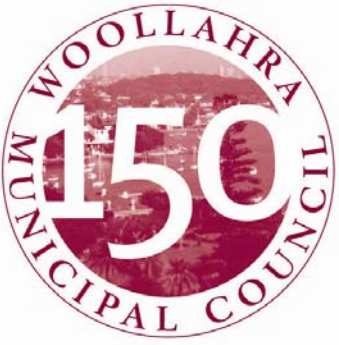


Corporate & Works Committee



Agenda: *Corporate & Works Committee*

Date: *Monday 21 March 2011*

Time: *6.00pm*

Outline of Meeting Protocol & Procedure:

- The Chairperson will call the Meeting to order and ask the Committee/Staff to present apologies or late correspondence.
- The Chairperson will commence the Order of Business as shown in the Index to the Agenda.
- At the beginning of each item the Chairperson will ask whether a member(s) of the public wish to address the Committee.
- If person(s) wish to address the Committee, they are allowed four (4) minutes in which to do so. Please direct comments to the issues at hand.
- If there are persons representing both sides of a matter (eg applicant/objector), the person(s) against the recommendation speak first.
- At the conclusion of the allotted four (4) minutes, the speaker resumes his/her seat and takes no further part in the debate unless specifically called to do so by the Chairperson.
- If there is more than one (1) person wishing to address the Committee from the same side of the debate, the Chairperson will request that where possible a spokesperson be nominated to represent the parties.
- The Chairperson has the discretion whether to continue to accept speakers from the floor.
- After considering any submissions the Committee will debate the matter (if necessary), and arrive at a recommendation (R items which proceed to Full Council) or a resolution (D items for which the Committee has delegated authority).

Recommendation only to the Full Council (“R” Items)

- Such matters as are specified in Section 377 of the Local Government Act and within the ambit of the Committee considerations.
- The voting of money for expenditure on works, services and operations.
- Rates, Fees and Charges.
- Donations
- Matters which involve broad strategic or policy initiatives within responsibilities of the Committee.
- Matters not within the specified functions of the Committee.
- Asset Rationalisation.
- Corporate Operations:-
 - Statutory Reporting;
 - Adoption of Council's Community Strategic Plan, Delivery Program and Operational Plan;
 - Delegations; and
 - Policies.
- Tenders as per Regulation requirements.
- Leases.
- Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes.

Delegated Authority (“D” Items)

- General financial and corporate management of the Council, except those specifically excluded by statute, by Council direction or delegated specifically to another Committee.
Note: This not to limit the discretions of nominated staff members exercising Delegated Authorities granted by the Council.
- Statutory reviews of Council's Delivery Program and Operational Plan;
- Finance Regulations, including:-
 - Authorisation of expenditures within budgetary provisions where not delegated;
 - Quarterly review of Budget Review Statements;
 - Quarterly and other reports on Works and Services provision; and
 - Writing off of rates, fees and charges because of non-rateability, bad debts, and impracticality of collection.
- Auditing.
- Property Management.
- Asset Management.
- Traffic Management - Works Implementation.
- Works and Services - Monitoring and Implementations.
- Legal Matters and Legal Register.
- Parks and Reserves Management.
- Infrastructure Management, Design and Investigation.
- To require such investigations, reports or actions as considered necessary in respect of matters contained within the Business Agenda (and as may be limited by specific Council resolution).
- Confirmation of the Minutes of its Meetings.
- Any other matter falling within the responsibility of the Corporate and Works Committee and not restricted by the Local Government Act or required to be a Recommendation to Full Council as listed above.

Committee Membership:

7 Councillors

Quorum:

The quorum for a Committee meeting is 4 Councillors.

WOOLLAHRA MUNICIPAL COUNCIL

Notice of Meeting

17 March 2011

To: Her Worship The Mayor, Councillor Isabelle Shapiro ex-officio
Councillors Andrew Petrie (Chair)
Ian Plater (Deputy)
Anthony Boskovitz
Sean Carmichael
Susan Jarnason
Greg Medcraft
David Shoebridge

Dear Councillors

Corporate & Works Committee Meeting – 21 March 2011

In accordance with the provisions of the Local Government Act 1993, I request your attendance at a Meeting of the Council's **Corporate and Works Committee** to be held in the **Council Chambers, 536 New South Head Road, Double Bay, on Monday 21 March 2011 at 6.00pm.**

Gary James
General Manager

Additional Information Relating to Committee Matters

Site Inspection

Other Matters

Meeting Agenda

Item	Subject	Pages
1	Leave of Absence and Apologies	
2	Late Correspondence	
3	Declarations of Interest	

Items to be Decided by this Committee using its Delegated Authority

D1	Confirmation of Minutes of Meeting held on 7 March 2011	1
D2	Monthly Financial Report – February 2011	2
D3	2011/2012 Draft Rating Structures – 87.G 2012 & 331.G 2011/2012	13
D4	Draft Delivery Program 2009 to 2013 & Operational Plan 2011/2012 Incorporating the Draft 2011/2012 Budget	25

Items to be Submitted to the Council for Decision with Recommendations from this Committee – Nil R Items

Item No: D1 Delegated to Committee

Subject: **CONFIRMATION OF MINUTES OF MEETING HELD ON 7 MARCH 2011**

Author: Les Windle, Manager – Governance

File No: See Council Minutes

Reason for Report: The Minutes of the Meeting of Monday 7 March 2011 were previously circulated. In accordance with the guidelines for Committees' operations it is now necessary that those Minutes be formally taken as read and confirmed.

Recommendation:

That the Minutes of the Corporate and Works Committee Meeting of 7 March 2011 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee
Subject: **Monthly Financial Report – February 2011**
Author: Don Johnston, Manager Finance
File No: 349G
Reason for Report: To present the monthly financial report for February 2011

Recommendation:

That the monthly financial report for February 2011 be received and noted.

Background:

The monthly financial report for February 2011 is submitted to the Committee for consideration and includes the following:

- Investment Transactions for the Month
- Summary of Receipts, Payments and Bank Balance
- Summary of Investments
- Details of Investment Portfolio
- Charts:
 - ◆ Weighted Average Maturity and Weighted Average Returns
 - ◆ Weighted Average Returns v Australian 90 day Term Deposit Index
 - ◆ Actual Interest Earned v Original Budget & Revised Forecast
 - ◆ Maturity Profile Chart
- Movements in Book Value of Investments

Investment Transactions for the Month

Date	Transaction	Description	Amount (\$)
31 Jan		Book Value of Investments Held	35,331,648.18
09 Feb	Purchase	The Rock Building Society TD, 152 days @ 6.16%	1,000,000.00
09 Feb	Purchase	My State Financial CU TD, 152 days @ 6.21%	1,000,000.00
14 Feb	Purchase	SGE CU TD, 150 days @ 6.15%	1,000,000.00
14 Feb	Purchase	Sutherland CU TD, 150 days @ 6.15%	1,000,000.00
14 Feb	Maturity	SGE CU, 180 days @ 6.29%	(1,000,000.00)
14 Feb	Maturity	Sutherland CU, 180 days @ 6.20%	(1,000,000.00)
15 Feb	Maturity	ING Direct, 180 days @ 6.36%	(1,000,000.00)
21 Feb	Purchase	Quay CU TD, 181 days @ 6.25%	1,000,000.00
28 Feb	Purchase	Hunter United Employees CU TD, 150 days @ 6.20%	1,000,000.00
28 Feb	Purchase	Rabobank Aust TD, 366 days @ 6.60%	1,000,000.00
28 Feb	Purchase	ING Direct TD, 731 days @ 6.74%	1,000,000.00
28 Feb	Maturity	Defence Force CU, 91 days @ 6.22%	(1,000,000.00)
28 Feb	Maturity	Hunter United Employees CU, 91 days @ 6.25%	(1,000,000.00)
28 Feb	Maturity	Wide Bay Australia Ltd, 181 days @ 6.15%	(1,000,000.00)
Various	-	Net Movement in AMP Easy Cash Management Acct	0
Various	Deposit	Net Movement in Online Savings Cash Account	966,449.13
Various	Withdrawal	Net Movement in UBS Cash Management Trust Account (Coupon payments + UBS interest + Deposits – UBS Fees - Withdrawals)	27,108.94
Various	Deposit	Net Movement in Macquarie Cash Trust (Macquarie interest – Macquarie Fees - Withdrawals)	7.61
		Net Change in Portfolio	2,993,565.68
28 Feb		Book Value of Investments Held	38,325,213.86

Commentary:

An increase in the investment portfolio is consistent with a rates instalment month.

Investments Working Party Update

The Investment Working Party has not met since the last monthly financial report was considered.

However, two further brief updates on the Lehman Brothers action have been received from IMF by email and forwarded to the members of the working party.

On 3 March, IMF advised:

On 23 and 24 February 2011 Piper Alderman and IMF attended a mediation with the liquidator of Lehman Brothers Australia. The purpose of the mediation was to explore whether a commercial voluntary resolution of the claims of Group Members in the class action could be achieved. The mediation continued for two days but ended without resolution. On 2 March 2011 the hearing of the claims of Wingecarribee Shire, City of Parkes and City of Swan against Lehman Brothers Australia commenced before Justice Rares in the Federal Court in Sydney. At this stage, the hearing is scheduled to run until 30 March 2011 and then for a week commencing 30 May 2011 (if required).

A further update will be provided at the conclusion of the hearing.

Further, on 10 March, IMF advised:

I refer to IMF's email update sent on 3 March 2011. I now provide the following further update:

- 1 the lawyers for the applicant Councils, including Senior Counsel, are pleased with how the trial has progressed to date;*
- 2 the representative of the investment mandate clients of Lehman Australia (Wingecarribee) has concluded the presentation of its lay (non-expert) evidence;*
- 3. presentation of lay evidence of the City of Swan has commenced and is likely to conclude on or about Tuesday of next week at which time presentation of Parkes' lay evidence will commence; and*
- 4. once the applicants' lay evidence is concluded (by about Friday 18 March), the lay evidence of Lehman Australia will commence.*

IMF remains hopeful that the trial will conclude this month after the expert evidence of both sides has been presented.

As and when further updates are received they will be circulated to the working party and reported to the Corporate & Works Committee.

It is proposed to schedule the next meeting of the Investments Working Party for mid April to review investment valuations as at the end of March 2011.

Summary of Receipts, Payments and Bank Balance

Cash Book Balance as at 31 January 2011

909,516.16

Receipts

Rates	4,873,064.92
Investment Maturities	8,850,000.00
Other	2,453,281.77

16,176,346.69

Total Receipts

Description	Amount
S/Dr's-Rates	-4,873,064.92
Sundry Debtors Control	-446,744.95
Parking Fines	-381,586.99
Financial Assistance Grant	-280,984.00
Deposits & Bonds Control Account	-214,774.00
Trade Waste Debtors Control	-138,030.50
Parking Meter Charges	-101,954.17
Ex Gratia Rates	-76,646.49
Work Zone Charges	-63,782.64
GST Clearing Balance Account	-62,336.00

Payments - Cheque

Cheque Payments	-681,605.21
Cancelled Cheques	33,885.47
Total Cheque Payments for period	-647,719.74

Cheque No	Cheque Date	Payee	Description	Amount
210111	04/02/2011	Withheld	Easement compensation	-105,000.00
210167	17/02/2011	Energy Australia	Street lighting - Jan'11	-87,869.26
210174	17/02/2011	State Debt Recovery Office	Infringement processing fees - Jan'11	-58,939.00
210206	17/02/2011	Withheld	Refund of security deposit	-54,475.37
210207	17/02/2011	Withheld	Refund of security deposit	-35,239.27
210267	24/02/2011	Hansen Pty Ltd t/as Forpark Aust	Orbit structure for Bellevue Hill Public School	-32,876.80
210154	11/02/2011	Withheld	Refund of security deposit	-30,559.29
210216	22/02/2011	City of Sydney Council	Council rates - Odea Av depot	-23,568.20
210198	17/02/2011	Withheld	Risk and insurance settlement	-19,848.29
210209	17/02/2011	Withheld	Refund of security deposit	-17,503.56

Payments - EFT

EFT Payments	-2,873,998.00
Returned EFT Payments	
Total EFT Payments for period	-2,873,998.00

Reference	EFT Date	Payee	Description	Amount
30134	24/02/2011	StateCover Mutual Limited	Workers comp premium 3rd instal to Jun'11	-321,301.04
30144	24/02/2011	WSN Environmental Solutions	Garden/green waste tipping fees 27/12-16/1	-225,402.33
30050	22/02/2011	Local Govt Super Scheme-Div.A	Employer/employee super - Jan'11	-204,866.65
30051	22/02/2011	Local Govt Super Scheme-Div.B	Employer/employee super - Jan'11	-138,400.77
29886	10/02/2011	Veolia Environmental Services	Weekly collection of recyclables 1-31/12/10	-126,889.16
160211	16/02/2011	Australian Taxation Office	PAYG Wk 34	-114,791.14
20211	02/02/2011	Australian Taxation Office	PAYG Wk 32	-114,445.14
230211	23/02/2011	Australian Taxation Office	PAYG Wk 35	-110,256.14
90210	09/02/2011	Australian Taxation Office	PAYG Wk 33	-109,092.14
29965	17/02/2011	Building & Construction Industry	LSL Levy - Jan'11	-73,779.71

Payments - Direct Debits From Bank A/c

Payroll	-1,492,504.10
Bank Charges	-5,851.15
Investment Purchases	-11,800,000.00
Councillors' fees	-17,315.63
Total Direct Debits for period	-13,315,670.88

Total Payments

-16,837,388.62

Cash Book Balance as at 28 February 2011

248,474.23

Unpresented Cheques	No. of Cheques:	145	151,636.22
Outstanding Deposits & Miscellaneous Items			925,764.16

Reconciled Cash Book Balance as at 28 February 2011

1,325,874.61

Bank A/c Balance as at 28 February 2011

1,325,874.61

Unpresented Cheques > \$30,000.00

Cheque No.	Cheque Date	Payee	Amount
210174	17/02/2011	State Debt Recovery Office	58,939.00

Commentary:

This statement presents Council's bank reconciliation as at 28 February 2011. The top ten receipt and payment items are provided in the report. Excluding investment transactions, receipts exceeded payments for the month by some \$2.3m, consistent with a rates instalment month.

