of services and as to prices, computations and castings and the amounts shown were due for payment. The detailed Warrant is available upon request.

L M Weatherstone
Responsible Accounting Officer

B. STATEMENT OF BANK BALANCES AND GENERAL MANAGER'S CERTIFICATE

STATEMENT OF BANK BALANCES AS AT 30 SEPTEMBER 1996

GENERAL FUND	CR. 200,866.13
TRUST FUND	CR. 20,521.97
	CR. 221,388.10

FORM 2

GENERAL

Balance - Cash Account as at 1st September 1996	CR. 382,744.32
Receipts for period ended 30 September 1996	DR. 5,497,947.82
	DR. 5,115,203.50
Payments for period ended 30 September 1996	CR. 5,673,577.70
	CR. 558,374.20

Limit of overdraft arranged with bank	$800,000.00

RESPONSIBLE ACCOUNTING OFFICER

I hereby certify that the Cash Book and Bank Statements have been reconciled in all funds as at 30 September 1996.

L M Weatherstone
Responsible Accounting Officer

C. INVESTMENTS

Hereunder is the list of amounts invested:

Bank Bills

Interest

Period	Due Date	Rate	Interest A/C	Amount
Term Deposits				
225 Days	11.10.96	7.72%	General Fund	1,000,000.00
62 Days	29.10.96	6.98%	General Fund	600,000.00
62 Days	29.10.96	6.98%	Trust Fund	100,000.00
67 Days	04.11.96	6.98%	General Fund	500,000.00
66 Days	04.11.96	6.99%	General Fund	500,000.00
91 Days	25.11.96	6.94%	General Fund	2,000,000.00
91 Days	25.11.96	6.93%	General Fund	2,000,000.00
91 Days	25.11.96	6.94%	Trust Fund	1,000,000.00
371 Days	05.03.97	8.00%	General Fund	2,000,000.00
380 Days	26.03.97	8.12%	General Fund	3,000,000.00
547 Days	09.05.97	8.00%	General Fund	800,000.00
547 Days	09.05.97	8.00%	General Fund	200,000.00
594 Days	25.06.97	8.00%	General Fund	1,000,000.00
365 Days	03.09.97	7.02%	General Fund	1,500,000.00
365 Days	03.09.97	7.02%	Trust Fund	1,100,000.00
98 Days	11.12.96	6.92%	General Fund	2,500,000.00
30 Days	30.10.96	6.98%	General Fund	700,000.00
Australian Treasury Corporation				
	04.08.97	8.45%	Workers Comp Board	950,000.00
Short Term Investments		General Fund		3,205,000.00
				$24,655,000.00

RESPONSIBLE ACCOUNTING OFFICER

I hereby certify that the investments listed above are the total of all money that have been invested and that the investments have been made in accordance with the Act, Regulations and Council's investment policies.

L M Weatherstone
Responsible Accounting Officer

RECOMMENDATION:

That the information be received.

ATTACHMENTS:

There are no supporting documents for this report.

FN:OGA29NAX.F03 ****** END OF ITEM 19 ******

ITEM: 20 FUTURE MANAGEMENT - AUSTRALIAN PIONEER VILLAGE WILBERFORCE

FILE NUMBER: GC283/107 P/CSV

REPORT:

Council at its meeting on 13 August 1996, when reviewing options for the ongoing operation and management of Australian Pioneer Village, resolved to invite Expressions of Interest from individuals/organisations who may be interested in the future running of the facility. As a consequence a detailed specification was prepared and Expressions of Interest invited accordingly. Council further resolved at that time to ask the present Management Committee which is representative of the Friends of Australian Pioneer Village Society to continue in its management capacity in a caretaker role until the matter is finally determined.

The specification gave a full disclosure of the current operation of the facility, financial data for the last financial year as well as other relevant information which impacts on the site and the operation of the facility.

