



RICHMOND VALLEY COUNCIL

Minutes

Extraordinary Meeting

Tuesday, 13 December 2011

Table of Contents

PRESENT	1
1 APOLOGIES	1
2 DECLARATION OF INTERESTS.....	1
2.1 Declaration of Interests - Extraordinary Meeting 13 December 2011	1
2A PUBLIC ACCESS	2
2A.1 Addresses by Chris Gulaptis (Member for Clarence) and George Bennett, Lennard Blok and Gary Burrige (Northern Co-operative Meat Company) regarding Item 3.1 - Council Revenue Policy (Water Charging).....	2
3 REPORT.....	2
3.1 Council Revenue Policy (Water Charging).....	2

MINUTES OF THE EXTRAORDINARY MEETING OF RICHMOND VALLEY COUNCIL, HELD IN THE COUNCIL CHAMBERS, CNR WALKER STREET AND GRAHAM PLACE, CASINO, ON TUESDAY, 13 DECEMBER 2011 AT 9.15 A.M.

PRESENT

Crs. C.J. Sullivan (Mayor), C.J. Cox, O. Crawford, S.A. George, B.J. Jeffery, D.A. Kinnish, S.E. Morrissey, R.A. Mustow and S.N. Wheatley.

The General Manager, Director Corporate Services, Director Works, Director Environmental Development Services, Manager Finance, Manager Water Sewer Pools and Executive Assistant (Roslyn Townsend) were also in attendance.

1 APOLOGIES

Nil.

2 DECLARATION OF INTERESTS

2.1 DECLARATION OF INTERESTS - EXTRAORDINARY MEETING 13 DECEMBER 2011

Cr. Kinnish declared a non-pecuniary (insignificant conflict) interest in Item 3.1 - Council Revenue Policy - Water Pricing (Relations employed by a food processor).

Cr. George declared a non-pecuniary (insignificant conflict) interest in Item 3.1 - Council Revenue Policy - Water Pricing (Northern Co-operative Meat Company may be a future sponsor of Casino Beef Week).

131211/ 1 RESOLVED (Cr. Morrissey/Cr. Mustow)

That the declarations of interest of Cr Kinnish and Cr George be noted.

FOR VOTE - All Council members voted unanimously.

2A PUBLIC ACCESS

2A.1 ADDRESSES BY CHRIS GULAPTIS (MEMBER FOR CLARENCE) AND GEORGE BENNETT, LENNARD BLOK AND GARY BURRIDGE (NORTHERN CO-OPERATIVE MEAT COMPANY) REGARDING ITEM 3.1 - COUNCIL REVENUE POLICY (WATER CHARGING)

The General Manager advised that the Member for Clarence, Chris Gulaptis and the Northern Co-operative Meat Company in respect to Mr. Burrridge, Mr. Bennett and Mr. Blok had requested that they be given the opportunity to address Council in respect to the agenda item.

131211/ 2 RESOLVED (Cr. Kinnish/Cr. Mustow)

That public access be granted to the individuals as listed by the General Manager.

FOR VOTE - All Council members voted unanimously.

Council was addressed by Chris Gulaptis, George Bennett, Lennard Blok and Gary Burrridge (in separate addresses) in regard to the report and related issues.

3 REPORT

3.1 COUNCIL REVENUE POLICY (WATER CHARGING)

Reference: Financial Management - Fees and Charges: Water Supply - Fees and Charges

Prepared by: General Manager

Background

At its March 2011 Meeting, Council considered a range of historical and other information in regard to Council's Water Pricing structure. At that meeting it was resolved that Council abolish the previously existing Food Producer Category and charge all non residential consumers at the first tier rate for their 2011/2012 consumption. It was further resolved to provide details of the proposal to the Minister for Water and Office of Water and seek their feedback as well as to advise Food Producers.

Council subsequently adopted (in May 2011) its Revenue Policy for 2011/2012 which included a charge of \$1.70 per kilolitre for all non residential customers. This is the same consumption charge as residential customers (for the first 200 kilolitres). The pricing structure was adopted following public exhibition of the proposed structure.

No response was received from the Minister or the Office of Water prior to the adoption of the charges. However, Council resolved to make representations to both the Federal/State Governments in regard to the impact of the water pricing structure on businesses in the previous Food Producer Category. Those representations sought assistance in regard to water conservation and/or financial assistance.