INVESTMENTS AS AT 28 FEBRUARY 2011

CATEGORY	FACE VALUE \$	BOOK VALUE \$
1. LEHMAN BROTHERS (formerly Grange Securities Ltd)		
Funds previously under management	14,267,465	7,606,425
2. OAKVALE CAPITAL Limited		
Funds previously under management	6,247,114	2,323,825

RATING	CATEGORY	PURCHASE DATE	MATURITY DATE	TOTAL TERM (DAYS)	REMAINING DAYS TO MATURITY	%	FACE VALUE \$	BOOK VALUE \$	GOV'T GUARANTEE
3. WMC DIRECT INVESTMENTS									
<i>TERM DEPOSITS: (in order of Maturity)</i>									
AAA*	<u>BANK OF QUEENSLAND</u> TERM DEPOSIT	25/10/2010	24/03/2011	150	24	6.00	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANANACOAST CREDIT UNION</u> TERM DEPOSIT	26/03/2010	26/03/2011	365	26	7.00	1,000,000	1,000,000	Guaranteed
AAA*	<u>SUNCORP METWAY LTD</u> TERM DEPOSIT	04/11/2010	04/04/2011	151	35	5.96	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANK OF CYPRUS</u> TERM DEPOSIT	25/10/2010	27/04/2011	184	58	6.25	1,000,000	1,000,000	Guaranteed
AAA*	<u>HERITAGE BUILDING SOCIETY</u> TERM DEPOSIT	04/11/2010	03/05/2011	180	64	6.11	1,000,000	1,000,000	Guaranteed
AAA*	<u>QUEENSLAND POLICE CREDIT UNION</u> TERM DEPOSIT	23/11/2010	23/05/2011	181	84	6.38	1,000,000	1,000,000	Guaranteed
AAA*	<u>POLICE CREDIT UNION SA</u> TERM DEPOSIT	04/01/2011	03/06/2011	150	95	6.25	1,000,000	1,000,000	Guaranteed
AAA*	<u>MEMBERS EQUITY BANK</u> TERM DEPOSIT	10/01/2011	09/06/2011	150	101	6.30	1,000,000	1,000,000	Guaranteed
AAA*	<u>QANTAS STAFF CREDIT UNION</u> TERM DEPOSIT	17/01/2011	16/06/2011	150	108	6.25	1,000,000	1,000,000	Guaranteed
AAA*	<u>THE ROCK BUILDING SOCIETY</u> TERM DEPOSIT	09/02/2011	11/07/2011	152	133	6.16	1,000,000	1,000,000	Guaranteed
AAA*	<u>MY STATE FINANCIAL CREDIT UNION</u> TERM DEPOSIT	09/02/2011	11/07/2011	152	133	6.21	1,000,000	1,000,000	Guaranteed
AAA*	<u>SGE CREDIT UNION</u> TERM DEPOSIT	14/02/2011	14/07/2011	150	136	6.15	1,000,000	1,000,000	Guaranteed
AAA*	<u>SUTHERLAND CREDIT UNION</u> TERM DEPOSIT	14/02/2011	14/07/2011	150	136	6.15	1,000,000	1,000,000	Guaranteed
AAA*	<u>HUNTER UNITED CREDIT UNION</u> TERM DEPOSIT	28/02/2011	28/07/2011	150	150	6.20	1,000,000	1,000,000	Guaranteed
AAA*	<u>IMB</u> TERM DEPOSIT	11/08/2010	11/08/2011	365	164	6.35	1,000,000	1,000,000	Guaranteed
AAA*	<u>QUAY CREDIT UNION</u> TERM DEPOSIT	21/02/2011	21/08/2011	181	174	6.25	1,000,000	1,000,000	Guaranteed
AAA*	<u>LAIKI BANK</u> TERM DEPOSIT	05/09/2010	05/09/2011	365	189	6.30	1,000,000	1,000,000	Guaranteed
AAA*	<u>INVESTEC AUSTRALIA LTD</u> TERM DEPOSIT	26/11/2009	12/10/2011	685	226	6.61	1,000,000	1,000,000	Guaranteed
AAA*	<u>ELDERS RURAL BANK</u> TERM DEPOSIT	24/11/2009	24/11/2011	730	269	6.60	1,000,000	1,000,000	Guaranteed
AAA*	<u>RABOBANK AUST</u> TERM DEPOSIT	28/02/2011	01/03/2012	367	367	6.60	1,000,000	1,000,000	Guaranteed
AAA*	<u>ING DIRECT</u> TERM DEPOSIT	28/02/2011	28/02/2013	731	731	6.74	1,000,000	1,000,000	Guaranteed
AA	<u>COMMONWEALTH BANK</u> TERM DEPOSIT	16/12/2008	16/12/2011	1095	291	6.03	1,000,000	1,000,000	
AT CALL:									
AA	<u>COMMONWEALTH BANK</u> ONLINE SAVER A/C					4.50	5,394,969	5,394,969	1st \$1m Gteed
AAA*	<u>AMP BANK</u> CASH MNGMT ACCT	11/06/2009				4.75	999,995	999,995	Guaranteed
Total WMC Direct Investments							28,394,964	28,394,964	
Weighted Average Days to Maturity of WMC Direct Investments					167.91				
Weighted Average Return of WMC Direct Investments						6.31			
% Government Guarantee of WMC Direct Investments									73%
PORTFOLIO TOTALS							48,909,543	38,325,213.86	

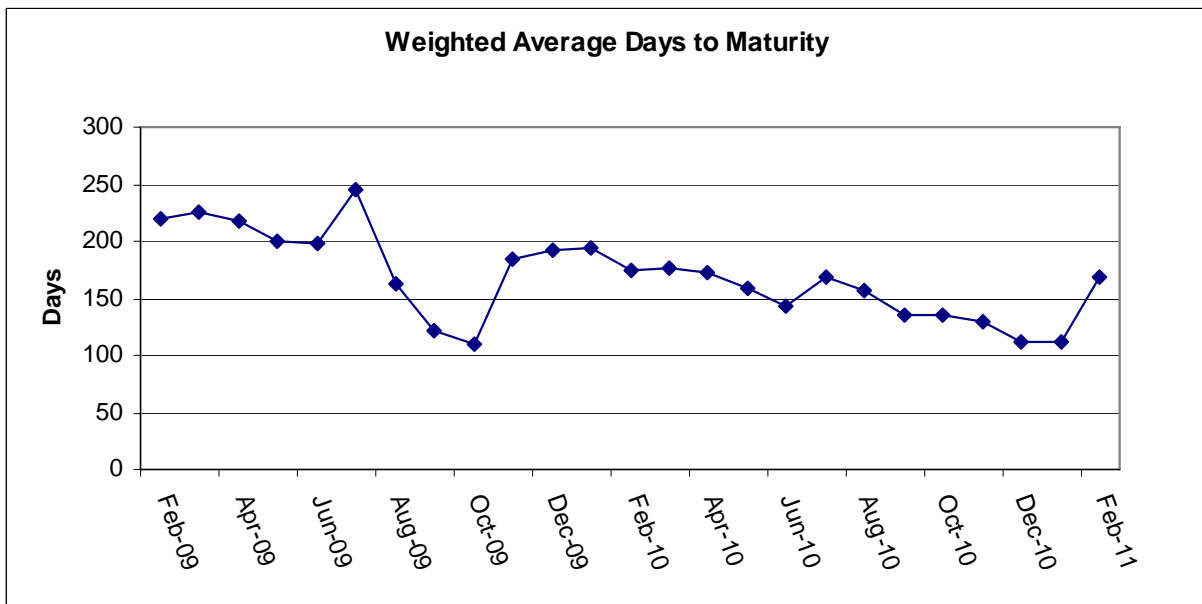
* Government Guaranteed deposits have been rated AAA

I hereby certify that the above investments have been made in accordance with Section 625 of the Local Government Act 1993, Clause 212 of the Local Government (General) Regulation 2005 and Council's investment policy.