In response, four submissions were received as follows:-

Name and Address of Applicant	Type of Proposal
Mr Charles Cannavo for Crestpond Pty Ltd, PO Box 558, Glebe NSW.	Contract Management
Mr Chris Wells, C/- Clydesdales Restaurant, Tebbutts Observatory, Palmer Street, Windsor NSW.	Lease with an Option to Purchase
Australian Pioneer Village Management Committee, C/- APV, Buttsworth Lane, Wilberforce NSW.	Management of the Facility as an Incorporated Committee of Council
Mr Paul Rasmussen for Entegral Pty Ltd, PO Box 285, Richmond NSW.	Long Term Lease

Whilst the specification indicated the options of purchase, lease or contract management there were no offers for immediate purchase. So as not to restrict the type of offer that may have been received, applicants were invited to deliver a proposal which embraced the type of arrangement sought, details of the ongoing operation and financial considerations. As a consequence, each submission is different by nature. Copies of same have been separately circulated to Council, however, hereunder is an overview of each proposal.

Proposal 1 - Contract Management - Mr Charles Cannavo (Crestpond Pty Ltd)

Mr Cannavo is the Principal of Crestpond Pty Ltd which is a firm specialising in marketing and promotion in business, tourism and shopping centre sectors. Mr Cannavo's proposal is to assume the responsibility for the strategic direction of the Village applying his marketing, promotional and business skills. It is intended by this proposal for Council to retain the general ownership and control of the Village and to also retain the existing Management Committee which would be responsible for the day to day operations, however, under the strategic guidance of the Mr Cannavo.

Initially Mr Cannavo would prepare a strategic implementation report to determine best management practices and ways to improve the financial return of the facility. Mr Cannavo has specified a management fee payable to him at a daily rate of $875 based on a minimum of four days per month. The actual number of days required would be subject to consultation and mutual agreement with Council. Mr Cannavo would also be seeking a percentage of total revenue equating to 10% per annum. The latter financial proposal is put forward as a performance incentive whereby the greater the gate increase in terms of revenue received for the Village the greater the return to both the Management Committee and Mr Cannavo. Based on the financial criteria submitted, the minimum management fee payable would be $42,000 per annum plus a commission on the basis outlined above.

Comment

Of the three anticipated categories for the future operation of APV, that is sale, leasing and contract management, the latter is considered to be the least desirable particularly from a financial perspective. The last experience Council had in terms of contract management was in relation to the Windsor Function Centre prior to a decision being made to lease same as it was evidenced at that time that contract management was not a cost effective option. Basically this proposal provides for the present scenario continuing, however, with the introduction of management services which would concentrate on developing and implementing a business plan for the facility. Council may recall that the present Management Committee in fact engaged a consultant recently to prepare a business plan, such document presented to Council earlier this year.

Proposal 2 - Lease with an Option to Purchase - Mr Chris Wells

Council will be familiar with this proposal which was originally submitted in an unsolicited format earlier this year and is now resubmitted for further consideration by Mr Wells in response to the recent advertisement.

In general terms, the proposal is for Mr Wells to assume operation of the facility pursuant to a leasing arrangement for a period of three years at nil rent for the first two years and thereafter a weekly rental payment of $300. At the end of the initial three year period Mr Wells has asked for an option to purchase the property for an amount of $350,000. The submission indicates in the event that Mr Wells does not exercise the purchase option that he would require a renewal of the lease for a further fifteen year period with the rental continuing and subject to review not exceeding the published annual inflation rate. (For Council's information the CPI rate for the twelve month period ending the end of June 1996 was 3.9%). Mr Wells has indicated that he will be responsible for staffing the Village and he has specified no commitment to providing ongoing full time employment for the two permanent staff located at the Village.

During the initial three year term, Mr Wells has indicated that he will be undertaking capital expenditure improvements within the facility to the value of $100,000 and from the submission these improvements would include adding more retail outlets; some refurbishment of existing facilities, particularly in terms of catering/cooking infrastructure so as to accommodate weddings and other functions. Mr Wells has further indicated that he is proposing to incorporate an additional facility which will seat approximately 50 people for specific functions and the like.

Whilst it is understood that Mr Wells is proposing a full time caretaker to live on the premises he intends to utilise one of the buildings within the Village and does not need the adjoining residential property owned by the Council, being Lot 3 Buttsworth Lane, which was on offer in the specification. This would mean that Council would receive an independent income stream from residential rent from that property. Conversion of any premises on site for accommodation would require separate consent and the building would have to be modified accordingly.

Mr Wells has indicated that he is desirous of both encouraging and retaining local interest and the volunteer groups in the operation of the Village.

