

# AMENDED ITEM

23 September 2015

To the Ordinary Council Meeting

Councillor

## 8.2 Notice of Motion - \$10million Rate Relief

---

TRIM REFERENCE: F2010/00500 - D12083327

AUTHOR: Greg Best; Councillor

Councillor Best has given notice that at the Ordinary Council Meeting to be held on 23 September 2015 he will move the following Motion:

- “1 That Council congratulate all staff for their excellent team efforts in addressing the \$30million deficit.
- 2 That Council recognise that these efforts have now resulted in a \$10.6million surplus, this reflects a \$41million total turn around in just 5 years
- 3 That Council note the key initiatives deployed to achieve this extraordinary turn around are:
  - “Right-sizing” the organisation – aligning inputs to priority outputs
  - Service Delivery Review removing \$8m from the cost base
  - Using our own resource, not consultants
  - Benchmarking and testing alternate service delivery models
  - Better budgeting – focusing on community priorities
  - Better discipline in meeting budgets
  - More effective measurement. Closer monitoring of spend
  - Better procurement practices and outcomes.
- 4 That, as a consequence of this excellent financial management, Council now extinguish the last approved special rate variation (SRV) and revert to a maximum increase of 3% (the assumed standard rate pegging), thereby saving our rate payers \$10.7 million dollars.
- 5 That Council now continues to work through the identified infrastructure backlog using the current unallocated surplus of \$10.6million and future year surpluses.
- 6 That the Mayor, through the Council column, publically thank our community for their support, patience and understanding throughout this difficult period of restructure.”

## RESOURCES

The matter will be actioned using existing resources.

**COUNCILLORS NOTE**

Councillors, I'm sure you will join me in recognising the Staff's excellent efforts in this extraordinary financial turnaround. Only 5 years ago this Council was hemorrhaging under a \$30million loss. However, under the stewardship of former General Manager Michael Whittaker, his new management team and the new Mayoral team, Council, through good management, has now delivered a \$10.6million surplus for its Ratepayers.

Also, I believe we should pass on our sincere thanks to our Ratepayers for their understanding and patience, as without their genuine support of the SRV over 4 years, we would have had little chance of arriving at such a sound economic position.

I would like to take this opportunity to thank Mayor Eaton, the Mayor of the day, who lead the difficult debate around the need for the SRV. As elected representatives we all appreciated the potential strain this decision may have on many of our residents.

Unfortunately at that time, the difficult decision to seek a SRV was not unanimous. As a Councillor of 20 years, I was extremely disappointed that there were those that chose the popularity path versus genuine leadership. Despite this, the Council has steered a fiscal responsible course that can now provide the opportunity to give back. ie: Through not levying the last State Government approved special rate variation 2016/17.

As outlined above, this initiative will relieve the Ratepayer purse to the tune of \$10.7million; with such success it is time to share.

Nevertheless, as responsible leaders, we must maintain a clear focus on dealing with the remaining infrastructure backlog. This I believe can be achieved through good governance, wisely using the \$10million surplus that we have generated over and above this year's proposed SRV levying.

As outlined in the recent comprehensive Fit For The Future audit, Wyong Council is now in an extraordinarily strong financial position with economic growth across the shire now at an all-time high boosting much needed local employment. Wyong is now financially the strongest LGA in the region. This is highlighted in the below CFO's briefing documents to Council.

Again I'd like to thank our staff, former General Manager and indeed our community for this tremendous outcome.

# Preliminary Unaudited 2014/15 End of Year Financial Results

Stephen Naven  
CFO Finance  
9 September 2015



## Headline – 2014/15 Unaudited Result

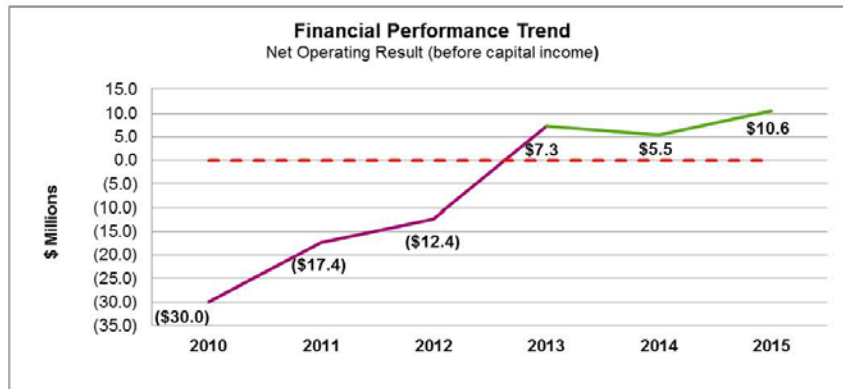
- **Surplus of \$10.6 million** (excluding Capital Grants and Contributions).
- Improvement of \$5.1m on prior year result
- Third successive year in surplus
- \$10 million favourable compared to original budget
- When capital grants and contributions (Capital Income) is added, the preliminary 2014/15 result is a surplus of \$36.8 million.

