

Corporate & Works Committee

Agenda: *Corporate & Works Committee*

Date: *Monday 29 September 2014*

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:

- 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 required to be determined by Full Council by specific legislative requirements
- Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes.

Delegated Authority:

- 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.
- 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

25 September 2014

To: Her Worship the Mayor, Councillor Toni Zeltzer ex-officio
Councillors Deborah Thomas (Chair)
Anthony Boskovitz
Peter Cavanagh
Andrew Petrie
Matthew Robertson
Susan Wynne
Jeff Zulman (Deputy Chair)

Dear Councillors

Corporate & Works Committee Meeting – 29 September 2014

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 29**

September 2014 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 Note Council resolution of 27 June 2011 to read late correspondence in conjunction with the relevant Agenda Item	
3	Declarations of Interest	

Items to be Decided by this Committee using its Delegated Authority

D1	Confirmation of Minutes of Meeting held on 15 September 2014	1
----	--	---

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

R1	Financial Statements for the Year Ended 30 June 2014 - 767.G 2013/14	2-28
----	---	------

Item No: D1 Delegated to Committee
Subject: **Confirmation of minutes of meeting held on 15 September 2014**
Author: Ailsa Crammond, Acting Manager – Governance
File No: See Council Minutes
Reason for Report: The Minutes of the Meeting of Monday 15 September 2014 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 15 September 2014 be taken as read and confirmed.

Ailsa Crammond
Acting Manager – Governance

Item No: R1 Recommendation to Council
Subject: **Financial Statements for the Year Ended 30 June 2014**
Author: Don Johnston, Chief Financial Officer
File No: 767.G 2013/14
Reason for Report: To present the Financial Statements for the year ended 30 June 2014 to the Committee, provide commentary on the budget result for 2013/14 and recommend to Council the adoption of Council's statement in respect of the Financial Statements

Recommendation:

- A. That Council note the budget result achieved for 2013/14 is a surplus of \$159k, representing an increase of \$98k on the March 2014 budget review forecast and resulting in a working funds balance of \$2,727k at 30 June 2014.
- B. That Council, having noted the statement of confirmation provided in the report by the General Manager, the Director Corporate Services and the Chief Financial Officer (Responsible Accounting Officer), adopt the following statement in relation to its Financial Statements for the year ended 30 June 2014:

That, in relation to the Financial Statements for the year ended 30 June 2014, Council is of the opinion that:

The Financial Statements have been drawn up in accordance with:

- i. the Local Government Act 1993 (as amended) and Regulations made thereunder;*
- ii. the Australian Accounting Standards and professional pronouncements; and*
- iii. the Local Government Code of Accounting Practice and Financial Reporting*

and to the best of our knowledge and belief the Report:

present fairly Council's financial position and operating result for the year; and

accord with Council's accounting and other records;

and further, the signatories to the Report, to the best of our knowledge and belief, know of nothing that would make the report false or misleading in any way;

- C. That Council formally refer the Financial Statements for the year ended 30 June 2014 for audit; and
- D. In anticipation of receiving the Auditor's Reports, set the Corporate & Works Committee meeting to be held on Monday 3 November 2014 as the meeting at which the 2013/14 Financial Statements will be presented to the public.

Introduction:

Each year, all local government Councils in NSW are required to prepare a set of financial statements. The form and content of the statements is set down in the Local Government Code of Accounting Practice and Financial Reporting (the Code) updated and re-issued by the Office of Local Government (OLG) each year. The financial statements must comply with the Code, the Local Government Act and its Regulations and the Australian Accounting Standards.

The financial statements set out the financial performance, financial position and cash flows of Council at each year ending 30 June, supported by detailed notes to the financial statements. The statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council.

The five primary financial statements are:

Income Statement

The Income Statement presents a summary of Council's financial performance for the year showing all income and operational expenses. The statement also includes both the Council's original adopted budget for the year and prior year figures. This enables comparisons between what was forecast and what actually happened and also how things have changed from the previous year.

It is important to note that only operational expenditure is included in the Income Statement and consequently recorded in the Net Operating Result for the year. Capital expenditure, that is expenditure incurred for the acquisition and construction of assets, or other capital purposes such as transfers to reserves, is not included in the Income Statement. Capital expenditure is recorded as movements in the value of assets in the balance sheet. Details of movements in the value of assets and reserves are provided in Note 9 and Note 6 to the Financial Statements respectively.

References to the detailed notes to the financial statements are also provided.

Statement of Comprehensive Income

The Statement of Comprehensive Income presents a broader view of Council's total income through the inclusion of sources of income that are not included in the Income Statement, such as movements in equity resulting from the revaluation of assets. Details of these changes are provided in the notes to the statements.

Balance Sheet

The Balance Sheet provides a snapshot of Council's financial position at the end of each year listing its assets and liabilities. Again references are provided to the detailed notes.