Whilst not specifically detailed, the submission does indicate that Mr Wells is also desirous of implementing a number of changes and seeks the flexibility to implement these changes as deemed necessary and appropriate by the applicant.

In terms of restrictions, Mr Wells has been advised via the specification of the zoning information and the fact that the Village, as a total site, is recognised as an item of environmental heritage under the Hawkesbury Local Environmental Plan 1989. Any specific change would require consent on its merit and having regard to the zoning and planning instrument restrictions.

<u>Comment</u>

It will be seen that the thrust of Mr Wells application is to relieve Council of its financial exposure to the Village and is proposing to undertake various improvements to the value of $100,000 in the first three years of operation and a performance commitment in this regard can be embodied in any formal leasing arrangement that Council may enter into. The financial support sought by Mr Wells is for a rent free operation for the first two years with options to purchase or renew the lease as previously indicated in this report.

Should Mr Wells be successful, he has indicated that it is his intention to retain the Village as a community facility and encourage the participation of the present volunteer groups including the Friends of the Village as well as other community groups and organisations.

In terms of the formal structure, it is understood that Mr Wells will head an executive committee or board of management which will include representatives from the various community groups and organisations who will work together in terms of developing future direction and strategies for the Village.

In terms of the various caveats indicated in the submission, it should be noted that Mr Wells proposal was prepared earlier this year and obviously prior to the current specification and whilst generally the caveats indicated in his submission meet the intention and thrust of the current specification, Mr Wells has indicated that under any arrangement he would see the Council being responsible for repairing any flood damage and that any repair works would be required to be undertaken promptly so as not to impact on his ability to trade and negate any claim for compensation as a result of such a situation. In terms of the goods and chattels, Mr Wells and indeed all applicants have been furnished with a list of all such equipment and special items with advice as to whether these items belong to the Village or on "loan". Mr Wells will not be required to pay for the maintenance of the sewerage plant but will have to pay a service fee for connection and utilisation of the plant.

In general terms Mr Wells offer is one which would negate Council's financial exposure and would provide some fiscal return. However, whilst at this stage a formal valuation of the site has not been sought for Council it is submitted that the value indicated by Mr Wells is significantly understated.

Proposal 3 - Management Proposal - Australian Pioneer Village Management Committee on Behalf of the Friends of the Village Society

This proposal seeks Council's endorsement for the current Management Committee and its continuation for a minimum of a further three years as a Committee of the Council which will become incorporated in its own right.

The proposal is for the Committee to assume all financial liability associated with the Village operations, including all service costs; employees salaries; maintenance of the grounds, structures and railway track; and relevant insurances, including buildings. The proposal involves the Committee receiving all income associated with the Village operations and as outlined in the submission the Committee are confident of achieving a greater return and improved income stream which they have attributed to various marketing and financial strategies. In terms of a financial snapshot assuming a commencement of operations from 1 January 1997, Mr McKinlay on behalf of the Committee has advised that it is expected that they will break even financially for that six month budget period. Thereafter, based on previous trends and expectations submitted by their Consultant Mr Ken McManus, and their own financial analysis, they expect to at least break even in the following years and, therefore, <u>no</u> financial support is sought from Council for this initial three year period. During the course of each financial period the Committee will require Council to provide a financial overdraft to permit ongoing trading.

<u>Comment</u>

Council will be familiar with the history associated with the appointment of the present Management Committee and also familiar with the various difficulties the Committee has experienced to date in terms of its financial trading.

Early 1995, Council considered a submission by the Friends of Australian Pioneer Village to operate the facility for a period of three years on the basis that Council underwrite the first two years of operations in the amounts of $28,900 and $7,500 respectively being the projected operating deficits with a small return being anticipated for the third year. It is highlighted that this projection was significantly dependent on a joint venture arrangement with the company "Australian Outback Connection" and the provision of a multi-purpose building, being the refurbishment of the existing machinery shed adjoining the main entrance which would be used for various functions and provide an additional income stream.

As Council will recall, the joint venture partnership with Australian Outback Connection dissolved and the anticipated multi-purpose building did not come to fruition within the anticipated timeframe. The actual fiscal situation for the Committee's first year of operation was an overall operating deficit in the order of $113,700. This amount was required to be met by the Council.