On 4 July 2011 Council received correspondence from the Minister for Primary Industries which stated as follows:

"I refer to your letter of 23 March 2011 (your reference: 591092 BW/AP) to the former Minister for Water, requesting feedback on Council's proposed water pricing in the Richmond Valley Council area.

I have reviewed the material provided with Council's letter, as well as the Hunter Water Australia Report dated 3 February 2011.

After examining the above information, I strongly recommend that Council determine its 2011/12 water usage charge for the Northern Co-operative Meat Company on the basis of Table 4-3 on page 12 of the above Hunter Water Australia Report. This will involve a usage charge of 70% of Council's 1st step water usage charge per kL. The Hunter Water analysis is consistent with such analysis undertaken by the Independent Pricing and Regulatory Tribunal of NSW and takes account of both the annual usage of over 900ML by the Co-operative and the fact that minimal water supply distribution assets are required for supplying the Co-operative.

Subject to the above, I support Council's proposal for a uniform water usage charge per kL for all the other non-residential customers in Council's area on the basis of Council's 1st step water usage charge."

The above letter was reported to Council in July 2011. That report advised that communications had been undertaken with the Minister/Office of Water clarifying the rationale behind Council's water pricing decision and seeking information on water pricing for large consumers.

In response to Council's enquiries an Officer from the Office of Water advised on 26 July 2011 the following:

"In view of the very large annual usage by the Northern Co-operative Meat Company (over 900ML/a) and the fact that the Co-operative uses very little of the Richmond Valley distribution system, it is considered appropriate that Council's water usage charge for the Co-operative is based on the Hunter Water approach."

"As previously discussed and indicated in the Minister's letter to Council, it is considered that a complex analysis of this type is best carried out by a specialist and highly experienced consultant in this area. For this reason, the NSW Office of Water recommended that Council commission Hunter Water Australia for this task.

An important test for such analysis is they should reflect the Co-operative's high annual water usage and its minimal use of Council's water supply distribution system."

"A suitable mechanism would be for Council to resolve to levy a water usage charge of 119c/kl for the Co-operative and to advertise that charge for 28 days. After consideration of any responses received, Council could then resolve to adopt that charge for the Co-operative.

Council's resolution could include:

In the event that the Co-operative advises Council in writing that it will cease to be a major water user of Council's water supply system, with usage of over 900ML/a, or the Co-operative otherwise greatly reduces its water demand from Council's system, the standard non-residential water usage charge of 170c/kL will apply immediately after receipt of such advice from the Co-operative or reduction in the Co-operative's water demand."

Note: This was again confirmed in an email from the Office of Water on 6 September 2011.

"The NSW Office of Water has not provided any undertakings to the Co-operative. However, the Co-operative has been advised that notwithstanding its proposal for retention of the existing 69c/kl usage charge, the Hunter Water analysis provides a fair and equitable basis for determining a usage charge for the Co-operative.

The Hunter Water analysis takes account of both the large annual usage of the Co-operative and the fact that it makes little use of Council's distribution system."

Further advice was received from the Minister for Primary Industries on 4 August 2011 as follows:

"I refer to your e-mail of 5 July 2011 in response to my letter of 28 June 2011 concerning Council's proposed water pricing in the Richmond Valley Council area.

I have noted the materials provided with your e-mail, however, I remain convinced that the advice provided in my letter of 28 June 2011 is both valid and appropriate.

To reiterate, I strongly recommend that Council determine its 2011/12 water usage charge for the Northern Co-operative Meat Company on the basis of Table 4-3 on page 12 of the above Hunter Water Australia Report. This will involve a usage charge of 70% of Council's 1st step water usage charge per kL. The Hunter Water analysis is consistent with such analysis undertaken by the Independent Pricing and Regulatory Tribunal of NSW (IPART) and takes account of both the annual usage of over 900ML by the Co-operative and the fact that minimal water supply distribution assets are required for supplying the Co-operative.

As the required analysis is along similar lines to the IPART developer charges methodology, it is important to note that the calculated usage charge per kL for the Co-operative is the maximum that Council can impose. Accordingly, imposing a higher usage charge for the Co-operative than indicated above would amount to over-charging by Council for the services provided to the Northern Co-operative Meat Company.