Statement of Changes in Equity

The Statement of Changes in Equity records the movement in total equity for the year across contributing components, including the net operating result for the year and any movements to/from the asset revaluation reserve.

Statement of Cash Flows

The Statement of Cash Flows records where Council's cash came from and how it was spent. Similar to the Income Statement, this statement also includes both the Council's originally adopted budget and prior year figures to provide comparisons between what was forecast and what actually happened and also how things have changed from the previous year. A reconciliation of cash and cash flows is provided in the notes to the statements.

The financial statements are required to be audited by external auditors that are appointed through a tender process for a period of six years. Council's appointed external auditors, Hill Rogers Spencer Steer provide two audit reports:

1. An opinion on whether the financial statements 'present fairly' Council's financial position and performance; and
2. Their observations on the conduct of the audit including Council's financial position and performance.

The financial statements are a publically available document and are formally presented to the public following receipt of the Auditor's Reports. Like many other Council documents, the financial statements are publically exhibited each year and submissions from the public invited. Any submissions received are reported to the Corporate & Works Committee with responses from staff. They are also sent to Council's auditor.

Council is required to send its audited financial statements to the OLG by 7 November each year. A copy is also sent to the Australian Bureau of Statistics and Council's bank, the Commonwealth Bank.

Supplementing the financial statements are a number of Special Schedules which include additional information on Council's income and expenditure, loans and condition of public works (building and infrastructure assets) and, for the first time this year, rates compliance. Not all of these schedules are required to be audited, although their agreement with the financial statements is confirmed.

This report presents the financial statements for the year ended 30 June 2014 to the Corporate & Works Committee and seeks a recommendation to Council to adopt the required statement in relation to them. Out of necessity this is a quite lengthy and complex report to the Corporate & Works Committee. The report provides:

- An Executive Summary presenting a high level summary of Council's financial position and performance;
- A certification from senior staff in relation to the financial statements;
- A detailed review of the budget result for the year using key indicators reported on over the course of the year in quarterly budget reviews;
- A detailed review of the changes from the previous financial year;
- Details of Council's restricted cash reserves; and
- An overview of the performance of Council's investment portfolio.

Council staff will provide a presentation to the Corporate & Works Committee in relation to this report.

Executive Summary:

The Financial Statements for year ended 30 June 2014 year have been prepared and informally referred for audit. The Statements have also been reviewed by the Audit & Assurance Committee. While the audit and assurance process in relation to the Financial Statements attached to this report has been completed, Council needs to adopt its statement of certification in relation to the financial statements and formally refer them for audit prior to the provision of the auditor's reports.

A copy of the General Purpose Financial Statements for the year ended 30 June 2014 is provided as **ANNEXURE 1** circulated separately. The statements disclose:

Income Statement

- Total income of \$75,571k and total expenses of \$78,468k giving an operating deficit for the year of (\$2,897k) compared to the prior year surplus of \$2,917k. It should be noted that the 2013/14 result includes a net fair value reduction of (\$1,434k) ((\$1,912k Investment Properties and \$478k Investments) compared to 2012/13 which included a fair value increase of \$2,791k (\$850k Investment Properties and \$1,941k Investments) a year-on-year change of (\$4,225k). A further (\$1,571k) reduction in the value of open space assets following a review of assets due to the mandatory adoption of AASB 13 Fair Value Measurement during the current financial year.
- A net operating deficit before capital grants and contributions for 2013/14 of (\$6,261k) compared to the prior year deficit of (\$1,439k).

Balance Sheet

- Net current assets of \$79,656, \$14,556k excluding 'Assets Held for Sale', increasing from \$13,550k in 2012/13
- Net total assets having increased to \$669,231k from \$655,518k including a \$16,610k revaluation of operational land.

Statement of Cash Flows

- Net cash provided by operating activities decreasing from \$11,712k to \$9,234k
- Purchase of Infrastructure, Property, Plant & Equipment decreasing from \$15,562k to \$11,807k due mainly to the completion of projects carried over into 2012/13 including Lyne Park Seawall (\$743k), Hargrave Street (\$492k), Lyne Park (\$422k) and other infrastructure renewal projects (\$947k) and other major projects including Gap Park (\$448k) and Trumper Park Drainage (\$419k) and Rose Bay Seawall (\$493k).
- Purchase of Investment Property, Kiaora Place, at \$58,250k.
- Principal repaid on loans of \$1,015k.