It is also noted that in terms of the current six month period ending 31 December 1996, during which time the Committee were asked to act as caretaker managers pending final determination of the matter by Council, the Committee have projected an operating deficit of approximately $30,000 and this amount will need to be met by the Council. It is noted that this amount includes $12,000 of accrued expenses from last year which the Committee requested to be transferred to this year. It also includes some unexpected rates and charges which were not initially budgeted for.

There can be no doubting the significant effort by many people associated with the Management Committee and the Friends Society and their tireless effort which is on a voluntary basis in not only preserving the Village but endeavouring to see it prosper.

In terms of the current proposal for nil financial support from the Council in anticipation of expenditure cuts and revenue projections, it is felt that the projected fiscal scenarios are ambitious given actual trading to date. Notwithstanding this, the Management Committee have indicated their confidence in achieving these targets.

In terms of the adjoining residential property at Lot 3 Buttsworth Lane, the Committee are desirous of continuing utilisation of this premises.

Proposal 4 - Leasing Proposal - Entegral Pty Ltd (Mr Paul Rasmussen)

Mr Rasmussen Managing Director of Entegral Pty Ltd is proposing to lease the Village from Council for an initial term of five years with options to lease for a further periods of ten, thirty and thirty years.

The proposal is to establish a senior management team as indicated in the submission, it being noted that it is proposed that the Friends of the Village and other interested groups will be invited to continue to participate in the operational activities of the facility and play an advisory role in historical and heritage aspects of the Village. The applicant company also proposes to offer contract positions to the two present salaried staff.

In general terms, the proposal is for the applicant company to take over the total operation of the Village under a leasing arrangement and assume all financial liability and correspondingly, receive all income. The applicant company has indicated that they envisage it will take some time to stabilise and improve trading operations and to this end have submitted for Council's information an outline of a "Business Recovery Plan" they propose to implement. Given the anticipated lag before financial improvement is realised, the applicant has asked for the initial lease term of five years to be rent free with extended leasing periods beyond that initial term being subject to negotiation on an agreed rent with allowance for CPI adjustments.

Comment

This submission is one which proposes to assume the management, identify the strengths of the facility and consolidate upon those strengths with a long term strategy which will negate any financial exposure from Council's behalf and subsequently provide a source of income to Council. It is noted that the applicant is keen to involve the present Friends Society and other associated groups in the operation of the facility and has indicated a willingness to offer the present staff positions with the Company. The applicant appears to have considered the situation realistically and has identified the need to implement a Business Strategy with a view to reversing previous financial trends.

It is noted that the applicant does wish to utilise the adjoining residential property at Lot 3 Buttsworth Lane for use in association with the general management of the Village.

General Observations

In recent times several reports have been considered by the Council in terms of the operation of the Village and on each of these occasions there have been various and mixed feelings by Councillors in terms of the best option to pursue. At this point, it is considered paramount for the Council firstly to determine a philosophical stand in terms of its perception of the Village. Within the Council there are those who view the Village as a service to not only the local but the wider community similar to, for example active and passive recreational facilities which it provides. The argument applied in conjunction with this school of thought is that it is fair and reasonable to assume that the Council has an obligation in financially supporting the ongoing operation of the Village as it does with these other facilities. Others within the Council feel that the Village has been a "financial burden" and that in terms of the Council's overall budgetary priorities this facility is of a low ranking and should be operated independently of the Council. This is on the understanding that there would be restrictions put in place which would work towards the ongoing preservation of the integrity of the facility so that the character and nature of the Village is not lost or destroyed should control/management be assumed by an independent third party.

It is also highlighted that the ongoing uncertainty as to the future of the village has created much confusion, unrest and instability in terms of the many people who have been and are presently associated with the Village. This effects not only ongoing motivation but ability to secure other financial support including corporate sponsorship and the like because there is no clear or long term tenure. It is now necessary for a decisive conclusion to a long standing situation so that appropriate plans and proposals may proceed to be implemented.

Consequently, it is considered vital for the Council in the first instance to consider how it is to identify this facility, that is, whether it is a service to the local and wider community or a trading operation which is not part of the Council's core business.