D. Johnston
MANAGER FINANCE

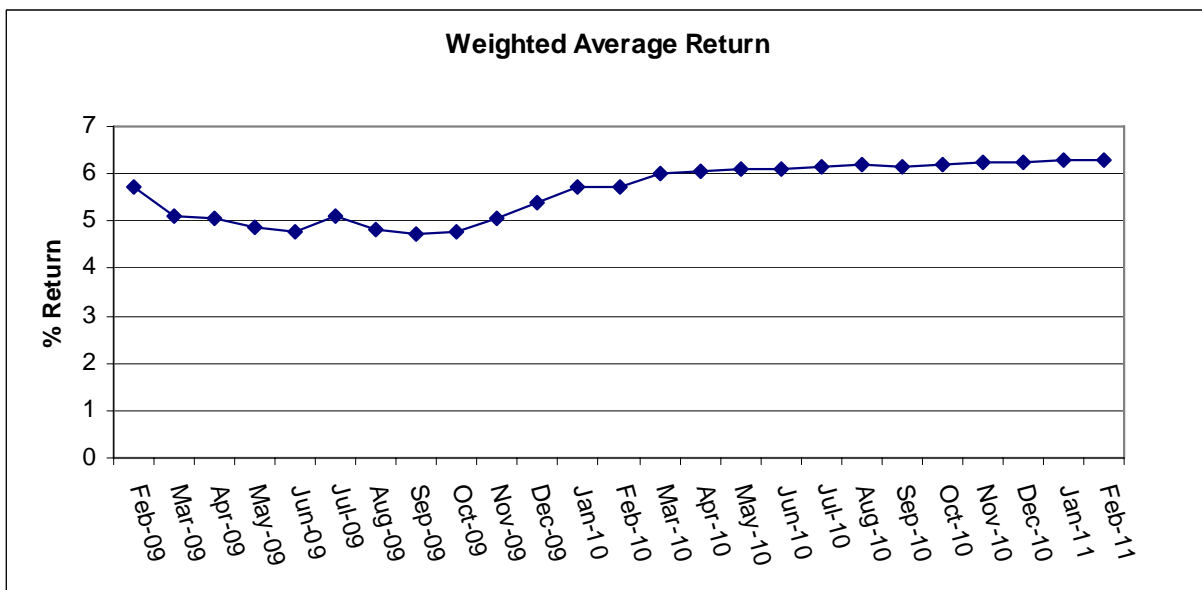
INVESTMENTS PORTFOLIO AS AT 28 FEBRUARY 2011							
Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
1. LEHMAN BROTHERS (formerly GRANGE SECURITIES)							
Issued by non-ADIs							
Lehman Global Property Note	Other	13/06/2007	15/06/2009	60,000	60,000	0	1
Magnolia (Flinders AA)	CDO	08/06/2007	20/03/2012	500,000	513,670	0	1
Helium (Esperance AA+)	CDO	04/07/2007	20/03/2013	500,000	501,565	0	1
Zircon (Merimbula AA)	CDO	06/06/2007	20/06/2013	250,000	250,000	175,000	1
Corsair (Torquay AA)	CDO	04/07/2007	20/06/2013	500,000	501,860	0	1
Start (Blue Gum AA-)	CDO	08/01/2007	22/06/2013	400,000	402,768	0	1
Corsair (Kakadu AA)	CDO	22/01/2007	20/03/2014	500,000	503,300	0	1
Helium (Scarborough AA)	CDO	17/01/2007	23/06/2014	400,000	402,620	0	1
Helium (Scarborough AA)	CDO	04/07/2007	23/06/2014	500,000	502,270	0	1
Helium (Scarborough AA)	CDO	23/07/2007	23/06/2014	500,000	503,810	0	1
Zircon (Coolangatta AA)	CDO	20/03/2007	20/09/2014	500,000	500,000	350,000	1
Beryl (AAA Global Bank Note)	Other	03/04/2007	20/09/2014	100,000	100,000	70,000	1
Zircon (Coolangatta AA)	CDO	04/07/2007	20/09/2014	500,000	501,430	350,000	1
Beryl (AAA Global Bank Note)	Other	04/07/2007	20/09/2014	350,000	350,917	245,000	1
Aphex (Glenelg AA-)	CDO	10/01/2007	22/12/2014	500,000	501,960	0	1
Aphex (Glenelg AA-)	CDO	04/07/2007	22/12/2014	500,000	501,405	0	1
MAS6-7 (Parkes IIA 'AA-')	CDO	13/06/2007	20/06/2015	450,000	461,687	0	1
MAS6-7 (Parkes IIA 'AA-')	CDO	04/07/2007	20/06/2015	500,000	504,315	0	1
Zircon (Miami AA)	CDO	16/04/2007	20/03/2017	50,000	50,137	35,000	1
				7,560,000	7,613,714	1,225,000	
Issued by ADIs							
			Call Date				
Royal Bank of Scotland (AA)	FRN	04/07/2007	28/10/2009	500,000	508,290	424,965	2
HSBC Sub Debt (AA-)	FRN	04/07/2007	20/05/2011	500,000	503,915	493,465	2
Suncorp Metway Sub Debt (A)	FRN	19/01/2007	22/06/2011	500,000	503,285	493,480	2
St George Bank Sub Debt (A+)	FRN	10/01/2007	26/07/2011	1,000,000	1,014,990	994,600	2
HSBC FRN (AA-)	FRN	07/02/2007	22/09/2011	500,000	505,470	496,025	2
CBA FRN (AA)	FRN	19/01/2007	28/09/2011	500,000	503,640	496,685	2
CBA FRN (AA)	FRN	31/01/2007	28/09/2011	500,000	504,785	496,685	2
CBA FRN (AA)	FRN	04/07/2007	28/09/2011	500,000	502,360	496,685	2
Westpac FR Sub Debt (AA)	FRN	07/02/2007	24/01/2012	500,000	501,590	494,515	2
Royal Bank of Scotland (AA)	FRN	31/01/2007	17/02/2012	1,000,000	1,014,560	791,030	2
Adelaide Bank FRN (BBB+)	FRN	04/07/2007	28/03/2012	500,000	501,445	495,825	2
				6,500,000	6,564,330	6,173,960	
Macquarie Cash Trust (AAA)	Cash			2,111	2,111	2,111	5
UBS Cash Management Trust	Cash			205,354	205,354	205,354	5
				207,465	207,465	207,465	
Total Lehman Brothers				14,267,465	14,385,509	7,606,425	
2. OAKVALE CAPITAL							
Emeral Reverse Mortgage Series 2007-1 Class B	Mortgage Backed	06/07/2007	06/07/2011	1,000,000	1,000,000	930,000	1
Momentum (Calyon Nickel) Credit Linked Note	CDO	15/05/2007	30/06/2012	1,000,000	1,000,000	0	3
Aramis (Merrill Lynch) Clear 40 - ABS	CDO	02/04/2007	20/12/2012	1,000,000	1,000,000	0	3
Blackrock (Merrill Lynch) Diversified Credit Fund	Managed Fund	05/01/2007		3,247,114	3,247,114	1,393,825	4
Total Oakvale Capital				6,247,114	6,247,114	2,323,825	

Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
3. WMC INVESTMENTS							
Bank of Queensland (6.00% 150d)	TD	25/10/2010	24/03/2011	1,000,000	1,000,000	1,000,000	5
Bananacoast Comm CU (7.0% 12mths)	TD	26/03/2010	26/03/2011	1,000,000	1,000,000	1,000,000	5
Suncorp Metway Ltd (5.96% 151d)	TD	04/11/2010	04/04/2011	1,000,000	1,000,000	1,000,000	5
Bank of Cyprus (6.25% 184d)	TD	25/10/2010	27/04/2011	1,000,000	1,000,000	1,000,000	5
Heritage Blg Society (6.11% 180d)	TD	04/11/2010	03/05/2011	1,000,000	1,000,000	1,000,000	5
Queensland Police CU (6.38% 181d)	TD	23/11/2010	23/05/2011	1,000,000	1,000,000	1,000,000	5
Police CU SA (6.25% 150d)	TD	04/01/2011	03/06/2011	1,000,000	1,000,000	1,000,000	5
Members Equity Bank Pty Ltd (6.3% 150d)	TD	10/01/2011	09/06/2011	1,000,000	1,000,000	1,000,000	5
Qantas Staff CU (6.25% 150d)	TD	17/01/2011	16/06/2011	1,000,000	1,000,000	1,000,000	5
The Rock Building Society (6.16% 152d)	TD	09/02/2011	11/07/2011	1,000,000	1,000,000	1,000,000	5
My State Financial CU (6.21% 152d)	TD	09/02/2011	11/07/2011	1,000,000	1,000,000	1,000,000	5
SGE CU (6.15% 150d)	TD	14/02/2011	14/07/2011	1,000,000	1,000,000	1,000,000	5
Sutherland CU Ltd (6.15% 150d)	TD	14/02/2011	14/07/2011	1,000,000	1,000,000	1,000,000	5
Hunter United Employees CU (6.20% 150d)	TD	28/02/2011	28/07/2011	1,000,000	1,000,000	1,000,000	5
IMB (6.35% 365d)	TD	11/08/2010	11/08/2011	1,000,000	1,000,000	1,000,000	5
Quay CU (6.25% 181d)	TD	21/02/2011	21/08/2011	1,000,000	1,000,000	1,000,000	5
LaiKi Bank (6.30% 365d)	TD	05/09/2010	05/09/2011	1,000,000	1,000,000	1,000,000	5
Investec Bank (6.61% 685d)	TD	26/11/2009	12/10/2011	1,000,000	1,000,000	1,000,000	5
Elders Rural Bank (6.6% 730d)	TD	24/11/2009	24/11/2011	1,000,000	1,000,000	1,000,000	5
CBA TCD (90day BBSW + 1.6% - 3yrs)	TD	16/12/2008	16/12/2011	1,000,000	1,000,000	1,000,000	5
Rabobank Aust (6.60% 367d)	TD	28/02/2011	01/03/2012	1,000,000	1,000,000	1,000,000	5
ING Direct (6.74% 731d)	TD	28/02/2011	28/02/2013	1,000,000	1,000,000	1,000,000	5
AMP Cash Management Account	Cash	16/06/2009		999,995	999,995	999,995	5
CBA Online Saver	Cash			5,394,969	5,394,969	5,394,969	5
Total Direct Investments				28,394,964	28,394,964	28,394,964	
Total Portfolio				48,909,543	49,027,587	38,325,214	
PORTFOLIO SUMMARISED BY CLASSIFICATION							
CDO				9,050,000	9,102,797	910,000	
FRN				6,500,000	6,564,330	6,173,960	
Mortgage Backed				1,000,000	1,000,000	930,000	
Managed Fund				3,247,114	3,247,114	1,393,825	
TD				22,000,000	22,000,000	22,000,000	
Cash				6,602,429	6,602,429	6,602,429	
Other				510,000	510,917	315,000	
				48,909,543	49,027,587	38,325,214	
1. Book Value (Fair Value) as at 30 June 2010							
2. Mark-to-Market Valuation 30 September 2010							
3. Defaulted							
4. Current Value. Fund Closed - Assets being sold and repaid							
5. Face value of deposit / bank bill							
CDO - Collateralised Debt Obligation	CDOs are constructed from a portfolio of assets. These assets are divided by the issuer into different tranches: senior tranches (rated AAA), mezzanine tranches (AA to BB), and equity tranches (unrated). Losses are applied in reverse order of seniority and so junior tranches offer higher coupons (interest rates) to compensate for the added default risk.						
FRN - Floating Rate Note	Floating rate notes (FRNs) are bonds that have a variable coupon, equal to a money market reference rate, plus a spread. The spread is a rate that remains constant. Almost all FRNs have quarterly coupons, i.e. they pay out interest every three months.						
Managed Fund	Managed Funds are a way of investing money with other people to participate in a wider range of investments than those feasible for most individual investors, and to share the costs of doing so.						
Mortgage Backed Security	A mortgage-backed security is an asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans. Payments are typically made monthly over the lifetime of the underlying loans.						
Term Deposit	Term Deposit is a money deposit at an approved deposit taking (ADI) institution for a fixed term at a fixed interest rate. When the term is over it can be withdrawn or it can be held for another term.						



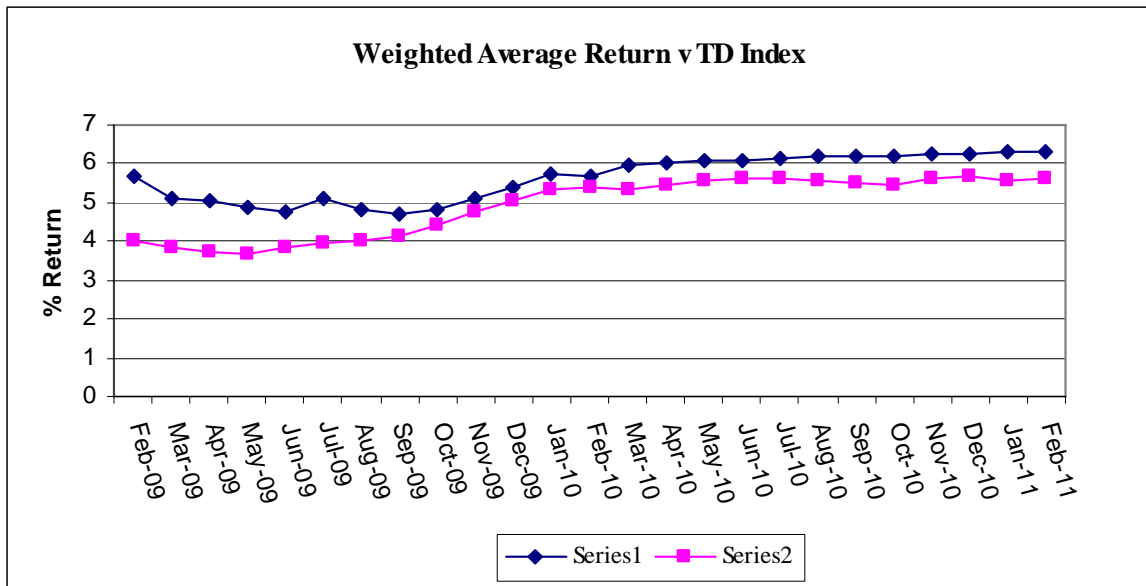
Commentary:

The weighted average spiked during February as a result of placing longer term investments.