Performance Measurement Indicators (Note 13)

Indicator	2013/14	2012/13	Benchmark	Comment
Operating Performance Ratio	-2.78%	-4.0%	> -4.0%	Ideally should be above zero, but is above benchmark and indicative of Council's structural deficit
Own Source Operating Revenue	92.4%	89.9%	60%	Well in excess of benchmark
Unrestricted Current Ratio	7.12:1	2.74:1	1.5:1	Effected by 'Assets Held for Sale'. Well in excess of benchmark
Debt Service Cover Ratio	525%	579%	> 200%	Currently well in excess of benchmark but will reduce as the repayment of Kiaora Place borrowings commence in full.
Rates Outstanding Percentage	4.55%	4.65%	5.0%	Trending downwards and more favourable than benchmark.
Cash Expense Cover Ratio	4.92	5.07	3.0	In excess of benchmark

As a result of the year's operations, there has been an increase in Council's working funds position from \$2,568k to \$2,727k reflective of a \$159k surplus budget result for the year. At \$2,727k, the working funds result is still some \$327k more than the \$2,400k benchmark (Arrears of Rates plus Inventory).

The final budget result of a \$159k surplus was \$99k more than forecast at the March 2013 quarterly budget review when working funds was forecast to be \$2,628k at 30 June 2014. Full details of the financial result for the 2013/14 are provided later in the report which, combined with the performance indicators referred to above, demonstrate that Council's current overall financial position remains satisfactory.

Further in this regard, the deficit result disclosed on the income statement reflects Council's structural deficit (i.e. increases in recurrent expenditure exceeding increases in recurrent income), an issue that has been reported to the Corporate & Works Committee before as one of the issues that needs to be addressed in the update of Council's 'Sustainability Model' long term financial plan, together with additional investment in asset renewal and improving Reserve levels. This review is planned for later this year following the finalisation of the sales of Council's O'Dea Avenue Depot and 9A Cooper Park Road.

Statement by Council in respect of the financial statements:

The general purpose financial statements must be prepared in accordance with the Local Government Act 1993 (as amended) and Regulations made thereunder, Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting.

Before the financial statements can be formally referred for audit, Council is required to adopt a statement on its financial statements. The statement must indicate:

- (a) Whether or not the financial statements have been drawn up in accordance with:
 - i. the Local Government Act 1993 (as amended) and Regulations made thereunder;
 - ii. the Australian Accounting Standards and professional pronouncements; and
 - iii. the Local Government Code of Accounting Practice and Financial Reporting
- (b) whether or not those statements presents fairly Council's operating result and financial position for the year;
- (c) whether or not the statements accord with Council's accounting and other records; and
- (d) whether or not the signatories know of anything that would make the report false or misleading in any way.

The statement must be signed by the Mayor, at least one Councillor (generally the Chair of the Corporate & Works Committee), the General Manager and the Responsible Accounting Officer. The Chief Financial Officer is the Responsible Accounting Officer.

To assist Councillors with their decision in respect of the recommendations to this report, the following statement by the General Manager, Director Corporate Services and Chief Financial Officer is provided:

We acknowledge our responsibility for the preparation of the general purpose financial statements. We confirm, to the best of our knowledge and belief, the following:

- The financial statements have been prepared in accordance with the Local Government Act 1993 (as amended) and Regulations made thereunder, Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting so as to present fairly Council's operating result and financial position for the year.
- There have been no irregularities involving management or employees who have a significant role in the accounting and internal control systems or that could have a material effect on the financial statements.
- We have made available to the auditors all books of account and supporting documents and all minutes of meetings of Council.
- The financial report is free of material misstatements, including omissions.
- The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
- All claims have been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.
- There are no formal or informal set-off arrangements with any of our cash and investment accounts. Except as disclosed in the financial statements we have no overdraft arrangements.

Accordingly, we believe that it is in order for Council to adopt its statement of certification in relation to the Annual Financial Reports which is presented in Recommendation 'C' to this report.

Review by the Audit & Assurance Committee

The 2013/14 financial statements were considered by Council's Audit & Assurance Committee on 24 September 2014.

A number of minor typographical corrections and disclosure improvements were agreed at the meeting, none of which changed the reported results. The agreed changes have been incorporated into the financial statements now presented to the Corporate & Works Committee.

The Audit & Assurance Committee resolved:

That, subject to the changes agreed at the meeting, the Audit & Assurance Committee supports the staff recommendation to the Corporate & Works Committee on 29 September regarding the adoption of Council's statement on the Financial Statements for the year ended 30 June 2014.

Overall Financial Position

At the end of the 2013/14 financial year, Council's financial position remains satisfactory. Details of the final results for the three indicators provided with each quarterly review of the Budget are provided below.

Working Funds

Working funds are accumulated funds that have not been set aside for a specific purpose and provide Council with some capacity to respond to unforeseen circumstances. Council's working funds increased from \$2,568k to \$2,727k as a result of the year's operations, an increase of \$99k on the March 2014 quarterly budget review forecast result.