In terms of the four submissions received, each Councillor has received a full copy of each and a summation and general comments are included in this report. If the majority of Council are of the view that the Village is a service to be provided, and on this basis it is prepared to financially underwrite any operational shortfall that may continue in the future, then it is felt that it should accept the submission by the present Management Committee and in doing so also accept the fact that due to various reasons it is very much expected that there will continue to be operating deficits. This is not intended to be detrimental to those associated with the current operation nor is it meant to hinder any current and future strategies by the Committee to improve the facility and its financial trading, nevertheless based on actual results it is felt that it will be extremely difficult to achieve a strong financial position particularly in the short term.

However, if in the event the majority of the Council do not have this view and believe that it is now time to hand the operation over to a third party on the basis that there will be a lease agreement with various performance criteria and controls again with the view to preserving the integrity of the facility then there are presently two similar leasing proposals for Council's consideration. It is difficult to precisely compare the financial implications in full based on the information given, however both proposals are very similar in concept.

The proposal by Mr Wells in summation is for an initial three year lease of the facility with two years rent free and $300 per week payable in the third year after which he has requested an option to purchase the facility for an amount of $350,000. If this is not acceptable to Council he wishes to extend the lease for a further period of fifteen years at $300 per week with CPI increases annually.

In terms of the proposal by Mr Rasmussen he has sought a five year initial leasing term which would be rent free with options thereafter to extend by ten years, thirty years and thirty years respectively with rental to be mutually negotiated on a fixed base aligned with market value with CPI adjustments thereafter during each term. The request for an initial lease term rent free is based on an estimated period to develop the business and achieve financial growth.

Should Council elect to proceed with one of the leasing proposals the existing two(2) staff would be offered alternate employment within Council, however redundancies may be required. Once a decision is made it is proposed to commence arrangements from 1 January 1997.

Should Council nominate one of the leasing proposals, a detailed leasing agreement with appropriate caveats and performance criteria will be prepared.

It is understood that representatives of the applicants will be in attendance to address the Committee in relation to their submissions.

RECOMMENDATION:

1. That consideration be given to the future management of Australian Pioneer Village as outlined in this report.

2. The Common Seal of Council be affixed to any necessary documentation.

ATTACHMENTS:

There are no supporting documents for this report.

FN:OGA29NBX.C02 ****** END OF ITEM 20 ******

ITEM: 21 LEASING OF SHOP 8 HOBARTVILLE SHOPPING CENTRE

FILE NUMBER: GC283/012 P/CS

REPORT:

An application has been received from Mr Warren John Tuckwell, to lease Shop 8 in Hobartville Shopping Centre for the purposes of a video shop outlet. The applicant is a long time resident of Richmond and has some previous experience in managing such a business.

The premises comprising of 90 (ninety) square metres in lettable area with large shopfront, amenities and rear service yard, is offered for lease at a rental of $1,025.00 (one thousand and twenty five dollars) per calendar month. The lessee is also responsible for a 17.55% contribution to Centre outgoings which include Council rates, sewer and water rates, water usage, insurance, grounds maintenance and general repairs.

The term of the proposed lease agreement is 3 (three) years with an option for a further term of 3 (three) years. The rental is reviewed annually in accordance with the CPI for Sydney and to market rental at the end of the initial three year term. The lessee shall be required to pay a security bond of one month's rental, and provide insurances for plate glass and $5million public liability cover.

RECOMMENDATION:

1. That Council lease Shop 8 in Hobartville Shopping Centre, 28 Laurence Street, Richmond, to Mr Warren John Tuckwell for a term of 3 (three) years with an option for a further term of 3 (three) years at a rental of $12,300.00 (twelve thousand three hundred dollars) plus outgoings for the first year of the lease agreement.

2. All necessary documents be completed under the Seal of Council.

ATTACHMENTS:

There are no supporting documents for this report.

FN:OGA29NBX.C04 ****** END OF ITEM 21 ******

ITEM: 22 EXTINGUISHMENT OF AN EASEMENT FOR DRAINAGE

FILE NUMBER: P2003/2055 PT01/CSV

REPORT:

A request has been received from Mrs Rigtje Currie, of 528 Terrace Road, Freemans Reach, for the extinguishment of a drainage easement affecting the western boundary of her property identified as Lot 9 in DP202068. A plan of the property shall be displayed at the meeting.