I therefore strongly recommend that Council resolve to adopt 2011/12 charges for the Co-operative Meat Company on the above basis. This would not impact on the charges approved by council for other users."

Further correspondence via the Office of Water on 25 August 2011 stated:

"I agree that a water utility needs to prepare its strategic business plan and financial plan on the basis of achieving full cost recovery for the water supply. The annual access and usage charges should then be set to raise the required revenue in accordance with the utility's financial plan.

In Richmond Valley's case, as the 2011/12 charges have already been determined and advertised, it now needs only to determine a new usage charge per kL for the Northern Co-operative Meat Company in accordance with the Minister's letter and to advertise and implement that charge.

Whilst the total resulting water supply revenue in 2011/12 will then be less than the target in Council's financial plan, in 2012/13 and each subsequent year, Council will be able to ensure the revenue is in accordance with the projection in Council's financial plan. The above revenue shortfall in the 2011/12 financial year is considered satisfactory in the context of Council introducing its new increased usage charges in 2011/12 for the Co-operative and the other food producers."

A further report was provided to Council at its 20 September 2011 Meeting. The report provided information on the correspondence from the Minister and also some of the advices provided by the Office of Water. The report also referred to discussions held by the Mayor and General Manager on 30 August 2011 with the Minister for Local Government and the Member for Clarence.

It was also reported that telephone discussions with the Minister's Office in early September 2011 advised that the Minister had serious concerns with respect to Council's position on the water pricing for the Northern Co-operative Meat Company (NCOMC) and was of the view that the pricing structure as previously recommended by Hunter Water was a fair and equitable outcome for the community. Council was encouraged to have constructive discussions with NCOMC.

The September 2011 Meeting report also advised of the teleconference held on 14 September 2011 and involved representatives from the Office of the Minister for Primary Industries, the Office of the Minister for Local Government, the Member for Clarence, the Mayor, General Manager and Director Works. The

focus of the teleconference was on Council providing an update on the status of issues and with regard to further discussions with NCMC.

Council resolved at the September Meeting to arrange discussions with NCMC and to seek clarification from the Minister on information/issues raised in the Ministerial letters. It was also resolved that the relevant Ministers be requested to receive a delegation from Council on the matter.

On 21 September 2011 correspondence was forwarded to the Minister for Primaries (and Minister for Local Government) outlining a range of issues on which Council sought clarification and discussion.

The discussions with NCMC were convened for 29 September 2011 (with a representative from the Office of Water in attendance).

That afternoon correspondence was forwarded to both the Office of the Minister for Local Government and Office of the Minister for Primary Industries advising that discussions with NCMC had been held and reaffirming Council's request to meet with the Ministers.

Over the following week or so Council was requested to and did provide further information to the Office of Water in regard to the background and other information relating to the water pricing issue.

Correspondence was forwarded to NCMC on 7 October 2011 as a follow up to the discussions on 29 September.

Further follow up seeking a response to Council's letter of 21 September and the request for a meeting with Ministers, was made on 11 November 2011.

On Friday, 25 November 2011 (later afternoon), Council received telephone contact from the Office of the Minister for Primary Industries seeking the availability of the Mayor and General Manager to attend discussions with Minister Hodgkinson, Minister Page and the CEO and Chairman of NCMC in Ballina on 29 November 2011. In confirming availability advice was requested on the nature of the meeting. The response was that it was to discuss the status of issues.

On the afternoon prior to the meeting the General Manager received telephone communication from the Office of Water advising that the following scenarios on water pricing may be raised as part of the discussion on 29 November:

- the status quo
- location based pricing (\$1.19)
- NCMC operating their own plant but still seeking 25% of supply from Council
- the previous NCMC proposal (\$0.74)

The meeting proceeded (with additional representatives from NCMC and the Member for Clarence in attendance) with the Minister strongly indicating that a solution needed to be found. The meeting resulted in NCMC putting forward

"key aspects of agreement" that the Mayor and General Manager agreed would be put to Council as soon as possible following the receipt of information from the Minister for Primary Industries.