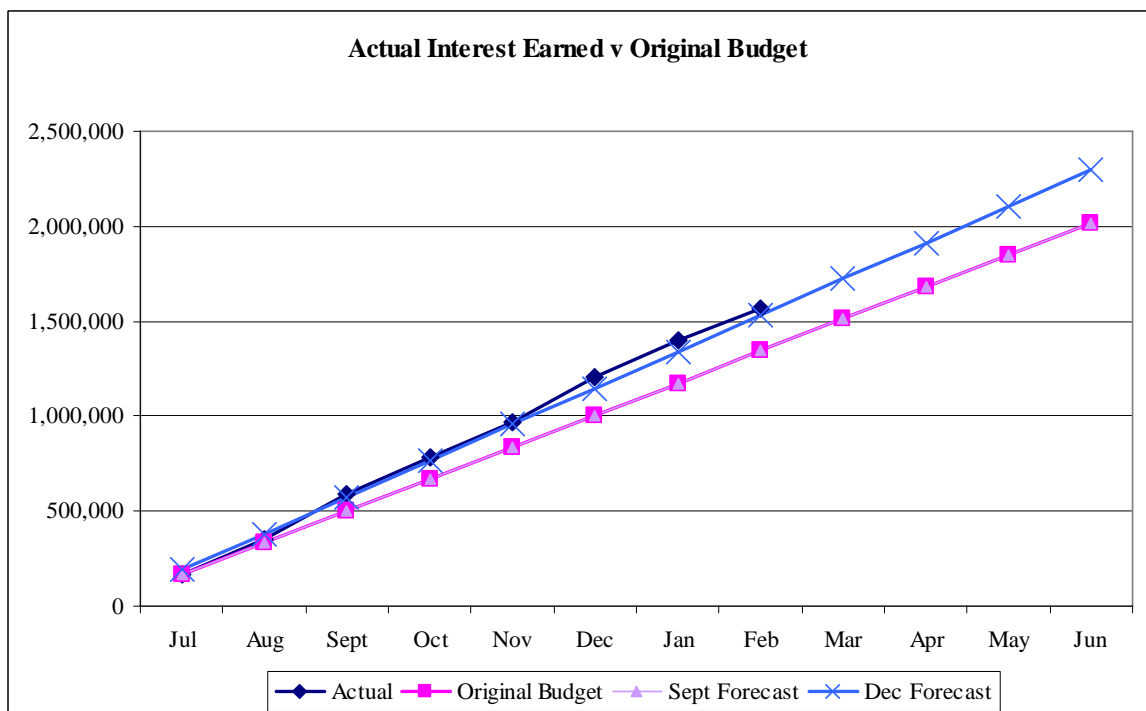
Commentary:

There was little variation in the interest rates of the maturing investments and the re-investment of term deposits. The weighted average return effectively remained unchanged from January. Council's forecast rate of return of 6% has been slightly exceeded which is reflected in the earnings chart below.



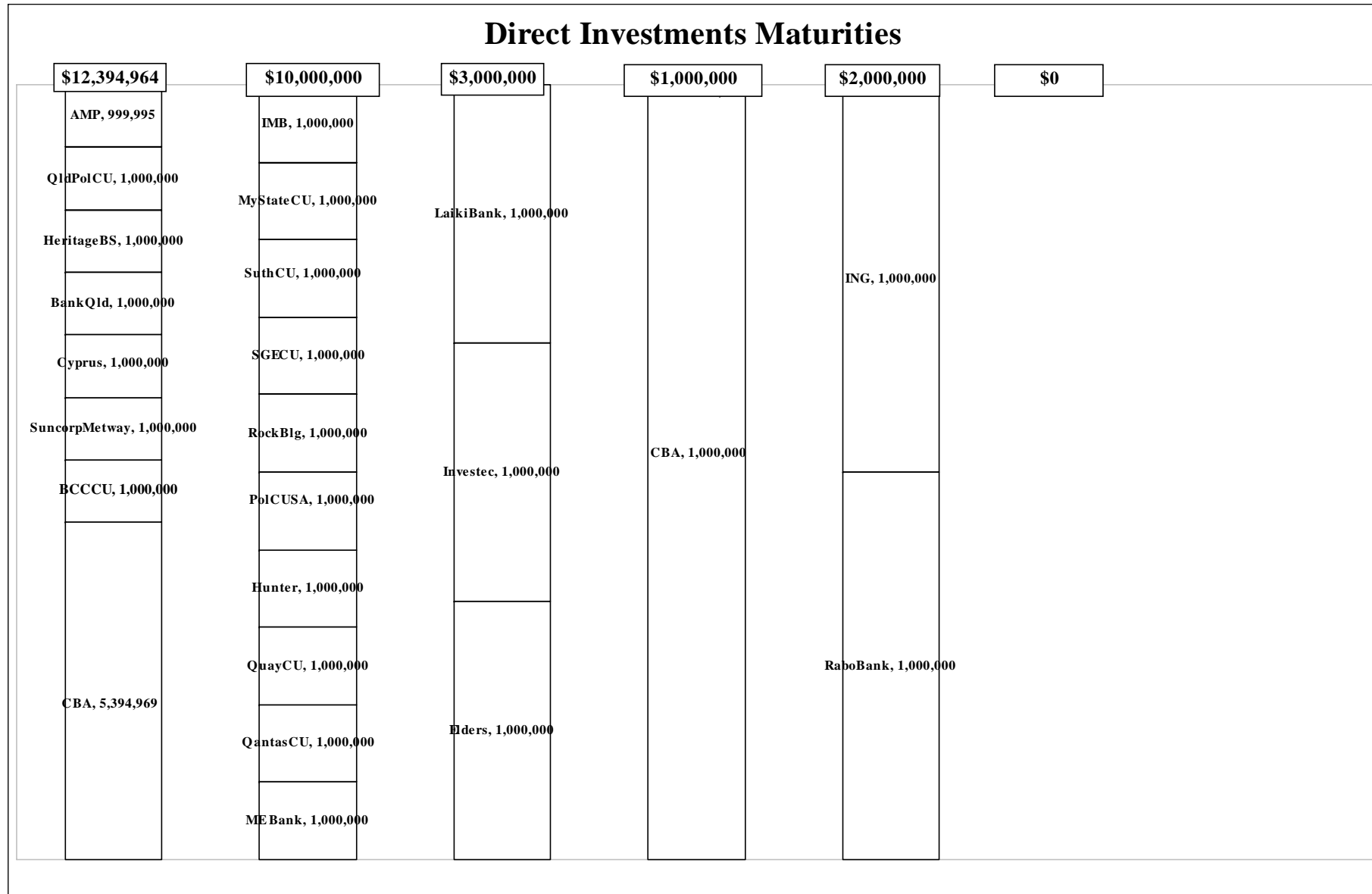
Commentary:

This chart tracks Council’s weighted average return on its direct investment portfolio against a 90 day bank bill index. As Council’s portfolio has become more weighted toward 90 day term deposits as illustrated in the Weighted Average Days to Maturity chart above, the margin Council is achieving above the 90 day term deposit index has contracted. The small margin effectively remained unchanged for February.



Commentary:

This chart tracks the original and revised forecasts of Council’s interest on investments against actual accrued interest to date. Accrued interest to the end of February continues to track slightly ahead of the revised budget forecast as expected due to the higher levels of investments during the first half of the year..



Commentary:

The chart reflects Council's position of generally rolling short term investments.

Movements in Book Value of Investments

Formerly managed by Lehman Brothers

Date	Description	Securities	Cash (Macq Trust)	Grove	Total
				Portfolio Online/UBS Cash Management Trust	
01/07/2010		8,774,880.00	1,988.94	151,240.08	8,928,109.02
01/07/2010	Interest - GPO Cash Account			243.52	8,928,352.54
12/07/2010	GPO Fee			(653.55)	8,927,698.99
Various	July Coupons			24,649.32	8,952,348.31
02/08/2010	Interest - GPO Cash Account			599.71	8,952,948.02
10/08/2010	Redemption of NM Rothschild FRNs	(1,000,000.00)		1,000,000.00	8,952,948.02
	FV Adjustment (BV @ maturity \$996,290)	3,710.00			8,956,658.02
11/08/2010	GPO Fee			(676.63)	8,955,981.39
30/08/2010	GPO Fee			(666.61)	8,955,314.78
Various	August Coupons			41,399.51	8,996,714.29
01/09/2010	GPO Fee 30/08/2010 reversed			666.61	8,997,380.90
30/09/2010	Redemption of BELO Kalgoorlie	(486,500.00)		486,500.00	8,997,380.90
	FV Adjustment (BV @ maturity \$480,000)	6,500.00			9,003,880.90
30/09/2010	Interest - UBS Cash Account			3,652.48	9,007,533.38
30/09/2010	Mark-to-Market Valuation adjustment	78,905.00			9,086,438.38
Various	September Coupons			124,197.37	9,210,635.75
Various	October Coupons			26,446.44	9,237,082.19
Various	Macquarie Cash Management Account - interest (net)		89.20		9,237,171.39
02/11/2010	Withdrawal - UBS Cash Management Account			(1,800,000.00)	7,437,171.39
03/11/2010	UBS Fee - Sept'10 qtr management fee			(394.53)	7,436,776.86
17/11/2010	UBS Fee - Dec'10 qtr management fee			(681.73)	7,436,095.13
25/11/2010	Redemption of Omega (Henley) CDO	(38,750.00)			7,397,345.13
25/11/2010	FV Adjustment (BV @ maturity \$0)	38,750.00			7,436,095.13
Various	November Coupons			19,005.62	7,455,100.75
14/12/2010	UBS Fee - Dec'10 qtr management fee			(604.34)	7,454,496.41
20/12/2010	Maturity of Herald FRN	(400,000.00)		400,000.00	7,454,496.41
20/12/2010	FV Adjustment (BV @ maturity \$0)	400,000.00			7,854,496.41
31/12/2010	Interest - UBS Cash Account			6,901.07	7,861,397.48
31/12/2010	Mark-to-Market Valuation adjustment	21,465.00			7,882,862.48
Various	December Coupons			124,625.89	8,007,488.37
Various	Macquarie Cash Management Account - interest (net)		16.03		8,007,504.40
19/01/2011	UBS Fee - Dec'10 qtr management fee			(630.66)	8,006,873.74
24/01/2011	Blackrock cash distribution (all capital) to UBS account			145,731.83	8,152,605.57
24/01/2011	Withdrawal - UBS Cash Management Account			(600,000.00)	7,552,605.57
Various	January Coupons			26,693.65	7,579,299.22
Various	Macquarie Cash Management Account - interest (net)		9.23		7,579,308.45
11/02/2011	UBS Fee - Mar'11 qtr management fee			(633.45)	7,578,675.00
Various	February Coupons			27,742.39	7,606,417.39
Various	Macquarie Cash Management Account - interest (net)		7.61		7,606,425.00
		7,398,960.00	2,111.01	205,353.99	

Formerly managed by Oakvale Capital

Date	Description	Securities	Blackrock	Total
			Managed Fund	
01/07/2010		930,000.00	1,539,556.44	2,469,556.44
24/01/2011	BlackRock cash distribution to UBS		(145,731.83)	2,323,824.61
		930,000.00	1,393,824.61	

Commentary:

The table above details any movements in Council's portfolio formerly managed by Lehman Brothers and Oakvale Capital. It typically includes the maturity or sale of securities, quarterly coupon payments and fair value (market) adjustments. It will also include small payments of interest earned on the Grove Portfolio Online cash management account and the deduction of fees associated with Council's current safe custody arrangements.

Council received all expected coupon payments for the month of February.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

Item No: D3 Delegated to Committee
Subject: **2011/2012 Draft Rating Structures**
Author: Don Johnston, Manager Finance
File No: 87G 2012 & 331G 2011/2012
Reason for Report: To provide an overview of Council's current Rating Structure and to consider Rating Structures (with and without a special rate variation) for inclusion in the Draft 2009-2013 Delivery Program and 2011/2012 Operational Plan.

Recommendation:

THAT the following rating structures be included in the draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 for the purposes of public exhibition:

Scenario 1 - Including a 9.82% special rate variation to raise \$2,089,111:

1. An increase in the total rates of 9.82% (being the 2.8% rate peg limit plus 5.84% to continue Council's Environmental & Infrastructure Renewal Levy plus 1.18% to recover extraordinary increases in Emergency management Contributions) as in Annexure 2;
2. Retention of the current rating structure being:
 - i. Residential - 50% base amount plus 50% ad valorem;
 - ii. Business - ad valorem subject to a minimum rate;
 - iii. Environmental & Infrastructure Renewal Levy – 50% base amount plus 50% ad valorem;
3. Continuation of the Council pensioner rebate of 100% of the Environmental & Infrastructure Renewal Levy for all eligible pensioners

And

Scenario 2 – An increase in rates of 2.8% only in line with the rate peg less the partial expiry of the Environmental & Infrastructure Renewal Levy:

1. An increase in the total rates of 2.8% less the partial expiry of the Environmental & Infrastructure Renewal Levy as in Annexure 3;
2. Retention of the current rating structure being:
 - i. Residential - 50% base amount plus 50% ad valorem;
 - ii. Business – ad valorem subject to a minimum rate;
 - iii. Environmental & Infrastructure Renewal Levy – 50% base amount plus 50% ad valorem;
3. Continuation of the Council pensioner rebate of 100% of the Environmental & Infrastructure Renewal Levy for all eligible pensioners

Existing Rating Structure

Council's current rating structure was adopted following consideration by the Corporate & Works Committee of reports on a review of the commercial (business) rating structure in December 2002 and on the distribution of rates between the various categories in May 2003. It was reaffirmed for the 2010/2011 financial year when the yield from each category and sub-category of rates was increased by 2.6%, in line with the rate peg limit, following an unsuccessful special rate variation application.