The easement for drainage is 6ft (1.829m) wide and was granted in favour of Colo Shire Council in 1962. It is considered that the easement is no longer required nor expected to be required in the future and may therefore be extinguished.

RECOMMENDATION:

1. That Council consent to the extinguishment of the easement for drainage 6ft (1.829m) wide affecting Lot 9 in Deposited Plan 202068, 528 Terrace Road, Freemans Reach.

2. That the owner of the subject property be responsible for all costs associated with the extinguishment of the easement.

3. All necessary documents be executed under the Seal of Council.

ATTACHMENTS:

There are no supporting documents for this report.

FN:OGA29NBX.C05 ****** END OF ITEM 22 ******

ITEM: 23 RATING STRUCTURE OF WINDSOR SEWERAGE SCHEME

FILE NUMBER: GS045/006 PT03/FNC

REPORT:

There has been a reaction by Ratepayers in the Business community resulting from Council resuming the function of rating for the Windsor Sewerage Scheme under a different rating structure. This has predominantly occurred with the levying of an "Annual Charge" for each occupation within a commercial building. A property that was formerly rated under the ad valorem (rate-in-the-dollar) system as one assessment may now have a number of "Annual Charges for Sewerage", dependant upon the number of shops or independent commercial occupations.

The separate charging for each occupation also applies to residential occupation. Multiple occupancies, such as dual occupancies and residential flats, would receive an Annual Charge for each residential unit at the charge of $296 each.

Background

Council owned and operated the Windsor Sewerage Scheme from the date of its original construction to the end of 1992. The Windsor Sewerage Scheme provides reticulated sewerage services to the general areas of;

- Bligh Park
- Clarendon
- McGraths Hill and Mulgrave Industrial Area
- Pitt Town
- South Windsor and South Windsor Industrial Area
- Windsor, and
- Other minor extensions

From 1 January, 1993, through a quirk of State Government legislation, the power to raise the necessary revenue for the operation and management of the Windsor Sewerage Scheme was transferred to Sydney Water Corporation (Sydney Water Board) with Council still continuing to operate the treatment plants and equipment. Rates and charges were then levied by Sydney Water, on the properties, and paid to Council for the costs of operation. Subsequent State Government legislation transpired that restricted the Sydney Water Corporation from charging for services that it did not provide. This enabled Hawkesbury City Council to resume the raising of revenue from the property owners in the benefit areas for the costs of the sewerage services it continues to provide. This has taken place from 1 July, 1996 and applies for the full Financial Year, 1996/97.

The Revenue Pricing Policies for the Sewerage Fund were not able to be finalised at the time of the preparation of the 1996/97 Budget Estimates, due to ongoing negotiations with Sydney Water. The Revenue Pricing Policies were adopted in a later Management Plan in terms of the information gained from the Corporation's billing structures and property details.

Statutory Authority

Council has the statutory authority to make and levy a "Special Rate" (ad valorem) or "Annual Charges" for the provision of sewerage services. In addition, the Act specifically states that an annual charge may be made additional to or in lieu of a special rate.

The Local Government Act 1993 specifically provides that Council in determining the amount of the charge for the making and levying of annual charges for services may consider (but is not limited to) the following:

- Purpose for which the service is provided;
- Nature, extent and frequency of the service;
- Cost of providing the service;
- Categorisation of land to which the service is provided;
- Nature and use of premises to which the service is provided; and
- Area of land to which the service is provided.

Council may determine differing amounts for the same charge

Rating Structure

In 1992, the rating structure consisted of a minimum rate plus an ad valorem rate (rate in dollar), for both connected and unconnected properties. The billing method utilised by Sydney Water Corporation consisted of a charge that resembled a flat charge based upon size of connection to the reticulation mains.

An "Annual Charge" for services is appropriate for the Sewerage Fund, in lieu of the ad valorem rate that was levied in previous years. The Annual Charge is similar in principle to the Domestic Waste Management Charge for garbage collection services, with the distinction that the Sewerage Annual Charge is based upon volume/discharge utilising a range of charges for the Business Categories with approved Trade Waste Volume Charges applied to those properties that exceed the recommended volume limits of the appropriate category. This method of charging for the sewerage services more closely aligns to Sydney Water pricing structure and is a more appropriate charge based upon the equity principle of rating. An ad valorem rate, using Land Value as a basis for calculation, seems less appropriate in the equity principle in cost recovery of sewerage services.