The following are the "key aspects of agreement" that were put forward by NCMC:

1. The pricing structure is based on a 10 year agreement in the form of an MoU.
2. A price of \$0.95/kL is to be used as the base price for the 2011-2012 financial year.
3. The price is subject to CPI increases each financial year and the water price per kL is therefore compounding. Council to provide NCMC with the new price at the end of the first month of the new financial year.
4. NCMC still propose to proceed with the construction of their own Treatment Plant.
5. The minimum annual usage volume for NCMC will be 50 megalitres/annum.
6. Council have invoiced NCMC at \$1.70/kL for water used from 1 July 2011. NCMC has put Council on notice that it only intends to pay for water at last year's charging rate of \$0.69/kL. If Council accepts the proposed water charge of \$0.95 then NCMC will calculate the difference between the charges of \$0.95 and the \$0.69. NCMC will settle the outstanding variance retrospectively when the DA is approved for NCMC's Potable Water Treatment Plant from 1 July 2011.
7. If at any time in the future a "Stop the Clock" clause is issued, NCMC will revert to a price of \$0.69/kL for the period 1 July till the DA is approved.

Note: Comments/information in regard to the above are provided in this report below.

Correspondence dated 7 December 2011 has been received from the Minister for Primary Industries as a follow up to the discussions on 29 November 2011. That correspondence states as follows:

"Thank you for your attendance at short notice to the meeting with myself, Minister Don Page, Chris Gulaptis Member for Clarence and representatives of Northern Co-operative Meat Company on 29 November 2011.

I am pleased that you have agreed to seek Council endorsement to a proposal to strike a 10 year deal to supply water to the Northern Co-operative Meat Company at a price of \$0.95/kL plus annual adjustment for CPI.

I understand that Council may make an in-principle resolution on its water pricing for the entire 2011-12 financial year by placing a new proposal on public display,

considering submissions and retrospectively applying the new prices after all of the above processes have been completed.

I also understand from Council's accounts that there should be no need to increase the price of water to other consumers in 2011-12 as Council has sufficient reserves to cater for the expected reduction in income in 2011-12.

I acknowledge that if Council establishes a usage charge for NCMC of \$0.95/kL in 2011-12 and leaves all other usage charges unchanged other Council water consumers will be cross subsidising the NCMC and it will not be possible for Council to achieve full cost recovery in 2011-12 in accordance with Best-Practice Management Guidelines.

I assure you that the circumstances leading to this situation will be taken into account and this factor will not prevent Council being deemed compliant with Best-Practice Management Guidelines. I also encourage Council to disclose the cross subsidy extended to the NCMC to its other customers.

Under the above proposal no cross subsidies will occur after the NCMC builds and operates its own water treatment plant although it is acknowledged that the costs to all other customers will rise. However, I strongly believe that it is in the best interests of Richmond Valley Council to reach an agreement with the NCMC on pricing as it is a large employer and the economic well being of the entire Richmond Valley is integrally linked to the economic well being of the company.

In the event that Council does not resolve to accept the proposal put forward at the meeting I would suggest that it contacts the NSW Office of Water with a view to reopening negotiations with the NCMC.

As I stated in the meeting, I expect both sides to work together in good faith in order to achieve an early and satisfactory outcome. If it becomes apparent that this will not be achieved, I will be recommending that both parties agree to professional and binding mediation, to be arranged through the Minister for Local Government. I will write in similar terms to the NCMC."

Report

Issues

As Council would be aware (and as indicated in the background section of this report) there is considerable history to this matter. There are also significantly divergent views between the stakeholders and the views of stakeholders have changed somewhat since March 2011.

It is clear from the most recent correspondence sent by the Minister for Primary Industries that she is seeking a satisfactory outcome on the water pricing structure. However, that outcome has not been assisted by the Minister advocating a different position to what she recommended previously (\$1.19) and also not providing a response to matters raised by Council in its correspondence dated 21 September 2011. The matters raised in that and follow up correspondence are summarised as follows:

- that anomalies in the water pricing structures have been a concern since 2004/2005 and have been raised with NCMC since that time in an attempt to establish an agreed and compliant way forward.
- that the anomalies between food producer water charges and other water users needed to be addressed to deal with cross subsidisation issues.
- that despite discussions with the previous Minister for Water (and the location based pricing approach) NCMC have indicated that they would not be paying more for water.
- that the two consultants' reports obtained after discussions with the previous Minister were made available to NCMC and other food producer customers prior to Council commencing its decision making processes.
- NCMC had advised previously that it was only prepared to pay \$0.74/kL for water and sought a 10 year arrangement based on that price.
- the previous public exhibition (which followed media coverage of the issue) resulted in only limited responses from the community.
- referring to the reference by the Minister in correspondence dated 28 July 2011 to only one component of table 4-3 of the Hunter Water Australia Report.
- advising of the development application received by Council for the proposed water treatment plant, which creates an anomaly with the Minister's previous reference to the use of over 900ML of water by NCMC.
- referring to the Office of Water correspondence that the \$1.70/kL should apply after NCMC ceases to be a major user.
- questioning reference to the maximum charge that Council could impose given that the consultants' Brief refers to minimum charges.
- questioning the move away from the need for full cost recovery.
- referring to the IPART report that rejected Council's special rate variation with reference to the capacity of the community to pay for same.

It is also disappointing that despite a number of requests Council has not been provided the opportunity to meet (on their own) with the Minister for Primary Industries and the Minister for Local Government/North Coast on this issue.

With regard to the "key aspects of agreement" put forward by NCMC at discussions on 29 November 2011, the following comments are provided:

1. *The pricing structure is based on a 10 year agreement in the form of an MoU.*

It would need to be determined if this was required to be a binding agreement or one of mutual understanding. In that regard, Council needs to set its water charges on an annual basis to comply with legislation. It is understood that other local government areas have such arrangements, so it is assumed it can be legislatively supported.

2. *A price of \$0.95/kL is to be used as the base price for the 2011-2012 financial year.*

This needs to be the main point of consideration by Council.

3. *The price is subject to CPI increases each financial year and the water price per kL is therefore compounding.*

This links to Item 2 above. The mechanism for CPI increases (if it is to be applied) will need to be determined. In addition, having only a CPI increase for a 10 year period does provide some risk for Council in terms of full cost recovery factors, i.e. that may not currently exist.

4. *NCMC still propose to proceed with the construction of their own Treatment Plant.*

This aspect is at odds with previous advice provided by the Minister/Office of Water in respect to water pricing.

5. *The minimum annual usage volume for NCMC will be 50 megalitres/annum.*

The 50ML figure was identified as the minimum amount for location based pricing via the Hunter Water Report.

6. *Council have invoiced NCMC at \$1.70/kL for water used from 1 July 2011. NCMC has put Council on notice that it only intends to pay for water at last year's charging rate of \$0.69/kL. If Council accepts the proposed water charge of \$0.95 then NCMC will calculate the difference between the charges of \$0.95 and the \$0.69. NCMC will settle the outstanding variance retrospectively when the DA is approved for NCMC's Potable Water Treatment Plant from 1 July 2011.*

This indicates that NCMC consider that they are setting the water price/charges that they will pay Council. Council has fixed the water pricing structure via due process and as such is in its rights to recover a valid debt. It is also inappropriate to link the payment of water charges to development approval for the Water Treatment Plant.

7. *If at any time in the future a "Stop the Clock" clause is issued, NCMC will revert to a price of \$0.69/kL for the period 1 July till the DA is approved.*

This is similar to Item 7 and is effectively illegal as it would mean that Council cannot apply due process to the development application.

The real issue at hand is that of an appropriate and valid water pricing structure. Matters outside of the scope of that issue only make it more problematic to achieve a solution on the main issue. Accordingly, items 6 and 7 of the "key aspects of agreement" should not be accepted by Council as the "valid debt" will be an outcome of Council's determination on the matter (currently \$1.70/kL) and linking the water pricing to a development approval process is totally inappropriate.

Via items 4 and 5 of the "key aspects of agreement" NCMC have advised that at \$0.95/kL they will proceed with the establishment of their own water treatment plant and also only commit to a minimum annual usage from Council of 50ML. This scenario can potentially mean other larger users may make a claim for reduced water pricing and does not provide any clear rationale for a water pricing structure, particularly given the previous advices received from the Minister/Office of Water and also that location based pricing based on the Hunter Water Australia Report has been rejected by NCMC and appears to be no longer supported by the Minister. Accordingly, it is considered that items 4 and 5 should not be agreed to by Council in the manner in which they have been proposed.