The current structure is comprised of a residential category, a business category and thirteen business sub-categories and one special rate for the Environmental & Infrastructure Renewal Levy. Rates in the residential category and the Environmental & Infrastructure Renewal Levy special rate are levied on the basis of collecting 50% of the yield through a base amount and 50% on an ad valorem basis (land value multiplied by a rate in the dollar).

The business category and sub-categories are levied on an ad valorem basis, subject to a minimum rate.

The rating structure for 2010/2011 also included a business sub category for car spaces levied on a pure ad valorem basis. Council has received advice from the Division of Local Government that this sub categorisation appears not to be valid as business sub-categories are based on "centres of activity". To overcome this, the sub categorisation has been removed in the proposed 2011/2012 rating structure leaving car spaces uncategorised in the business category.

This required change will result in quite large increases in rates for the 222 existing assessments, from nominal rates calculated on a pure ad valorem basis in the former sub category to the minimum rate (\$522.55 in 2011/2012) in the business category.

The table below outlines the notional yield for 2010/2011 with car spaces re-categorised to the business category:

Name of sub-category	Number of Assessments	Ad Valorem Rate in \$	\$ Minimum (M)/ Base Amount (B)	\$ 2009/10 Notional Yield
<i>General Rates</i>				
Residential Rates:				
Residential Category	24,331	0.047212	484.15 (B)	23,711,044
BUSINESS RATES:				
Business Category	621	0.2466	502.95 (M)	1,181,388
<i>Sub categories:</i>				
Double Bay	244	0.3861	502.95 (M)	1,344,426
Oxford Street	212	0.3191	502.95 (M)	711,769
Rose Bay	81	0.3300	502.95 (M)	234,316
Edgecliff	146	0.3653	502.95 (M)	311,272
Bellevue Hill	36	0.2830	502.95 (M)	34,195
Edgecliff/Grosvenor	36	0.2810	502.95 (M)	72,251
Five Ways	29	0.2350	502.95 (M)	59,461
New South Head Rd, Vaucluse	26	0.2730	502.95 (M)	38,492
Old South Head Rd, Rose Bay	22	0.2190	502.95 (M)	57,850
Old South Head Rd, Vaucluse	19	0.1450	502.95 (M)	15,377
Plumer Road	3	0.2389	502.95 (M)	10,221
Queen Street	70	0.2010	502.95 (M)	181,296
Watsons Bay	19	0.2300	502.95 (M)	65,181
Total General Rates	25,895			28,028,538

Name of sub-category	Number of Assessments	Ad Valorem Rate in \$	\$ Minimum (M)/ Base Amount (B)	\$ 2009/10 Notional Yield
<i>Special Rate</i>				
Environmental & Infrastructure Renewal Levy	25,864	0.006444	65.65 (B)	3,418,805
Total Rates Revenue				31,447,343

NOTE: The number of assessments and notional yield may vary slightly between now and final adoption of the 2009-13 Delivery Program and 2011/12 Operational Plan due to routine changes to Council's rating base.

Legislative Framework

The Local Government Act (LGA) permits four categories of rates. The categories of ordinary rates are farmland, residential, mining and business rates. The business category is the 'catch all' category. If a property cannot be categorised as farmland, residential or mining it is categorised as business.

Council's current rating structure has two categories, residential and business. The proportions of ordinary rates collected from each category are:

CATEGORY	\$ 09/10 Notional Yield	%
Residential	23,711,044	84.6
Business	4,317,494	15.4
	28,028,538	100.0

The spread of land values across the two categories is:

CATEGORY	\$ 1 July 2009 Land Values	%
Residential	25,271,521,116	94.6
Business	1,432,913,554	5.4
	26,704,434,670	100.0

The LGA also provides for 'special rates' to be levied where a council is of the opinion that an area benefits, or will benefit, from particular works, services, facilities or activities. Council utilises these provisions for its Environmental & Infrastructure Renewal Levy.

Other than the required change to the car spaces business sub category, no changes to categories, sub-categories or the bases for calculating our rates are proposed for 2011/2012. However, information on categorisation, sub-categorisation, the bases for calculating rates and special rates are provided in **ANNEXURE 1** for the Committee's information.

Proposed General Rate Structures for 2011/2012

Within the overall limitation of increasing rates by no more than the rate peg, Council is able to determine the mix between categories and sub-categories within its rating structure and the basis upon which rates are calculated. In setting the rates for 2010/2011 the yield from each of the categories and sub-categories was increased by the then 2.6% rate peg limit. The approach recommended for the 2011/2012 rating year is consistent with this, although including the special rate variation.

In reports to date relating to Council's special rates variation application, the expiry amount has been reported as \$1.8m. This comprised the expiry amount of \$1,764,107 plus the rate peg of 2.8%, a total of \$1,813,502. Notwithstanding trying to confirm the amount with the DLG in December 2010, formal advice recently received indicated the expiry amount as \$1,691,742. Including the rate peg, the amount required to continue the E&IRL is \$1,739,111. This is 5.84% of the 2010/11 rates rather than the previously reported 6.1%. This has no net impact on Council's special variation application.

The proposed yield for the 2011/2012 rates is based on the 2.8% rate peg plus additional amounts of \$1,739,111 (5.84%) to continuing the expiring E&IRL and \$350,000 (1.18%) to cover extraordinary increases in Council's Emergency Management contribution. In dollar terms, the proposed 2011/2012 rates yield is:

	\$'000
2010/2011 Notional Yield	31,447
Less: Expiry amount	(1,692)
Adjusted 2010/2011 Notional Yield	29,755
Plus: 2.8% Permissible Increase	833
Plus: Continuation of E&IRL	1,739
Plus: Extraordinary EMC increases	350
Plus: Catch up from 2010/2011	10
2011/2012 Proposed Yield	32,688

Due to Council making an application for a special rate variation it is required to put two rating structures on public exhibition, one with the special rate variation and one without. In the rating structure with the special variation, the recommend structure increases the total yield from ordinary rates by 4.04% and the E&IRL to continue and increase by the 2.8% rate peg, and overall increase in total rates of 3.98% (being the 2.8% rate peg plus 1.18% for EMC increases).

In summary, the proposed rating yields with a special variation are:

Rates	10/11 Notional Yield \$'000	11/12 Proposed Yield \$'000	% Increase
Residential	23,711	24,681	4.04%
Business	4,317	4,492	4.04%
E&IRL	3,419	3,514	2.80%
Total	31,447	32,678	3.98%

In the rating structure without the special variation the yield for 2011/2012 would be \$30.599m as set out below.

	\$'000
2010/2011 Notional Yield	31,447
Less: Expiry amount	(1,692)
Adjusted 2010/2011 Notional Yield	29,755
Plus: 2.8% Permissible Increase	833
Plus: Catch up from 2010/2011	10
2011/2012 Yield without SRV	30,599

The recommended yields without the special variation increases the yield from each of the sub-categories by 2.8% and reducing the E&IRL by the expiring amount as summarised below.

Rates	10/11 Notional Yield \$'000	11/12 Proposed Yield \$'000	% Increase
Residential	23,711	24,375	2.80%
Business	4,317	4,449	2.80%
E&IRL	3,419	1,775	-48.07%
Total	31,448	30,599	-2.70%

It is proposed that Council continue its existing rating structure into 2011/2012, noting the removal of the car spaces business sub category, for both Scenario 1 and Scenario 2, being:

- Residential Rates and E&IRL - 50% base amount and 50% ad valorem. It is also proposed that eligible pensioners will continue to receive a 100% rebate of the levy at a cost of some \$108,000 for 2011/2012 (\$55,000 if the special variation is not approved).
- Business Rates – ad valorem subject to a minimum

While there are numerous options available to Council for changing the current structure, which range from abandoning the current 50/50 base amount/ad valorem structure of the residential rate in favour of a different mix, the re-introduction of a minimum rate, or to introducing a 50/50 base amount/ad valorem structure into one or all of the business sub-categories, the current rating structure is well established and widely accepted having been in place since 1994/95. In a review of the rating structure conducted in 1997 it was noted that the vast majority of submissions received in conjunction with the 1996/97 Management Plan supported the 50% base amount structure. No complaints have been received in relation to the current structure.

The current rating structure sees all ratepayers contributing a base amount toward Council's core services with the balance of rates paid reflecting the respective land values of properties. If Council was to revert to a minimum rate structure, earlier modelling demonstrated that 18,440 ratepayers would pay less in rates by up to 42%, while 5,839 would pay more in rates by up to 75% on the highest land value properties. Further, under the current rating structure, residential rates for 2010/11, inclusive of the then proposed special rate variation, ranged from \$500.25 to \$18,477 while under a minimum rate structure they would have ranged from \$430 to \$32,301. It is considered that the services and infrastructure available to the highest valued properties is not so dissimilar as to warrant them paying disproportionately more rates.

Consequently it is recommended that Council retain the existing rating structure and mix.

Exhibition of the Rating Structure

For the purposes of public exhibition, Council has to incorporate details of its rating structures in the Draft 2009-13 Delivery Program and 2011/2012 Operational Plan. The proposed rating structures for 2011/2012 are attached as follows:

Scenario 1: Rating structure including the special rate variation - **ANNEXURE 2**

Scenario 2: Rating structure without the special rate variation - **ANNEXURE 3.**

Conclusion:

The report outlines Council's existing rating structure and notes that Council can, within its overall rates yield, vary the mix between residential and business rates and/or vary the method of calculating its rates. Information has been provided in Annexure 1 on the sub-categorisation of rates and calculation methods. While there is a range of options regarding Council's rating structure it has been recommended that the current structure be continued for 2011/2012.

Council's special rate variation application requires the public exhibition of two scenarios, with and without the special variation.

- Scenario 1, with \$1,739,111 to continue the E&IRL and \$350,000 in a special rate variation totalling 9.82% (including the 2.8% rate peg) and resulting in an average increase in rates of 3.98%.
- Scenario 2, with only the 2.8% permissible increase less the expiring amount reducing the E & I R L.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

ANNEXURES:

1. Information on the Categorisation of Rateable Land and Rate Calculation Options
2. Scenario 1 Rating Structure for 2011/2012 – Total Rate increase of 3.98% being the Permissible Increase of 2.8% plus 1.18% of the special variation and continuation of the E&IRL
3. Scenario 2 Rating Structure for 2011/2012 – Permissible increase of 2.8% and partial expiry of the E&IRL.

ANNEXURE 1

Information on the Categorisation of Rateable Land and Rate Calculation Options

Categorisation

The categories of farmland, residential and mining are specifically defined in the Act whereas the business category is the “catch all” category.

The residential category is defined as:

Land is to be categorised as “residential” if it is a parcel of rateable land valued as one assessment and:

- (a) its dominant use is for residential accommodation (otherwise than as a hotel, motel, guest-house, back packer hostel or nursing home or any other form of residential accommodation not being a boarding house or lodging house prescribed by the regulations); or*
- (b) in the case of vacant land, it is zoned or otherwise designated for use under an environmental planning instrument (with or without development consent) for residential purposes; or*
- (c) it is rural residential land*

The business category is simply defined as:

Land is to be categorised as “business” if it cannot be categorised as farmland, residential or mining (Section 518 LGA)

Sub-Categorisation

Under Section 529 of the Local Government Act (LGA) a council may determine a sub-category or sub-categories for one or more categories of rateable land. The residential category can be sub-categorised according to whether the land is rural residential land or is within a “centre of population”. The business category may be sub-categorised according to a “centre of activity”. Council has utilised these provisions in relation to its business category.

The Act is silent on defining “centre of population” and “centre of activity”. The Department of Local Government offers guidance in its *Council Rating and Revenue Raising Manual* but states that it is for the Council to consider the definition when making decisions in this regard.

The guidelines for “centre of population” are:

- *separate towns or villages may be regarded as discrete centres of population*
- *wherever contiguous urban development exists the criteria that should be present in order to constitute a centre of population are:*
 - * *that there is a discernable community of interest amongst the residents which differs from those living outside that part of the area; and*
 - * *that part of the council area is independently serviced by infrastructure which reflects the focus of that part of the area as a centre of population*
- *a centre of population should not be a device intended to enable rating variations within an homogenous suburb or suburbs, or by street, or by any special feature such as proximity to water.*

The Manual goes on to say that it is clear that sub-categorisation on the basis of centre of population may have limited application within the suburbs of the main urban centres and emphasises that the LGA does not permit council to determine sub-categories solely or predominantly on the basis of land value.

In that regard, if council wishes to minimise the effect of land valuations on total rates payable, the use of base amounts would help to achieve this while not disturbing the land valuation relativities between parcels of land.