Item	Original Budget \$'000	March Forecast Result \$'000	Actual¹ Result \$'000
Working Funds 1 July 2013	2,568	2,568	2,568
Budget Result (Working Funds movement)	30 (Increase)	60 (Increase)	159 (Increase)
Working Funds 30 June 2014	2,598	2,628	2,727

At \$2,727k, the workings funds balance is above the benchmark level of working funds Council has calculated for 30 June 2014, being \$2,400k. Council has traditionally calculated the benchmark level of working funds as the balance of arrears of rates plus the value of inventory at 30 June each year, with inventory being defined as stores and materials held for daily works and services.

Further, at \$2,727k the working funds balance is considered an adequate level of funds to set aside to respond to any unforeseen circumstances, particularly having regard to the positive financial performance indicators referred to earlier in the report.

The main variations giving rise to the increase in the working funds position since the March forecast are set out in the table below.

Item	March Forecast \$'000	Actual \$'000¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
Income					
<i>Rates & Annual Charges</i>	46,749	46,735	(14)	0.0%	While small in percentage terms, the (\$14k) variance contributes to the overall variance and arises from changes to land values and numbers of services during the year.
Fees & Charges					
Mobile Bin Service	1,904	1,882	(22)	1.2%	This small variance reflects slightly fewer services provided over the year.

Item	March Forecast \$'000	Actual \$'000 ¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
Road Restoration Charges	1,312	1,207	(105)	8.0%	Income from this source is dependent upon the amount of work utilities undertake in the area and is difficult to forecast. The shortfall is offset by a reduction in General Contracts below.
Parking Meter Charges	1,750	1,763	13	0.7%	A minor percentage variance reflecting charges slightly exceeding forecast levels.
Development Application Fees	550	536	(14)	2.5%	Notwithstanding a \$50k reduction to the original budget of \$600k in the December Review, the revised forecast was still not met and reflects the number and nature of applications received during the year.
Crane Permits	110	129	19	17.3%	An increase in activity in the final quarter saw the forecast income exceeded.
Compliance Levy	220	237	17	7.7%	A conservative budget, formulated on a downward trend in applications, was exceeded.
Work Zone Charges	285	269	(16)	5.6%	There is also a correlation between development activity and work zones. Not achieving this income target reflects that level of activity.
Compliance Cost Notices	25	0	(25)	100%	Council currently levies an 'Environmental Enforcement Levy' on all new development applications to partly offset the costs associated with providing Council's regulatory services relating to certification and post development investigation. The additional levying of 'compliance cost notices' pursuant to the Environmental Planning & Assessment Act 1979 could be considered inappropriate and double-dipping.

Item	March Forecast \$'000	Actual \$'000¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
<i>Interest</i>					
Interest	2,081	2,066	(15)	0.7%	This variance relates to the \$5.25m GST payment for Kiaora Place in June reducing the level of funds invested for the month.
<i>Grants & Contributions</i>					
Local Infrastructure Renewal Scheme Subsidy	15	5	(10)	66.7%	The LIRS subsidy was budgeted based on drawing down the associated loan in January. Instead it was drawn down in May. There is a corresponding reduction in Borrowing Costs below.
<i>Capital Grants & Contributions</i>					
NOTE: The recognition of capital grants is tied to the timing of capital expenditure. Further, any variances in Section 94 and 94A contributions are transferred to Reserve. There is no net effect on working funds arising from capital grants and contributions.					
<i>Other Revenues</i>					
Recovered Costs	508	548	40	7.9%	\$16k of this variance relates to Paid Maternity Leave reimbursed by the Federal Department of Human Services with the balance, \$24k, being offset by an increase in Recoverable Expenses below.
Fuel Tax Credits	75	114	39	52.0%	A further retrospective claim was made in the May BAS that was not anticipated in the forecast.
Various – Fines & Penalties	5,517	5,898	381	6.9%	A conservative forecast, together with higher than average enforcement collections in the last quarter, led to this variance.
Commercial Property Leases	2,222	1,068	(1,154)	51.9%	The forecast anticipated Kiaora Place opening in April. Instead it opened in June resulting in a reduction in rental received. There are associated reductions in expenditure below.

Item	March Forecast \$'000	Actual \$'000 ¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
Car Parks	2,078	2,065	(13)	0.6%	While small in percentage terms, the \$13k unfavourable variance arises from a (\$127k) shortfall at Kiaora Place due to the later opening than forecast offset by improved returns from other car parks totaling \$114k.
Other Leases & Licences	2,470	2,459	(11)	0.4%	A minor budget variation across all other leases and licences.
Total of Income Variances	67,871	66,981	(890)	1.3%	
Expenditure					
<i>Employee Benefits and On-costs</i>					
Salaries & Wages	28,462	28,940	(478)	1.7%	This variance, while reasonable in percentage terms, is significant in dollar terms. It arises from a combination of not achieving the forecast 4.5% vacancy factor throughout the year together with skills and market related pay increases across Council. It also relates, in part, to not capitalising the level of salaries & wages forecast in the budget to be incurred on capital works projects, thereby increasing costs in the operating budget.
ELE on Termination	395	281	114	28.9%	This reflects the lower level of turnover indicated by not achieving the vacancy factor as noted above.
Superannuation	3,067	3,084	(17)	0.6%	This variance arises from the higher than budgeted expenditure on Salaries & Wages
Workers' Compensation Insurance	1,025	1,320	(295)	28.8%	Changes to both the Industry and Claims Cost Rates together with an increase in the cost of claims for the year resulted in larger than anticipated premium for 2013/14.
Fringe Benefits Tax	230	269	(39)	17.0%	An under-stated budget together with most vehicles transitioning to the flat 20% statutory rate resulted in this variance.