This then leaves items 1, 2 and 3 of the "key aspects of agreement". As indicated earlier in this report, the main issue is a valid and appropriate water pricing structure. In that respect, items 1 - 3 will hinge on any decision by Council to amend/review the current water pricing structure. The outcome of the price to be charged per kL will then determine the need for and/or provide a basis for considering any commitment to a ten year/CPI based arrangement.

There are a number of options that Council can consider in regard to the price to be charged per kL. This appears that it needs to be done on the basis that on any charge above \$0.74/kL NCMC will build their own treatment plant. Therefore the options are:

1. \$0.74/kL - as put forward by NCMC in correspondence dated 31 March 2011.

There is no rationale for this charge other than the NCMC advice that *"any increase above this amount makes it commercially cost effective for NCMC to build its own treatment plant to supplement its water requirements."*

2. \$0.95/kL - which was put forward by NCMC at discussions on 29 November 2011. As indicated earlier in this report, this proposal had other "conditions" attached to it. However, treating it as a pricing issue only there is again no real rationale for same. However, the recent letter from the Minister for Primary Industries does not discourage same and provides some indication that the circumstances of this situation would be taken into account regarding compliance with Best Practice Management Guidelines. In that respect, the Minister's correspondence whilst referring to a 10 year arrangement (with CPI) in the initial paragraphs focuses on the 2011-12 financial year in the balance of the correspondence. It also refers to such being a cross subsidisation arrangement that should be clearly

communicated to other water users. The correspondence also refers to this being related to the economic well being of the Richmond Valley. In that regard it should be noted that it is understood that in July 2011 NCMC increased its processor fees to cover the costs of water use.

3. \$1.19/kL - this was the previous strong recommendation from the Minister based around the Hunter Water Australia Report. This report was linked to the location based pricing concept and thus does provide some rationale.
4. \$1.70/kL - This is the currently approved pricing structure that was established via due process earlier in the year. This pricing structure removes the previously existing pricing anomalies but does create an additional impact on major water users such as NCMC.

In considering its way forward on this matter, Council needs to recognise that if it proposes to change from the existing pricing structure, then it will need to adopt a proposed pricing structure that will be retrospectively applied for 2011-12 (to NCMC with other charges remaining the same).

Legal

Council, in dealing with the setting of rates, fees and charges, has to comply with legislative provisions. In addition, any processing of Development Applications cannot be subject to matters that contradict the need to follow due process and legislative requirements.

Policy

Council previously resolved to abolish the Food Producer category in setting its water charges for 2011/2012.

Environmental

Whilst there are no direct environmental considerations in the water pricing aspect of this matter, the Water Treatment Plant Development Application as currently proposed does involve environmental considerations.

Consultation

Should Council resolve to make or propose changes to the 2011/2012 water pricing structure, then it will be necessary to undertake consultation with the community on the matter.

In addition, as mentioned in the recent letter from the Minister, if Council resolves not to make any change, then the Minister considers it would be appropriate for further negotiations to be undertaken.

Economic

As indicated in the Minister's recent correspondence, NCMC are a significant economic player in the Richmond Valley and region. In that regard, Council will

need to consider whether this issue is a water pricing matter, an economic/financial assistance matter or both.

Staff

There are no staff issues relating to this matter.

Strategic Links

Council has previously advertised and established its water pricing structure via due process and its strategic planning documents. In that respect, the Business Plan Models for the Water Fund were advised to Council.

Financial Implications

To undertake specific and more accurate modelling on a proposed pricing strategy for water it would be necessary to factor in any proposed arrangements with NCMC (including price per kL and useage quantities). As these are currently unknown (and given the timeframes to prepare this report) specific modelling for the next ten years has not been undertaken.

As Council would recognise, there is an impact on other users (including the water pricing) if a significant user no longer utilises the water supply operations and/or substantially decreases their use. To reflect that impact, the following information has been prepared by Council's Works Directorate:

Modelling has been undertaken on the impacts to the typical residential bill assuming NCMC's consumption will be 900ML for 2011/2012, that the same amount of revenue is required less an amount of 35c/kL reflecting a reduction in consumable costs.