The costs for the operation and management of the Windsor Sewerage Scheme to be funded from the Annual Charge for 1996/97 are estimated to be $2,129,443. The decision for Council was how to spread that cost to the owners in the benefit area. Also it was required to decide whether to continue the rating structure, as in the past, that was based upon the Land Value of the property as determined by the Valuer General, or to support the intent of the new Local Government Act and introduce a rating structure that more closely aligned to a charge related to the utilisation of the service provided, and introduce the principle of equity into the system. By adopting the "Annual Charge" in the 1996/97 Management Plan the premise of equity for all users in the benefit area of the scheme was achieved. The consequences is that a small number of properties have been adversely affected in comparison to the affect on the greater majority of users receiving the services.

The Adopted Rate Structure for 1996/97

The Annual Charges for the 1996/97 Financial Year are:

Residential Properties	$296.00
Unconnected Properties	$195.80
Business - Category	$343.00
Business - Category 2	$1,716.00
Business - Category 3	$6,864.00
Business - Category 4	$6,864.00
	(plus Trade Waste volume charge in excess of 20,000 litres per day)

Statutory Pensioner Rebate	$87.50
Voluntary Pensioner Rebate	$60.50

The **Business Categories** are proposed on the following volumes of waste generated;

Category 1	< 1,000 litres per day
Category 2	1,001 - 5,000 litres per day
Category 3	5,001 - 20,000 litres per day
Category 4	> 20,000 litres per day

A **Trade Waste Volume Charge** of $1.10 per kilolitre has been adopted for the 1996/97 Financial Year in the Schedule of Fees included in the Management Plan. This amount is calculated with reference to the total (direct and indirect) costs which are incurred to treat one kilolitre of waste water, and is supported by research conducted by Council. The above annual charges for each category equates to the extension of this rate for each volume discharge, assuming 6 days production per week. Those properties with volumes exceeding the 20,000 litres per day (Category 4) will attract the Trade Waste Volume Charge. In addition, a trade waste mass loading charge may be levied, based on the strength of pollutants in the waste stream in Categories 2, 3 and 4. The mass load will be calculated on the entire volume discharge, not just the excess, and charged according to pre-determined rates. Mass loading content may include Biochemical Oxygen Demand (BOD); Suspended Solids, Total Grease and Oil and other pollutant groups.

Volumes of waste generated consistently above the initial assessed categorisation will result in a review of the nominated category. An appeal mechanism will also enable the category to be reviewed when a property owner feels the assessed volume is too high.

Properties are charged the **Unconnected Annual Charge** on a similar basis to vacant land charges for Domestic Waste Management. Whilst there may not be discharge of waste into the sewer there is a substantial cost in providing and maintaining the infrastructure to the property and an attributable annual charge was adopted. This philosophy is consistent with the intent of the Local Government Act, 1993, that proposes the recovery of costs from vacant properties where the service is available.

It should be noted that the imposition of a pure "user pays" system is not viable in terms of the costs of installation and monitoring of flow meters for each property in the sewerage area. The categorisation of properties based on their volume is a more viable alternative and is more satisfactory in terms of an equitable basis for rating.

Comparison of Council and Sydney Water Charges

Residential Properties

For residential properties, the amount charged by Councils in 1992 was an ad valorem rate of 0.7881 cents in the dollar, with minimum rates of $250.00 for connected properties and $244.00 for unconnected properties. It is considered that the majority of properties which were levied this rate in 1992 were levied at the minimum rate and this can be used as a surrogate average charge for the purpose of demonstrating the difference in charges between Council and Sydney Water.