Item	March Forecast \$'000	Actual \$'000 ¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
<i>Borrowing Costs (Interest on Loans)</i>	1,495	677	818	54.7%	The later than forecast settlement on Kiaora Place, and later than forecast draw down of the LIRS loan, resulted in a significant reduction in interest repayments.
<i>Materials & Contracts</i>					
NOTE: While there is no net effect on working funds, some expenditure budgeted for in the Capital Budget such as environmental education, sustainability programs, flood risk studies and minor capital works are not capitalised at year end as they do not ultimately meet capitalisation criteria. The total of the expenditure not capitalised in 2013/14 was \$983k (\$1,011k in 2012/13) which is disclosed in Materials & Contracts.					
Materials, Goods & Services	2,415	2,367	48	2.0%	This is a broad category of expenditure across the whole of Council. There were no individual material variances to report.
Printing & Stationery	180	170	10	5.6%	Numerous small under-expenditures across Council gave rise to this variance.
Recurrent Contracts	1,269	1,088	181	14.3%	The two major variances here are under-expenditure due to the delayed settlement on Kiaora Place \$208k offset by over-expenditure in Car Park operations due to revenue sharing of the additional income earned (\$21k).
Lifecycle Maintenance (of Council buildings)	244	216	28	11.5%	Some projects were completed for less than anticipated.
General Contracts	4,312	3,994	318	7.4%	The only material variance to report is the under-expenditure in Restorations \$247k which resulted in forecast income not being reached as noted above. The balance of the variance arises from other small variations across Council.
Infringement Processing Charges	844	878	(34)	4.0%	The is a direct result of greater than forecast infringements being issued resulting in additional income being received as noted above.

Item	March Forecast \$'000	Actual \$'000 ¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
General Consultants	1,237	1,160	77	6.2%	The two major variances here are under-expenditure due to the delayed settlement on Kiaora Place \$64k and Heritage Planning \$14k arising from projects being undertaken by a temporary member of staff rather than using consultants.
Legal Expenses - General	1,751	1,739	12	0.7%	Areas of over-expenditure include: <ul style="list-style-type: none"> • Kiaora Place (\$99k) • Risk Management (\$24k) This over-expenditure was offset by spending less than forecast in: <ul style="list-style-type: none"> • Development Control \$53k • Building & Compliance \$53k • Finance \$10k • Other Council areas \$19k
<i>Depreciation</i>					
NOTE: While Depreciation does not impact on this working funds analysis, it is worth noting that, overall, depreciation was \$62k less than forecast (\$10,316k compared to \$10,254k). There were increases in Plant & Equipment (\$48k), Infrastructure (\$53k) and Library Books (\$70k) offset by a reduction in Office Furniture & Equipment \$211k as assets reached the end of their useful life, Buildings \$19k and Other Structures \$5k.					
<i>Other Costs</i>					
Lease Incentives	60	0	60	100.0%	None of the provision for lease incentives at Kiaora Place was required.
Bad Debts	41	17	24	58.5%	The requirement for increased provisions was less than forecast.
Cont'ns to Other Organisations	447	435	12	2.7%	Budget provisions for Paddington Library and Business Centres were not fully expended.
Insurance Premiums	1,245	1,230	15	1.2%	The premium for motor vehicles was less than forecast.
Electricity Charges	436	411	25	5.7%	There were savings in electricity charges across Council's buildings, the largest being at Redleaf \$8k Community Facilities \$8k and Library \$6k.
Election Expenses	55	46	9	16.4%	Council forecast the cost of the Double Bay Ward by-election to be \$55k while the final cost was \$46k.