## Ratios – Fit on all Measures

Fit For The Future Targets	Draft 2014/15	FFTF Target	Fitness
Operating Performance Ratio	4.59%	Higher than 0	✓
Own Source Revenue	92.30%	Over 60%	✓
Debt Service Ratio	9.97%	Between 0% and 20%	✓
Building & Infrastructure Asset Renewal	101.00%	Over 100%	✓
Infrastructure Backlog Ratio	0.02	less than 2%	✓
Asset Maintenance Ratio	107.00%	Over 100%	✓
Real Operating Expenditure* per Capita	Moved from \$1,510 in 2011/12 to \$1,290 in 2014/15	Decreasing over time	✓

Other OLG Targets	Draft 2014/15	OLG Target	Meet Target
Unrestricted current ratio	1.65	Over 1.5	✓
Rates, annual charges, interest and extra charges outstanding percentage	4.66%	Less than 5%	✓
Cash expense cover ratio	8.57	over 3	✓
Capital expenditure ratio	1.63	Higher than 1	✓
Debt Service Cover Ratio	3.51	Between 0% and 20%	✓

## Financial Performance Trend



- Third successive year in surplus.
- Prior to 2012/13.... 8 successive years in deficit....\$120 million of accumulated losses over that time.

## Major drivers for the turn-around

### Optimising Revenue

- More commercial focus. For example:
  - Deals with major tippers to attract higher volumes and revenue.
  - Adjusting fees to align with true cost
- SRV – contribution from our ratepayers (6.9% annual rate increase)
- Development starting to pick up.

### Major reform of our cost base

- "Right-sizing" the organisation – aligning inputs to priority outputs
- Service Delivery Review removing \$8m from the cost base
- Using our own resource, not consultants
- Benchmarking and testing alternate service delivery models
- Better budgeting – focusing on community priorities
- Better discipline in meeting budgets
- More effective measurement. Closer monitoring of spend
- Better procurement practices and outcomes.

## Fund Specific Results

Net Operating Result By Fund	Actual 2014-15 \$M	Actual 2013-14 \$m	Movement Fav/(unfav) \$M
General Fund	20.1	15.5	4.7
Wyong Water	(9.5)	(10.0)	0.5
<b>Total consolidated net operating result</b>	<b>10.6</b>	<b>5.5</b>	<b>5.1</b>

- General Fund \$20 million surplus
- Wyong Water \$9.5 million deficit. Hampered by lower than budget water usage. Full benefit of reforms will be realised in future years



## Capital Expenditure Highlights

- 2014/15 Capital Spend of **\$86.3 million** on essential infrastructure.
- 86% of original budget of \$100 million
- \$10.4 million of spend on projects to reduce backlog. Meeting target of \$10 million
- Capital spend on roads of \$25.1 million. Total Spend on Roads (including operational spend) of \$70 million

## Consolidated Balance Sheet

Statement of Financial Position	Actual 2014-15 \$M	Actual 2013-14 \$M	Movement Fav/(unfav) \$M
<b>Assets</b>			
Current assets	165.2	156.2	9.0
Non-current assets	3,071.3	2,602.1	469.2
<b>Total assets</b>	<b>3,236.5</b>	<b>2,758.3</b>	<b>478.2</b>
<b>Liabilities</b>			
Current liabilities	73.6	68.9	(4.7)
Non-current liabilities	233.5	239.5	6.0
<b>Total liabilities</b>	<b>307.1</b>	<b>308.4</b>	<b>1.3</b>
<b>Net assets</b>	<b>2,929.4</b>	<b>2,449.9</b>	<b>479.5</b>
Retained earnings	1,584.6	1,364.7	219.9
Revaluation reserve	1,344.8	1,085.2	259.6
<b>Net equity</b>	<b>2,929.4</b>	<b>2,449.9</b>	<b>479.5</b>

- Cash increase compared to prior year.
- Roads and Drainage Revaluation (per OLG cycle) has increased our non-current assets by \$469m

### ATTACHMENTS

*Nil.*