The guidelines for ‘centre of activity’ as the basis of business sub-categorisation are:

“.... in the view of the Department, the words refer to an area of land (usually comprising more than one parcel of rateable land) at which a complex of “business” activities are carried out in a fairly concentrated manner and with a high degree of congruity and homogeneity, having regard to the geographical cohesion of the land, the use to which it is put, and the comparative independence and self-relatedness of the activity or activities carried on in the area (e.g. a business centre or industrial estate).”

Notwithstanding this, the determination of sub-categories is still ultimately at Council’s discretion. Given the extensive review of the business category and subsequent introduction of ten sub-categories for each of the business centres, and the guidelines regarding residential sub-categorisation, it is considered that there are limited opportunities in this regard.

The current structure remains appropriate and is an effective means of differentially rating key business areas within the municipality.

The Bases of Calculating and Levying Rates

There are three bases available to Council upon which it can levy rates:

- pure ad valorem
- ad valorem subject to a minimum rate
- using a base amount to recover up to 50% of the total yield from a sub-category supplemented by an ad valorem rate for the remaining proportion of rates.

Special Rates

Council has broad powers under Section 495 of the LGA to levy ‘special rates’:

- (1) *A council may make a special rate for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken, by the council within the whole or any part of the council’s area, other than domestic waste management charges.*
- (2) *The special rate is to be levied on such rateable land in the council’s area as, in the council’s opinion:*
 - (a) *benefits or will benefit from the works, services, facilities or activities, or*
 - (b) *contributes or will contribute to the need for works, services, facilities or activities, or*
 - (c) *has or will have access to the works, services, facilities or activities.*

Council utilises these provisions for its Environmental & Infrastructure Renewal Levy.

SCENARIO 1: Council has applied for a 7.02% special variation in addition to the rate peg limit of 2.8%. The total increase in general rates income for 2011/2012 will be 3.98% if the Independent Pricing & Regulatory Tribunal approves Council's application. The special variation, if approved, will allow Council to continue its Environmental & Infrastructure Renewal Levy (which partially expires on 30 June 2011) and recover extraordinary increases in Emergency Management Contributions. SCENARIO 2 below sets out the Rating Structure in the event Council's special rate variation application is not approved.

Income:

Number of Rateable Assessments	25,864
Estimated Total Rate Income	\$32,687,448
Estimated Total Domestic Waste Management Charges	\$8,821,132
Estimated Stormwater Management Charges	\$480,000
Estimated Total Rates & Annual Charges	\$41,988,580

Annual Charges:

Stormwater Management Charge:	
Single residential dwelling	\$25.00
Residential strata unit	\$12.50
Business property	\$25.00 plus \$25.00 per 350 m ² (or part thereof) above 350 m ² in land area \$340.65
Domestic Waste Management Charge (per residential service)	

Minimums / Base / Ad Valorem Information

	<u>Rate in \$</u>	<u>Base / Minimum</u>
Category - Residential	0.04888	+ \$506.70 Base Charge
Category - Business	0.23205	with a \$522.55 minimum rate
Business Sub Categories:		
- Double Bay	0.40160	with a \$522.55 minimum rate
- Oxford Street, Paddington	0.33194	with a \$522.55 minimum rate
- New South Head Road, Rose Bay	0.34332	with a \$522.55 minimum rate
- Edgecliff	0.38014	with a \$522.55 minimum rate
- Bellevue Hill	0.29490	with a \$522.55 minimum rate
- Edgecliff / Grosvenor Streets, Woollahra	0.29242	with a \$522.55 minimum rate
- Five Ways, Paddington	0.24453	with a \$522.55 minimum rate
- New South Head Road, Vacluse	0.28420	with a \$522.55 minimum rate
- Old South Head Road, Rose Bay	0.22785	with a \$522.55 minimum rate
- Old South Head Road, Vacluse	0.15120	with a \$522.55 minimum rate
- Plumer Road, Rose Bay	0.24852	with a \$522.55 minimum rate
- Queen Street, Woollahra	0.20912	with a \$522.55 minimum rate
- Watsons Bay	0.23928	with a \$522.55 minimum rate
Special Rate:		
Environmental & Infrastructure Renewal Levy (All Categories and sub-categories)	0.006584	+ \$67.90 Base Charge

Rates Structure - 2011/2012 Rating Year				
Rate Category under the Local Government Act 1993	Method of Levying Rate	Yield \$	Minimums / Base Amount / Ad Valorem - Rate in \$	Number of Assessments
Ordinary Rate - Residential	Base Charge - 50% Ad Valorem - 50%	24,681,237	\$506.70 (Base Amount) 0.04888 cents in \$	24,331
Ordinary Rates - Business	Ad Valorem - subject to a minimum	1,229,397	0.23205 cents in \$/\$522.55 (minimum)	621
Business Sub Categories:				
- Double Bay	Ad Valorem - subject to a minimum	1,398,379	0.40160 cents in \$/\$522.55 (minimum)	244
- Oxford Street Paddington	Ad Valorem - subject to a minimum	740,403	0.33194 cents in \$/\$522.55 (minimum)	212
- Rose Bay(New South Head Road)	Ad Valorem - subject to a minimum	243,767	0.34332 cents in \$/\$522.55 (minimum)	81
- Edgecliff	Ad Valorem - subject to a minimum	323,882	0.38014 cents in \$/\$522.55 (minimum)	146
- Bellevue Hill	Ad Valorem - subject to a minimum	35,612	0.29490 cents in \$/\$522.55 (minimum)	36
- Edgecliff / Grosvenor Streets, Woollahra	Ad Valorem - subject to a minimum	75,184	0.29242 cents in \$/\$522.55 (minimum)	36
- Five Ways, Paddington	Ad Valorem - subject to a minimum	61,872	0.24453 cents in \$/\$522.55 (minimum)	29
- New South Head Road, Vaucluse	Ad Valorem - subject to a minimum	40,065	0.28420 cents in \$/\$522.55 (minimum)	26
- Old South Head Road, Rose Bay	Ad Valorem - subject to a minimum	60,187	0.22785 cents in \$/\$522.55 (minimum)	22
- Old South Head Road, Vaucluse	Ad Valorem - subject to a minimum	16,019	0.15120 cents in \$/\$522.55 (minimum)	19
- Plumer Road, Rose Bay	Ad Valorem - subject to a minimum	10,632	0.24852 cents in \$/\$522.55 (minimum)	3
- Queen Street, Woollahra	Ad Valorem - subject to a minimum	188,618	0.20912 cents in \$/\$522.55 (minimum)	70
- Watsons Bay	Ad Valorem - subject to a minimum	67,807	0.23928 cents in \$/\$522.55 (minimum)	19
Special Rate – Environmental & Infrastructure Renewal Levy (All Categories and sub-categories)	Base Charge - 50% Ad Valorem - 50%	3,514,386	\$67.90 (Base Amount) 0.006584 cents in \$	25,864
Sub Total: Gross Rates Levy		32,687,448		
Less: Pensioner Rates Rebate (Government)		260,000		
Pensioner Rates Rebate (Council)		108,214		
Total: Net Rates Income		32,319,234		

SCENARIO 2: If Council's application for a special rate variation is not approved, Council will only take up the 2.8% rate peg limit for 2011/2012 and will need to reduce its Environmental & Infrastructure Renewal Levy by \$1,739,111.

Income:

Number of Rateable Assessments	25,864
Estimated Total Rate Income	\$30,598,610
Estimated Total Domestic Waste Management Charges	\$8,821,132
Estimated Stormwater Management Charges	\$480,000
Estimated Total Rates & Annual Charges	\$39,899,742

Annual Charges:

Stormwater Management Charge:	
Single residential dwelling	\$25.00
Residential strata unit	\$12.50
Business property	\$25.00 plus \$25.00 per 350 m ² (or part thereof) above 350 m ² in land area
Charge per Residential Service	\$340.65

Minimums / Base / Ad Valorem Information

	<u>Rate in \$</u>	<u>Base / Minimum</u>
Category - Residential	0.048245	+ \$500.70 Base Charge
Category - Business	0.2314	with a \$517.00 minimum rate
Business Sub Categories:		
- Double Bay	0.3969	with a \$517.00 minimum rate
- Oxford Street, Paddington	0.3280	with a \$517.00 minimum rate
- New South Head Road, Rose Bay	0.3392	with a \$517.00 minimum rate
- Edgecliff	0.3755	with a \$517.00 minimum rate
- Bellevue Hill	0.2909	with a \$517.00 minimum rate
- Edgecliff / Grosvenor Streets, Woollahra	0.2889	with a \$517.00 minimum rate
- Five Ways, Paddington	0.2416	with a \$517.00 minimum rate
- New South Head Road, Vacluse	0.2806	with a \$517.00 minimum rate
- Old South Head Road, Rose Bay	0.2251	with a \$517.00 minimum rate
- Old South Head Road, Vacluse	0.1491	with a \$517.00 minimum rate
- Plumer Road, Rose Bay	0.2457	with a \$517.00 minimum rate
- Queen Street, Woollahra	0.2066	with a \$517.00 minimum rate
- Watsons Bay	0.2364	with a \$517.00 minimum rate
Special Rate:		
Environmental & Infrastructure Renewal Levy (All Categories and sub-categories)	0.003326	+ \$34.30 Base Charge

Rates Structure - 2011/2012 Rating Year				
Rate Category under the Local Government Act 1993	Method of Levying Rate	Yield \$	Minimums / Base Amount / Ad Valorem - Rate in \$	Number of Assessments
Ordinary Rate - Residential	Base Charge - 50% Ad Valorem - 50%	24,374,777	\$500.70 (Base Amount) 0.048245 cents in \$	24,331
Ordinary Rates - Business	Ad Valorem - subject to a minimum	1,224,792	0.2314 cents in \$/\$517.00 (minimum)	621
Business Sub Categories				
- Double Bay	Ad Valorem - subject to a minimum	1,382,031	0.3969 cents in \$/\$517.00 (minimum)	244
- Oxford Street Paddington	Ad Valorem - subject to a minimum	731,621	0.3280 cents in \$/\$517.00 (minimum)	212
- Rose Bay (New South Head Road)	Ad Valorem - subject to a minimum	240,848	0.3392 cents in \$/\$517.00 (minimum)	81
- Edgecliff	Ad Valorem - subject to a minimum	319,964	0.3755 cents in \$/\$517.00 (minimum)	146
- Bellevue Hill	Ad Valorem - subject to a minimum	35,150	0.2909 cents in \$/\$517.00 (minimum)	36
- Edgecliff / Grosvenor Streets, Woollahra	Ad Valorem - subject to a minimum	74,281	0.2889 cents in \$/\$517.00 (minimum)	36
- Five Ways, Paddington	Ad Valorem - subject to a minimum	61,131	0.2416 cents in \$/\$517.00 (minimum)	29
- New South Head Road, Vaucluse	Ad Valorem - subject to a minimum	39,564	0.2806 cents in \$/\$517.00 (minimum)	26
- Old South Head Road, Rose Bay	Ad Valorem - subject to a minimum	59,461	0.2251 cents in \$/\$517.00 (minimum)	22
- Old South Head Road, Vaucluse	Ad Valorem - subject to a minimum	15,811	0.1491 cents in \$/\$517.00 (minimum)	19
- Plumer Road, Rose Bay	Ad Valorem - subject to a minimum	10,512	0.2457 cents in \$/\$517.00 (minimum)	3
- Queen Street, Woollahra	Ad Valorem - subject to a minimum	186,347	0.2066 cents in \$/\$517.00 (minimum)	70
- Watsons Bay	Ad Valorem - subject to a minimum	66,995	0.2364 cents in \$/\$517.00 (minimum)	19
Special Rate – Environmental & Infrastructure Renewal Levy (All Categories and sub-categories)	Base Charge - 50% Ad Valorem - 50%	1,775,325	\$34.30 (Base Amount) 0.003326 cents in \$	25,864
Sub Total: Gross Rates Levy		30,598,610		
Less: Pensioner Rates Rebate (Government)		260,000		
Pensioner Rates Rebate (Council)		54,665		
Total: Net Rates Income		30,283,945		

Item No: D4 Delegated to Committee

Subject: **Draft Delivery Program 2009 to 2013 and Operational Plan 2011/2012 Incorporating the Draft 2011/2012 Budget**

Author: Helen Tola, Governance & Corporate Planning Coordinator
Don Johnston, Manager Finance

File No: 87G 2012, 331G 2011/12

Reason for Report: To present an updated draft Delivery Program 2009 to 2013 and Operational Plan 2011/2012 following consideration by relevant Committees and further information in response to earlier Committee resolutions relating to the 2011/2012 Budget.