The proposal by the NCMC includes maintaining a connection to Council's water supply. It is anticipated that the NCMC would be looking to draw on Council's water supply scheme in periods of high demand, when their treatment process is failing to provide the necessary quality and at times when cease to pump provisions would be applied due to low flows in the river. To this end, Council is likely to still require an augmentation of its treatment plant at some time in the future.

For the various NCMC consumption reductions and NCMC charge the unit costs per kL and additional cost per typical residential bill are summarised below.

(Table of charges necessary for full cost recovery for 2011/2012 scenario, based on varying town water supply consumption by NCMC and varying charges to NCMC including flat rate for all customers, 95c/kL, 74c/kL and 69c/kL.)

NCMC Consumption town water ML	0	45	180	360	540	720	900
% of 900ML	0%	5%	20%	40%	60%	80%	100%
Unit price for full cost recovery (fcr)	\$2.40	\$2.35	\$2.21	\$2.05	\$1.91	\$1.80	\$1.70
Increase in Average Residential Bill	\$118.00	\$109.51	\$85.71	\$58.75	\$36.06	\$16.71	\$0.00
for unit price of 95c/kL for NCMC for fcr	\$2.40	\$2.39	\$2.34	\$2.28	\$2.21	\$2.15	\$2.09
Increase in Average Residential Bill	\$118.00	\$115.64	\$107.76	\$97.24	\$86.37	\$76.22	\$65.70
for unit price of 74c/kL for NCMC for fcr	\$2.40	\$2.39	\$2.36	\$2.32	\$2.28	\$2.24	\$2.20
Increase in Average Residential Bill	\$118.00	\$116.56	\$111.45	\$104.53	\$97.78	\$91.05	\$84.10
for unit price of 69c/kL for NCMC for fcr	\$2.40	\$2.39	\$2.37	\$2.33	\$2.30	\$2.26	\$2.22
Increase in Average Residential Bill	\$118.00	\$116.77	\$112.31	\$106.36	\$100.39	\$94.44	\$88.49

Should Council adopt the Minister's prior strong recommendation that the charge be at \$1.19/kL, and NCMC consumed 900ML this would mean that to effect full cost recovery in 2011/2012 would require a unit cost of \$1.97/kL for all other customers resulting in an additional \$44.68 per typical residential bill.

Whilst the Water Fund can cope with the lack of full cost recovery in 2011/2012, such an approach is not good practice and needs to be justified, and this shortfall would need to be recovered in subsequent financial years to be in an equivalent financial position.

Statutory/Policy Implications

Since commencing consideration of this matter, Council has focussed its approach on meeting Best Practice Water Pricing Guidelines and requirements. This issue needs to continue to be a consideration of Council.

Sustainability (ESD Principles)

Council has to ensure that a sustainable and viable water supply and water fund operations are provided to the community.

Conclusion

As indicated in this report there are a range of factors and issues that are involved in the water pricing structure matter.

In summary the current position is that Council has set a pricing structure for all water users at \$1.70/kL. Previously NCMC as a food producer category user was paying \$0.69/kL. NCMC had previously put forward a proposal of \$0.74/kL and more recently \$0.95/kL based on them building their own Water Treatment Plant for some of their supply. Previously the NSW Government had advocated \$1.19/kL based around location based pricing principles (on the basis that NCMC continued to be a major water user).

As indicated in this report, it is considered that Council needs to initially consider this matter on the basis of water pricing. This can then evolve into other

"arrangements" that can assist with the economic issues that need to be considered. It also needs to be noted that the Minister has advised that if Council does not endorse the \$0.95/kL price, the negotiations with NCMC should continue and should involve the Office of Water and possibly the Minister for Local Government.

Council has a range of options that it could take (including retaining the status quo or a pricing structure ranging between \$0.74/kL and \$1.70/kL). These can then be put forward to the community, if necessary.

Given the matters raised in this report (and with due consideration of water pricing rationale and the Minister's reference to economic issues), Council could consider putting forward to NCMC and the Minister the price of \$1.19/kL for the 2011/2012 and 2012/2013 financial years with a view that this provide the opportunity for NCMC to build their own Water Treatment Plant and/or for further negotiations to be undertaken between the parties in respect to future water pricing charges.