Item	March Forecast \$'000	Actual \$'000 ¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
Postage	126	150	(24)	19.0%	The increase to \$150k can be attributed to price increases.
Street Lighting Charges	1,464	1,443	21	1.4%	The final cost of street lighting for the year fell slightly short of the forecast.
SES Subsidy	40	22	18	45.0%	The costs invoiced by Waverley Council were less than forecast in the budget..
Telephone Charges	231	216	15	6.5%	Numerous small under-expenditures across Council gave rise to this variance.
Tipping Charges	4,799	4,771	28	0.58%	This variance relates mainly to less tonnage tipped in relation to Council's Trade Waste Service which is also reflected in lower income than forecast as noted above.
Impounding Expenses	20	8	12	60.0%	The budget for impounding dogs was increased by \$10k to \$20k in the September 2013 Budget Review due to a proposed significant increase in charges. Following lengthy negotiations at SSROC level, the proposed increase was not passed on in full.
Water Rates	134	147	(13)	9.7%	The only material variance here relates to public open space and is a combination of an increased pricing and additional consumption to keep surfaces in reasonable condition.
Subscriptions	70	58	12	17.1%	A rationalization of subscriptions resulted in small savings across Council.
Catering	103	84	19	18.4%	Numerous small under-expenditures across Council gave rise to this variance.
Recoverable Expenses	219	243	(24)	11.0%	This additional expenditure is offset by higher Recovered Costs noted above.
Total of Expenditure Variances	56,416	55,464	952	1.7%	
Total Operating Budget Variations			62		

Item	March Forecast \$'000	Actual \$'000 ¹	Variance Favourable/ (Unfavourable) \$'000	%	Comment
Capital Budget					
Project Expenditure	18,532	18,522 ²	10	0.1%	There were minor overall savings across all projects.
Net savings across the Capital Budget			10		
Reserve Funding					
Transfers to Section 94 and 94A Reserves (Interest earned)	130	102	28	21.5%	Lower interest rates and greater expenditure than forecast resulted in a lower amount of interest being transferred to Reserves.
Net of all other budget variations			(1)		
Increase in Working Funds			99		

1. Adjusted for Domestic Waste Management and Preschool Reserve transfers.
2. Includes rollovers and revotes to indicate Council's total commitment to capital expenditure and the effective variation to budget.

Unrestricted Current Ratio

The unrestricted current ratio is the ratio of current assets to current liabilities after allowing for external restrictions on Council's cash such as Section 94 Contributions and unexpended grants. It provides an indication of our capacity to cover our liabilities.

The reported unrestricted current ratio is 7.12:1, which reduces to 2.61:1 after adjusting for 'Assets Held for Sale'. As at the March Review, the 2013/14 budget forecast an unrestricted current ratio of 2.21:1. The forecast assumes total expenditure of the budget, however, at year end there are inevitably a number of projects that are not completed and are rolled into the following year's budget.

Details of the calculation of this ratio, the effect of rollovers and the variances to the forecast, are provided in the table below.

	\$'000 30/6/14 (Actual)	\$'000 30/6/14 (Actual incl. Rollovers)	\$'000 Forecast (March Review)	\$'000 Variances between Actual incl. Rollovers and Forecast
Components:				
Current Assets	46,532*	39,791	36,913	2,878
<i>Less:</i>				
Restricted Debtors	1,345	1,345	1,684	(339)
Externally Restricted Cash	7,442	5,319	4,054	1,265
<i>Equals:</i> Numerator (top number)	37,745	33,127	31,174	1,953
Current Liabilities	31,976	31,976	29,683	2,293
<i>Less:</i>				
Restricted Liabilities	1,046	1,046	948	98
Liabilities not expected to settle in the next 12 months	16,483	16,483	14,622	1,861
<i>Equals:</i> Denominator (bottom number)	14,447	14,447	14,113	334
Unrestricted Current Ratio	2.61:1	2.29:1	2.21:1	

* Excludes Assets Held for Sale which have a one-off inflated impact on the ratio in 2014 for comparative purposes. Refer to page 26 for a listing of Assets Held for Sale.

At this level, Council's unrestricted current ratio remains above the minimum benchmark level of 1.5:1. The table below provides an analysis of the variances in the ratio between June 2014 and June 2013.

	\$'000 30/6/14	\$'000 30/6/13	\$'000 Variances
Components:			
Current Assets	46,532*	41,381	5,151
<i>Less:</i>			
Restricted Debtors	1,345	1,685	(340)
Externally Restricted Cash	7,442	6,111	1,331
<i>Equals:</i> Numerator (top number)	37,745	33,585	4,160
Current Liabilities	31,976	27,831	4,145
<i>Less:</i>			
Restricted Liabilities	1,046	948	98
Liabilities not expected to settle in the next 12 months	16,483	14,623	1,860
<i>Equals:</i> Denominator (bottom number)	14,447	12,260	2,187
Unrestricted Current Ratio	2.61:1	2.74:1	

* Excludes Assets Held for Sale which have a one-off impact on the ratio in 2014 for comparative purposes. Refer to page 26 for a listing of Assets Held for Sale.

Operating Result

The Income Statement discloses Council's income and operating expenses for the year along with a comparison to the original budget adopted by Council and to the prior year. It is set out in the table below, along with the revised budget forecasts from the March quarterly budget review.