Recommendation:

1. THAT the Committee note that the Special Rate Variation Approval Budget Scenario (retention of the levies) presented to the Corporate & Works Committee at its meeting on 7 March 2011 and now incorporated into the draft DPOP, was prepared with its principle strategy being to provide sufficient funding for all continuing services, essential service expansions, infrastructure renewal and capital improvements at similar levels and ratios, and maintenance of an adequate working capital balance.
2. THAT Council's Special Rate Variation application impress upon IPART the Woollahra Community's strong support for the continuation of existing service delivery and retention of the existing levies paid for the past 5 years for environmental & infrastructure renewal and service standards, which is highlighted through recent Community Survey results.
3. THAT the Special Rate Variation Non-Approval Scenario Budget (removal of the levies funding) be included in the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 on the basis of not making a transfer of interest to the Property Reserve (\$720k), reducing the infrastructure renewal program (\$369k) and funding \$1m of the remaining infrastructure renewal program from Reserve.
4. THAT the Committee note that the Non-Approval scenario referred to in 3 above represents only a one-year continuation of the Council's, and the community's, preferred budget and will lead to the undertaking of an extensive review of service delivery over the next twelve months to address funding shortfalls if the Special Rate Variation is ultimately rejected by IPART in its entirety.
5. THAT the resolutions from the Urban Planning and Community & Environment Committees endorsing the inclusion of actions considered by them in the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 be received and noted.
6. THAT the 2011/2012 Draft Schedule of Fees & Charges be updated with the following structure of the Advertising & Neighbour Notification Fee:

Value of Works	Category	Fee
Less than \$500,000	Development which is routine and likely to give rise to minor impacts and which would be notified to adjoining and nearby properties.	\$224 (current fee + CPI)
\$500,000 - \$749,999	Development which is substantial and likely to give rise to moderate impacts and would be notified to a wider range of properties in the vicinity of the site.	\$530
\$750,000 and above	Development which is significant requiring submission of a model, photo montages and is likely to be broadly notified.	\$830 (maximum fee permitted)

7. THAT, in light of anticipated funding requests to be received from Holdsworth Community Centre and the Paddington Business Partnership, the surplus funds identified in the report be held until a review of these matters is completed.
8. The Committee note that in the event of an unsuccessful Special Rate Variation Application, significant funding cuts will be required for priority service items and Council will need to undertake a comprehensive review of its long term financial plan given the significant impact such a decision will have on both operational and capital funding.

Background:

To date, Council and its Committees have considered a series of reports in relation to the draft Delivery Program 2009 to 2013 and Operational Plan 2011/2012 (DPOP). The various resolutions have been actioned, most recently through the Community & Environment Committee and Urban Planning Committee considering relevant Actions from the DPOP at their respective meetings on 14 March 2011.

The outstanding resolutions responded to in this report are:

From the Corporate & Works Committee meeting of 21 February 2011 following consideration of a further report on Fees & Charges it was resolved in part;

- B. *THAT the Draft Fees & Charges Schedule for 2011/2012 attached as Annexure 1 to this report (circulated separately) be included in the Delivery Program 2009 to 2013 and 2011/2012 Operational Plan document for the purposes of public exhibition.*
- C. *THAT part B be subject to a report being prepared to consider the benefits and impacts of an additional category of \$100,000 to \$499,999 with a fee of \$400 for Advertising & Neighbour Notification.*

From the Corporate & Works Committee meeting of 7 March 2011 following consideration of the Draft DPOP it was resolved in part;

- B. *That the 2011/12 Draft Operating and Capital Budgets presented to the Committee as Annexures 2 and 3 be incorporated into the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 as Budget Scenario 1 (SRV Approval) for further consideration by the Corporate & Works Committee on 21 March 2011.*

- C. *That the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 referred to in recommendation B above also include as Budget Scenario 2 (SRV Non-Approval) the alternate budget strategy outlined in the report which provides for no increased borrowings in 2011/12.*
- D. *That the Committee note that the Actions in the draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 will be presented to the Urban Planning and Community & Environment Committees for review and comment on 14 March 2011, with recommended changes to be reported back to the Corporate & Works Committee on 21 March 2011.*

Discussion:

DPOP Actions - consideration by Committees

The relevant DPOP Actions were presented to the Urban Planning and Community & Environment Committees on 14 March 2011. No changes to Actions were proposed by either Committee, although the Community & Environment Committee noted from late correspondence tabled the addition of a number of ticks to clarify the years to which some Actions relate.

The specific resolutions of the Committees are provided as follows:

Urban Planning Committee:

That the Actions proposed for inclusion in the Draft Delivery Program and Operational Plan, relevant to the Urban Planning Committee, be endorsed for inclusion in the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12.

Community & Environment Committee:

- A. *That the Actions proposed for inclusion in the Draft Delivery Program and Operational Plan, relevant to the Community & Environment Committee, be endorsed for inclusion in the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12.*
- B. *That the following changes recommended in the late correspondence by the Acting Director Community Services, be incorporated in the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12:*

1 Goal 1: A connected and harmonious community

Priority 1.1.1

Action: Continued support of organisations in business centres to identify and develop community cultural activities (tick to be added under the column 2010/11)

Priority 1.2.2

Action: Facilitate the assessment panel and complete Council report with recommendations for community grants (tick to be added under the column 2010/11)

Priority 1.4.1

Action: Host Mental Health Information Sessions (tick to be added under the column 2010/11)

2 *Goal 3: A creative and vibrant community*

Priority 3.2.1

Action: Provide grants to cultural organisations to support cultural celebrations and activities (tick to be added under the column 2012/13)

Priority 3.2.1

Action: Develop and implement an Anime and Manga Club for 12 to 18 year olds as part of the Library's children's and young adult (tick to be added under the column 2012/13)

Priority 3.2.1

Action: Develop and implement the 55+ Club at Watsons Bay and Paddington Libraries to promote lifelong learning (tick to be added under the column 2012/13)

The additional ticks have been added to the Draft DPOP now presented to the Committee as **ANNEXURE 1**, (circulated separately).

Advertising & Neighbour Notification Fee

When considering the Draft 2011/2012 Fees & Charges at its meeting on 21 February 2011, the Corporate & Works Committee resolved, in part:

- C. THAT part B be subject to a report being prepared to consider the benefits and impacts of an additional category of \$100,000 to \$499,999 with a fee of \$400 for Advertising & Neighbour Notification.*

The Environmental Planning & Assessment Regulation sets the maximum fee for the giving of notice at \$830 (cl. 252). Further, the Woollahra Development Control Plan for Advertising and Notification of Development Applications and Applications to Modify Development Consents (DCP) provides:

11.0 Costs of advertising and notifying development applications and applications to modify development consents

- 1. The applicant must pay to the Council the fee determined by the Council in accordance with its adopted fees and charges to cover the cost of advertising and notification.*

Consequently, there are two limitations on the fee structure for advertising and neighbour notification, a maximum fee of \$830 and fees and charges set at a level to cover Council's costs.

The total cost to Council of advertising and neighbour notification is estimated to be in the order of \$320,000 in 2011/2012. Using recent application statistics, the table below sets out the advertising and neighbour notification fees charged under the recommended fee structure and the amended fee structure suggested in the resolution.

Category (estimated cost of works)	DAs	Recommended Fees \$	Income \$	DAs	Alternate Fees \$	Income \$
Less than \$100,000				860	224	192,640
Less than \$500,000	1,043	224	233,632	183	400	73,200
\$500,000 - \$749,999	44	530	23,320	44	530	23,320
\$750,000 and above	73	830	60,590	73	830	60,590
	1,160		317,542	1,160		349,750

The benefit of the alternate fee structure is clear in that it would derive additional income. The impact, however, is that it would run the risk of breaching the DCP due to the estimate of revenue generated to exceed the cost of providing the service. To avoid this risk it is recommended that the recommended fee structure be incorporated into the Draft 2011/2012 Fees & Charges for the purposes of public exhibition.

It should be noted that the income forecast in the preliminary draft 2011/2012 Budget did not assume adoption of a revised fee structure. Instead, it was predicated on a CPI increased fee of \$224 on the 1,160 applications (\$259,840) conservatively rounded down to \$250,000. Adoption of the recommended fee structure would see the forecast income increased to \$317,500 (an additional \$67,500) in line with Council's overall costs.

Inclusion of the Draft Operating and Capital Budgets into the DPOP

The draft Operating and Capital Budgets presented to the Committee at its last meeting have been incorporated into the DPOP as Budget Scenario 1 (SRV Approval) for further consideration.

The continuing review of the draft budget has given rise to some required changes. These changes are:

Required Change	\$
Additional Rates income – adjustment to notional yield to align with SRV application (Part A)	1,800
Additional Rates income – inclusion of forecast growth in Rates base (0.24%) consistent with Long Term Financial Plan forecasting assumptions	70,015
Risk Management – deletion of duplicated claims recovery income	(70,000)
Development Control – additional income from Advertising & Neighbour Notification fee	67,500
Net Improvement in Budget Result	69,315

These changes provide an opportunity to incorporate into the draft budget some of the currently unfunded expansionary requests (Annexure 4 to Item D3 – Draft DPOP 7 March 2011) recirculated as **ANNEXURE 2** to this report.

During discussion of the draft DPOP at the last Corporate & Works Committee meeting two items among those expansionary requests we flagged for consideration, being:

Expansionary Request	\$
Priority 1 – Expand toilet cleaning in public parks to include feminine hygiene bins	2,000
Priority 2 – trainee engineers	30,194
Total cost of Expansionary Requests	32,194

Inclusion of these requests would leave a further \$36,401 available for inclusion of further expansionary requests.

Among the remaining Priority 1 items is a request for \$18,000 to cover additional maintenance requirements relating to critical stormwater drainage pits. Inclusion of this additional maintenance item would be consistent with the additional maintenance of Watsons Bay Baths and CCTV cameras already funded in the draft budget. Inclusion of this item would leave a further \$18,401 still available to fund further requests.

This amount is sufficient to fund only one of the remaining Priority 1 items, additional operating hours at Double Bay Library (\$2,419) with costs of the other requests ranging from \$32,700 to \$76,300. Consequently, looking to the Priority 2 items, there would be sufficient funding available to fund the Library branding expansionary request.

To summarise, the expansionary requests that could be funded from the improvement to the budget result arising from the required changes, based on the identified priorities, are:

Expansionary Request	\$
<i>Priority 1:</i>	
Expand toilet cleaning in public parks to include feminine hygiene bins	2,000
Additional operating hours at Double Bay Library	2,419
Critical stormwater drainage pits maintenance	18,000
<i>Priority 2:</i>	
Trainee engineers	30,194
Library branding	12,000
Total cost of Expansionary Requests	64,613

Inclusion of these requests would have the following effect on the overall budget result:

	\$
Current Budget Result - (Deficit)	(955)
Required changes to the Draft Budget	69,315
Inclusion of Expansionary Requests	(64,613)
Revised Budget Result – Surplus	3,747

Inclusion of any or all of the suggested expansionary requests, or alternative expansionary requests is at the discretion of the Committee.

In considering the allocation of this surplus, it should be noted that Council has recently received a request from the Holdsworth Community Centre for an increase in Council funding contribution for 2011/12. A further request for funding has also been received from the Paddington Business Partnership. Both of these requests are currently under consideration and it would be prudent to hold this surplus until the assessment of the requests is completed.

Budget Scenario 2 – the Non-Approval Scenario

Council's preferred Scenario 2 budget continues funding for infrastructure works on the basis of retention of a levy that has been in place for the past 5 years. Our Special Rate Variation Application seeks to retain this levy on a permanent basis and this has been strongly supported by the Woollahra community.

In relation to Budget Scenario 2 – the Non-Approval Scenario, the Committee at its last meeting resolved:

- C. *That the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 referred to in recommendation B above also include as Budget Scenario 2 (SRV Non-Approval) the alternate budget strategy outlined in the report which provides for no increased borrowings in 2011/12.*

Briefly recapping the options available, in the event Council's special variation application is not approved, Council can implement:

- i. A reduction in service provision and/or service levels across a range of operational areas
- ii. A significant reduction in the environmental & infrastructure renewal program or other capital works programs given the basis for introducing the Environmental & Infrastructure Renewal Levy was to fund renewal works.
- iii. The potential for new borrowings to support the capital works program.
- iv. Reconsideration of the use of Reserve funds.
- v. Presenting a deficit budget for 2011/12.
- vi. A combination of the above.

In first presenting the Non-Approval Scenario to the Committee the opportunity to borrow sufficient funds to replace the partial expiration of the Environmental & Infrastructure Renewal Levy was recommended. The Committee made clear in its resolution (above) that the alternate budget strategy provide for no increased borrowings in 2011/12.

Reduction in Service Provision (Option i)

Before looking at a range of strategies, it is important to review how Council's budget responds to the outcomes of recent community surveys. The table below translates Council's budget into the quadrant analysis of survey outcomes.