It needs to be noted that whatever change Council proposes to make there will be different actions associated with those changes.

RECOMMENDATION

Recommended that Council:

- (a) Determine whether it proposes to amend its current water pricing structure.
- (b) Determine any associated actions with regard to any change.

A **Motion** was moved by Cr. Mustow and seconded by Cr. Jeffery

That:

1. Council resolve its proposal to provide Northern Co-operative Meat Company with water at 70% of the residential users price for the 2011/2012 year, with the view for that to continue in the 2012/2013 year; that being on the basis that the Northern Co-operative Meat Company is to construct their own water treatment plant.
2. The advertising period for the proposal to commence from late January 2012 for 28 days.
3. Further negotiations be undertaken with Northern Co-operative Meat Company in regard to future water pricing in conjunction with the Office of Water and the State Government.
4. Council strongly advocate to the State Government that they discuss and act on the need for possible financial assistance for Northern Co-operative Meat Company on this and related issues.

5. No unnecessary roadblocks be placed on the Development Application regarding Northern Co-operative Meat Company Potable Water Treatment Plant.

An **Amendment** was moved by Cr. Kinnish and seconded by Cr. George

That:

1. Council enter into a MoU with the Northern Co-operative Meat Company regarding the price and supply of water; that this to be an agreement for 10 years duration, effective as of the 2011/2012 financial year based upon a commencement price of 95 cents/kL for the 2011/2012 financial year, then subject to an annual CPI increase (as advised by the Australian Bureau of Statistics) each financial year thereby providing a compounding price per kilolitre and that this new price will be advised by Council to the Northern Co-operative Meat Company by the end of July each financial year. The minimum annual usage by Northern Co-operative Meat Company will be 50 megalitres per annum.
2. Adjustments in accordance with the above to any invoiced water usage for 2011/2012 will take effect upon completion of the MoU.

Further, that matters involving the approval of a Development Application to build a Potable Water Treatment Plant will be progressed by both parties without any unnecessary delay, and that this project is independent of a Waste Water Treatment Plant.

Both the Minister for Local Government and the Minister for Primary Industries will be advised of any issue related to the above that is unsatisfactorily resolved or progressed by the respective parties.

Council will seek written confirmation from the Minister for Primary Industries that Council will be deemed compliant with Best Practice Guidelines resulting from the conditions of this MoU.

The **Amendment** was **lost**.

The **Motion** was **carried** (as follows):

131211/ 3 RESOLVED (Cr. Mustow/Cr. Jeffery)

That:

1. Council resolve its proposal to provide Northern Co-operative Meat Company with water at 70% of the residential users price for the 2011/2012 year, with the view for that to continue in the 2012/2013 year; that being on the basis that the Northern Co-operative Meat Company is to construct their own water treatment plant.
2. The advertising period for the proposal to commence from late January 2012 for 28 days.

3. Further negotiations be undertaken with Northern Co-operative Meat Company in regard to future water pricing in conjunction with the Office of Water and the State Government.
4. Council strongly advocate to the State Government that they discuss and act on the need for possible financial assistance for Northern Co-operative Meat Company on this and related issues.
5. No unnecessary roadblocks be placed on the Development Application regarding Northern Co-operative Meat Company Potable Water Treatment Plant.

FOR VOTE - Cr. Sullivan, Cr. Cox, Cr. Crawford, Cr. Jeffery, Cr. Morrissey, Cr. Mustow, Cr. Wheatley

AGAINST VOTE - Cr. George, Cr. Kinnish

131211/ 4 RESOLVED (Cr. Cox/Cr. Wheatley)

That in relation to part 3 of the above resolution, the Mayor, General Manager and Cr. Mustow be appointed to undertake further negotiations with Northern Co-operative Meat Company in regard to future water pricing in conjunction with the Office of Water and the State Government.

FOR VOTE - Cr. Sullivan, Cr. Cox, Cr. Crawford, Cr. George, Cr. Jeffery, Cr. Morrissey, Cr. Wheatley

AGAINST VOTE - Cr. Kinnish

ABSTAINED FROM VOTING - Cr. Mustow

The Meeting closed at 10.29 a.m.

CONFIRMED - 20 December 2011

CHAIRMAN