\$'000 Original 13/14 Budget	\$'000 Revised 13/14 Budget		\$'000 13/14 Actual	\$'000 12/13 Actual
		Income from Continuing Operations		
46,671	46,748	Rates & Annual Charges	46,738	44,359
9,856	9,904	User Charges & Fees	9,768	8,939
1,634	2,081	Interest & Investment Revenue	2,066	3,774
12,754	13,776	Other Revenues	11,134	12,030
2,836	2,195	Operating Grants & Contributions	2,501	3,120
2,452	3,250	Capital Grants & Contributions	3,364	4,356
76,203	77,954	Total Income	75,571	76,578
		Expenses from Continuing Operations		
33,671	33,927	Employee Benefits & On-Costs	34,867	32,936
1,495	1,495	Borrowing Costs	677	439
13,451	14,693	Materials & Contracts	14,443	13,395
10,325	10,316	Depreciation & Amortisation	10,254	10,347
15,912	15,974	Other Expenses	15,447	15,089
751	424	Net loss from disposal of assets	2,780	1,455
75,605	76,829	Total Expenses	78,468	73,661
598	1,125	Net Operating Result	(2,897)	2,917
(1,854)	(2,125)	Net Operating Result before Capital Grants & Contributions	(6,261)	(1,439)

Total income decreased from \$76,578k in 2012/13 to \$75,571k in 2013/14, a decrease of \$1,007k or 1.3%.

Operating expenses increased from \$73,661k to \$78,468k, an increase of \$4,807k or 6.5%.

An analysis of the 2013/14 actuals compared to the original budget appears in Note 16 to the financial statements while an analysis compared to the revised budget is detailed in the working funds section of the report above. Commentary on variations between 2014 and 2013 is provided in the next section of the report.

An area of focus is the 'bottom bottom line', the net operating result before capital grants and contributions. The deficit result reflects Council's structural deficit (i.e. increases in recurrent expenditure exceeding increases in recurrent income), an issue that has been reported to the Corporate & Works Committee before as one of the issues that needs to be addressed in the update of Council's 'Sustainability Model' long term financial plan, planned for later this year following the finalisation of the sales of Council's O'Dea Avenue Depot and 9A Cooper Park Road.

Comparison - 30 June 2014 to 30 June 2013

Income (Page 4 of Annexure 1)

Rates & Annual Charges (increased from \$44,359k to \$46,738k (\$2,379k or 5.4%)) (Note 3(a) p.29 of Annexure 1)

Ordinary Rates income increased from \$30,153k to \$31,172, an increase of \$1,019k or 3.4% in line with the rate peg limit.

Council's Environmental & Infrastructure Renewal levy increased from \$3,506k to \$3,622k, an increase of \$116k or 3.3% consistent with the 3.4% rate peg limit.

The domestic waste management charge (annual charge) increased from \$373.95 to \$418.65 for 2013/14 or 12.0% which, together with growth in the number of additional services, generated an increase in income from \$10,171k to \$11,412, or \$1,241k (12.2%).

These variations add to \$2,376k.

User Charges & Fees (increased from \$8,939k to \$9,768k (\$829k or 9.3%)) (Note 3(b) p.30 of Annexure 1)

The largest variation relates to Restoration Charges for works undertaken on behalf of utility companies, which increased in 2013/14 by \$192k as a result of more restoration works being undertaken. Other large increases arose from certificate fees \$124k, Council's compliance levy \$91k, hoarding fees \$67k, trade waste service \$63k, development application fees \$56k, parking meter charges \$47k, registration fees & permits \$40k, rock anchors \$39k, advertising fees \$32k, footpath crossing administration fees \$18k, Swimming Pool Act applications \$16k, tree pruning income \$13k, fire safety statement lodgement fees \$13k, principal certifying authority fees \$11k, credit card usage charges \$11k, rezoning requests \$10k and other income \$28k.

There were also a number of decreases in income including work zone charges (\$46k) and residential parking permits (\$11k).

These variations add to a net increase in income of \$814k.

Interest (decreased from \$3,774k to \$2,066k (\$1,708k or 45.3%)) (Note 3(c) p.31 of Annexure 1)

This decrease is mainly due to fair value adjustments made over the course of 2013/14 arising from the maturity or sale of investment securities totalling \$478k, as the last of Council's Lehman FRNs and CDOs were sold or matured, compared to 2012/13 when they totalled \$1,941k. This is a reduction of (\$1,463k).

Actual interest earned on investments fell from \$1,673k in 2012/13 to \$1,426k in 2013/14, a reduction of (\$247k) and reflects the lower interest rates prevailing throughout 2012/13.

These variations add to a net decrease of \$1,710k.