	Higher importance (rated 3.97 to 4.6/5) Lower satisfaction (rated 2.32 to 3.2/5)	Higher importance (rated 3.97 to 4.14/5) Higher satisfaction (rated 3.24 to 4.14/5)	
Higher priorities	<ul style="list-style-type: none"> Renewing and maintaining footpaths/pedestrian ramps Renewing and maintaining local roads On street parking in residential areas Renewing and maintaining kerb and guttering Council's long term planning and vision Managing local traffic flow Council's overall responsiveness to the community Regulating the design and quality of new developments Managing trees in streets and parks Parking in shopping areas Water pollution controls Stormwater drainage Informing residents about Council activities Encouraging sustainable development Providing the opportunity for community involvement in Council's decision making <p>\$18.7m</p>	<ul style="list-style-type: none"> Street cleaning Waste collection Environmental monitoring and protection Protecting heritage values and buildings Community safety Maintaining foreshores and beaches Recycling Parks and recreation areas Bushland and bush regeneration Harbourside facilities Library services <p>\$26.1m</p>	Council's strengths
	Lower importance (rated 2.43/5 to 3.87/5) Lower satisfaction (rated 2.32 to 3.2/5)	Lower importance (rated 2.43 to 3.87/5) Higher satisfaction (rated 3.24 to 4.14/5)	
Lower priorities	<ul style="list-style-type: none"> Assessing and determining applications for development Bicycle paths/routes Environmental and sustainability education Managing activities on construction sites Preserving trees on private property Social and leisure activities for young people <p>\$5.7m</p>	<ul style="list-style-type: none"> Services for people with a disability and their carers Services for older people and their carers Sporting fields and facilities Playgrounds Cultural activities Child care services Support services for parents Community halls and facilities <p>\$4.1m</p>	

* Taken from Community Survey undertaken in October 2009 as reported to the Community & Environment Committee on 1 February 2010 (Item D4)

Council's budget is currently targeted specifically to address the items identified in the above quadrant analysis. These items have significant exposure to reductions in service levels in the event of an unsuccessful Special Rate Variation Application. The consequence of reduction in funding for these service areas will lead to lower satisfaction levels in these high importance areas. Recent community surveys have clearly indicated that residents want to continue these services and service levels, and consequently, it was demonstrated through strong community support for retention of the Environmental & Infrastructure Renewal Levies.

Notwithstanding the strong community support for these service levels, there will be no alternative other than to reduce funding in these areas in the event of non-approval. This will take time and very careful and considered analysis.

Council's total draft operating and capital expenditure budget for 2011/2012, excluding transfers to reserve, depreciation and internal charging, totals \$73.5m. Of this amount, \$54.6m can be directly attributed to the survey outcome items, or 74%. It should be noted that these figures are only indicative as in a number of instances, budget cost centres need to be allocated across more than one quadrant which has been done on a 'best fit' basis. Notwithstanding this, the analysis indicates that the expenditure in the budget is well targeted in meeting the 'important' items identified by the community.

Included in the \$18.9 m not directly attributed to the survey outcome items is expenditure that is considered to be of high importance to Council or either non-discretionary or statutory.

These costs include:

	\$'000s
<i>High Importance:</i>	
• Ranger Services – Parking Enforcement	1,869
• Business Centre Support	202
<i>Statutory:</i>	
• Certificate Processing	80
• Statutory Contributions	2,816
<i>Non Discretionary:</i>	
• Insurances	2,049
• Debt Servicing	1,380
<i>Operating Capital:</i>	
• Information Technology	763
• Plant & Fleet Replacement	2,659
	11,818

These items account for over 60% of the \$18.9m not directly attributed to the survey outcome items. The remaining expenditure, \$7.1m, essentially comprises Council's Corporate Services (Records Management, Risk Management, Finance, Human Resources and Information Systems) and Property Management/Maintenance (where it cannot be directly attributed to survey outcomes). This is consistent with the result of the same exercise undertaken in 2008 when the remainder was \$6.7m and reinforces the constraint in the growth of the expenditure budget.

Any reduction in the operating or capital budgets in the Non-Approval Scenario will more than likely impact on services or service levels viewed by the community as 'important', and is not recommended as part of a Non-Approval Scenario strategy for 2011/12.

To limit the impact on these important services, Council can reconsider the use of Reserve funds. At the end of the 2007/2008 financial year, off the back of a strong financial result, \$1m of an improved working funds result was transferred to Reserve as a form of "insurance" for future investment losses as it was considered at the time to be surplus to any immediate operational requirements. Subsequently, adjustments to reserve balances have been made as a result of fair value adjustments to investments and, more recently, some of these adjustments have been reduced due to improved valuations. The \$1m Reserve remains and it is recommended that these funds be made available for service delivery and appropriately applied to Council's infrastructure renewal program in 2011/2012.

Further, consistent with the strategy put in place in 2009/2010, the proposed transfer of interest to the Property Reserve could be removed from the draft budget. This amount is \$720,000 in the draft 2011/2012 Budget.

In the report to the last meeting of the Committee, the principle of the Environmental & Infrastructure Renewal Levy being introduced to fund a specific program of works was established. In the absence of the Levy, Council could reduce the works program, ultimately returning the level of expenditure to that preceding the introduction of the Levy. If Council were to apply the \$1m Reserve to infrastructure renewal and not transfer interest to the Property Reserve as suggested above, a reduction in the program of works of \$369,000 would provide Council with a balanced Non-Approval Scenario Budget.

This strategy is summarised in the table below

	\$'000
Reduction in Income if SRV is not approved <small>(\$1,739k E&IRL plus \$350k EMC)</small>	2,089
Reserve Funding of infrastructure renewal	(1,000)
No transfer of interest to Property Reserve	(720)
Reduction in infrastructure renewal program	(369)
Impact on Budget Result	0

The reality of the Non-Approval Scenario is stark. Council's special variation application is a two year application involving some \$4.4m. Such a loss of income would have a significant and broad impact on the services Council provides to the community and this needs to be carefully considered in a strategic manner.

If Council was to continue with its commitment to infrastructure renewal, and it is clearly evident from the recent community survey results that it should (with 99% of respondents stating that it was either very important {66%}, important {26%}, or somewhat important {7%} for Council to implement programs that will provide better infrastructure and services), fundamental changes would need to be made in service delivery. This would need to be done in light of community survey results indicating our service delivery budget is well targeted and providing services considered 'important'.

Such a review would be a significant challenge, would need to be undertaken in consultation with the community and should only be embarked on in the event the special variation application is not approved. Putting in place a financing strategy to manage year one of the Non-Approval Scenario would provide the time to develop a response to non-approval for the 2012/13 Budget on the basis of not having \$4.4m in required funding, being the combined value of the 2 year Special Rate Variation.

In supporting this approach, it is suggested that the significant and broad reaching decisions the Council may need to make in response to a \$2.1m reduction in income for 2011/12 from non-approval of the Special Rate Variation, may well be different to the decisions it would make in response to a combined \$4.4m reduction in income in 2012/13.

Further, it should be noted that partial approval of Council's application by IPART is also a possible outcome. As such consideration of potential changes to service delivery would best be undertaken once the result of our application to IPART for 2011/12 is known, particularly given these considerations would extend to the impacts IPART's decision may well have on Council's organisational structure.

The long term impacts of utilising the \$1m Reserve and the \$720k interest on the Property Reserve needs to be considered in the context of Council's debt and equity contribution to the Kiaora Lands Redevelopment Project, as both Reserves have previously been noted as potential funding sources for Council's equity contribution to the Project. The financing strategy that is being modelled with *Review Today Pty Ltd* for the purpose of lodging Council's Special Rate Variation with IPART is the use of additional debt funding for the library construction component of the development and any specific ESD initiatives Council may require to be incorporated into the development. The extent of the debt funding would free up Reserve funds for the as yet unfunded Library fit-out, as well as enable the 2011/12 Non-Approval Budget Scenario outlined above to proceed.

This debt financing strategy is consistent with IPART's focus on the concept of intergenerational equity, whereby both current and future residents pay for long term assets through debt financing of projects such as a new Library.

Council's Long Term Financial Plan (LTFP) is currently being updated with the assistance of *Review Today Pty Ltd* as part of the work they are undertaking in the preparation of Council's Special Rate Variation Application. The LTFP to be submitted to IPART as part of the Application supports this debt strategy.

The alternate budget strategy outlined above presents an option that would enable the Draft DPOP to proceed to public exhibition. However, should the Committee have an alternate preference to balance the non-approval budget scenario through either cuts to service delivery or a combination of the options presented previously in the report (items i- vi above) the Committee will need to provide guidance in respect of the structure of the preferred option. This would involve identifying those critical services areas identified in the quadrant analysis presented in the report for potential budget cuts should the Committee's preferred option include adjustments to service delivery.

In this regard, the Committee should note that there is no urgency for this exercise to be completed in order for Council's SRV application to be lodged with IPART by Friday 25 March 2011. Consequently, further information can be provided to the Committee if its preferred position is not one of a transition to service cuts in 2012/13, but one of more immediate cuts to commence in 2011/12. A further report can be prepared for the C&W Committee in this instance prior to subsequent referral of the Draft DPOP to a Strategic & Corporate Committee meeting if required.

Conclusion:

This report brings together the various considerations of the Draft Delivery Program 2009 to 2013 and Operational Plan 2011/2012 and addresses the remaining outstanding resolutions in relation to the DPOP.

Following initial consideration of the actions proposed in the Draft DPOP by the Corporate & Works Committee, relevant actions were referred to both the Urban Planning and Community & Environment Committees. Both Committees endorsed the inclusion of the proposed actions in the Draft DPOP for public exhibition with only minor clarifying changes.

Information on the impact and benefits of a suggested change to the proposed fee structure for Council's Advertising & Neighbour Notification Fee is provided in the report. The relevant DCP requires this fee to be set at a level that recovers cost. The suggested amendment to the fee structure runs the risk of generating income in excess of cost and, on this basis, it is recommended that the proposed fee structure be included in the Draft Schedule of Fees & Charges for public exhibition.

The preliminary draft budget considered by the Corporate & Works Committee has been incorporated into the Draft DPOP. Ongoing review of the budget has identified the need to make some changes to the budget. These changes improved the budget result by \$69,315 and provide the opportunity to fund some additional expansionary requests not funded in the preliminary draft budget. It is recommended however that the surplus remain unallocated at this time until the recent requests for funding from the Holdsworth Community Centre and the Paddington Business Partnership are assessed.

The report then covers the Non-Approval Budget Scenario. In doing so it notes that Council's budget is currently well targeted at delivering services to the community that are viewed as 'important' and the constraint on expenditure growth in the corporate support operations of Council. The reality of non-approval is stark and the report identifies through community survey quadrant analysis particular areas of service delivery that would be significantly impacted on through a non-approval of the SRV. The report also clearly demonstrates, through the results of community surveying, that the community does not want to see reductions in these critical areas.

However, if there is a total rejection of Council's application, critical analysis of Council's current budget allocations in delivering these services must be undertaken. The report emphasises that such a review must be undertaken in structured and carefully considered manner which will take considerable time. Some of the service areas are supported by revenue streams and expenditure reduction may see a consequential reduction in income. It is also important to note the significant impact that targeted service level cut-backs will have on Council's organisational structure.

Therefore the reports propose an alternate approach to addressing non-approval of the SRV for 2011/12 through a short-term financing structure that will afford Council the opportunity to undertake the extensive service review project in consultation with the community over the next twelve months.

The strategy recommended in the report will afford Council the opportunity to develop, in consultation with the community, a Non-Approval Scenario budget for 2012/2013 addressing a \$4.4m reduction in required funding if it eventuates.

The 2011/2012 planning cycle remains on track. Subject to the Committee's deliberations in respect of this report, it will need to determine whether or not there is a need for a Strategic & Corporate Committee meeting to finalise Council's DPOP and budget deliberations. In this regard the preferred Council budget with Special Rate Variation approval included has not been contentious. The major consideration has been towards funding options in the event that Council's application does not succeed.

Both budget proposals are targeted to meeting community expectations throughout 2011/12 and delivering infrastructure spending in accordance with the Council's adopted policy without any detrimental impact on the Council's financial strength. It also provides a strategy for a sensible transition to adjusting funding allocations for 2012/13 if the Council's application to IPART is not approved.

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Annexures:

- 1 Draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 (circulated separately)
 - 2 Draft Operating Budget – Optional Service Variations
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**POLITICAL DONATIONS DECISION MAKING FLOWCHART
FOR THE INFORMATION OF COUNCILLORS**