Year	Rate Pegging Limit (%)	Average Rate
1992		$250.00
1993	2.6	$256.00
1994 (Six Months)	3.5	$265.00
1994/95	0.0	$265.00
1995/96	2.5	$270.00
1996/97	3.3	$280.00
1995/96 Average Sydney Water Residential		$263.00
1996/97 Council Residential Charge		$296.00
1996/97 Average Sydney Water Residential		$270.00

There is obviously some degree of difference between the charges imposed by Council and Sydney Water. The reasons for this difference is that amounts levied by Sydney Water after the original transfer of the Scheme in 1993 were lower than those of surrounding areas due to the different bases of rating used by Council and Sydney Water. In order to ensure that the ratepayers did not face a substantial rise in rates in one year, Sydney Water was forced to implement a transitional arrangements limiting bill which would provide a staged catch-up of the rates over a period of time to the year 2001. The increases applicable under this bill would be 10% per annum for residential properties and 15% per annum for non-residential properties. This has been notified by the Independent Pricing and Regulatory Tribunal.

Council's charge for 1996/97 was based primarily on the cost of operating the sewer scheme, similar to the manner in which annual charges for Domestic Waste Management Charges are set. These costs were then compared to the charges expected to be levied by Sydney Water and found to be comparable.

Sample testing of the two alternatives of the rating structures has revealed some wide variations in rate yields from individual properties. For example, some properties in areas like Windsor Downs with high valuations, would receive a rate bill for the Windsor Sewerage Rate under the ad valorem system because of the high land values, of 50 - 400% higher than other residential properties in the South Windsor area. The proposed annual charge will result in all residential properties being charged the same, on the basis that there is generally a similar volume of waste on average of less than 1,000 litres per day. Commercial/Business properties, in the main, fit into the same volume of waste category as residential properties, however, by their production processes, some businesses generate far larger volumes of waste and therefore should contribute according to those volumes.

<u>Non Residential Properties</u>

In 1992, Council rated non residential properties in the same manner as residential properties. That is, an ad valorem rate based solely on the land value of the subject property. This method of charging for consumption of a service is obviously inequitable as there is no definable relationship between land value and the capacity of a property to consume sewerage resources. It is extremely difficult to provide an analysis similar to that performed above for non residential properties as the sewer rates levied by Sydney Water are based on the size of the water meter provided to each property, while the charges levied by Council take into account the expected nature and volume of any discharge by the business property into the sewer scheme as explained above.

An example of the impact on non residential properties is in the South Windsor (483 George Street) commercial area that was rated as one assessment under the old structure and nine separate Annual Charges under the new. The 1992 Rate under the old structure, if increased by the rate pegging limits, would have amounted to $415.26 for 1995/96 (last year) financial year. The Sydney Water Corporation actually charged $552.80 for the same period. The amount of the Annual Charge under the new rating structure for 1996/97 is $2,899, based upon five commercial occupations of $343 and four residential occupations of $296. The Annual Charge is based upon the number of separate occupations with the propensity to generate, on average, a 1,000 litres of sewerage waste per day. In this instance it appears that there is only one sewer connection to the main for the whole property however the volumes of waste is appropriate to the discharge from the separate occupations.

There is clearly many arguments that would support the process to assess the volumes of discharge from the whole property and determine the charge on that basis. There are also many persons in residential properties that would argue the principle of extent of occupation or length of time that the residence is occupied in relation to other residential usage. Similarly there are arguments that relate to the number of cisterns in the premises. Each of these issues are variables to the averaging results from tests that indicate, on average, the waste generated from an occupation, be it a residential or small business occupation, is 1,000 litres of sewerage per day.

Notwithstanding the adverse impact on a few properties, it is considered that the Annual Charge is far more equitable across the system than the ad valorem rating, based on land values. The Annual Charge gives recognition to both the level of volumes and pollutants discharged to the sewer mains and better reflects the costs related to usage and demand on the service.

Pension Rebates

Another major area of concern was that of pension rebates given in relation to sewer charges. As noted above, the statutory rebate which Council could give pensioners was $87.50 per annum. The conditions and amount of the rebate are prescribed by section 575 (3)(b) of the Act. This rebate operates in exactly the same manner as that given for ordinary rates and domestic waste management charges.

This situation has since been rectified by Council's resolution to grant an additional, voluntary rebate to eligible pensioners to increase the pension rebate for sewerage services to $148.00 per annum or 50% of the residential charge.

RECOMMENDATION:

That the information be received.

ATTACHMENTS:

There are no supporting documents for this report.

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