Other Revenues (decreased from \$12,030k to \$11,134k (\$896k or 7.4%)) (Note 3(d) p.31 of Annexure 1)

Council's Investment Properties (properties held primarily to earn rental) were re-valued in 2013/14 by an external valuer resulting in a decrease in Fair Value of \$1,912k. There was a fair value increase in 2012/13 of \$850 resulting in a year-on-year change of (\$2,762k).

Other significant increases in income come from:

- Rental income – other Council properties \$845k (which includes \$427k in car park revenue sharing gross up)
- Rental income – investment properties (which includes Kiaora Place) \$514k
- Fines and penalties \$444k
- Recovered costs \$117k.

Offsetting these increases in income were decreases in risk management bonuses (\$28k) and other income (\$21k).

These variations add to a net decrease in income of (\$891k).

Operating Grants & Contributions (decreased from \$3,120k to \$2,501k (\$619k or 19.8%)) (Note 3(e) and (f) pp.32-33 of Annexure 1)

The major decrease in operating grants relates to the Financial Assistance Grant (FAG) and the effect of advance payments made by the Federal Government in June 2013. In 2012/13, an advance payment of 50% of Council's FAG was made. No advance payment was made in 2013/14. The makeup of the disclosed FAG for 2012/13 and 2013/14 is shown in the table below.

	2012/13 \$'000	2013/14 \$'000	Variance \$'000
Full Year FAG	1,553	1,608	55
CPI adjustment	(35)	(3)	32
Less: Advance payment made in previous year	(788)	(802)	(14)
Plus Advance payment made in current year	802		(802)
Disclosed FAG	1,532	803	(729)

In addition to the reduction in FAG, sustainability grants also decreased by (\$56k).

Offsetting these reductions were increases in transport grants of \$139k and the Paddington Library contribution \$25k.

These variations add to a net decrease in income of (\$621k).

Capital Grants & Contributions (decreased from \$4,356k to \$3,364k (\$992k or 22.8%)) (Note 3 (e) and (f) pp.32-33 of Annexure 1)

Revenue from capital grants can vary significantly from year to year depending on the nature of projects being undertaken and the timing of related expenditure and also the payment policies of funding bodies.

There were decreases in open space grants of (\$1,077k), transport grants (\$242k) and drainage grants of (\$169k). These decreases were offset by an increase in environmental grants of \$120k.

Section 94 and Section 94A Developer Contributions increased by \$321k while contributions to works increased by \$48k.

These variations add to a net decrease in capital grants and contributions of (\$999k).

Expenses (Page 4 of Annexure 1)

Employee Benefits and On-costs (increased from \$32,936k to \$34,867k (\$1,931k or 5.9%)) (Note 4(a) p.34, Annexure 1)

Salaries and wages, net of capitalisation, for Council increased year-on-year by \$1,303k or 5.4%. This increase includes an Award increase of 3.25%, increases attributable to staff progressing through the salary system and market increases allowing Council to remain competitive in attracting and retaining staff.

Employee Leave Entitlements payments, net of capitalisation, and provisioning were \$377k higher in 2013/14 compared to 2012/13. The increase relates almost entirely to the increase in provisioning between 2012/13 and 2013/14.

Superannuation expenses, net of capitalisation, increased by \$165k or 5.7%, consistent with the increase in salaries and wages above.

Workers' Compensation insurance increased by \$73k due to the increase in salaries and wages and the cost of claims while FBT increased by \$17k.

These variations add to a net increase of \$1,935k.

Borrowing Costs (increased from \$439k to \$677k, (\$238k or 54.2%)) (Note 4(b) p.34, Annexure 1)

This increase relates to the drawdown of two new loans late in 2013/14 being the \$58.25m Woolworths loan and a \$2.1m LIRS loan for streetscape improvement projects.

Materials & Contracts (increased from \$13,395k to \$14,443 (\$1,048k or 7.8%)) (Note 4(c) p.34, Annexure 1)

Raw Materials & Consumables (increased by \$267k (5.5%))

As noted in the working funds analysis above, there is an amount of project expenditure from Council's capital budget that ultimately does not meet capitalisation criteria and is expensed at year end. In 2012/13 the amount expensed was \$1,011k which fell to \$983k in 2013/14, reducing Raw Materials & Consumables by (\$28k).

Other variances were reductions in:

- Food consumables, (\$13k) (41.2%)
- Printing & stationery, (\$13k) (8.4%)

And increases in:

- Materials, \$256k (12.9%) comprising mainly \$92k in IT systems maintenance, \$57k for the Naval Review and \$52k for Business Centres and \$29k in internet data usage.
- Vehicle parts and repairs \$44k

- Furniture and equipment under capitalisation threshold \$29k

These variations add to a net increase of \$275k.

Contractor & Consultancy Costs (increased by \$413k (10.6%))

The main increases in the use of general contracts and consultancies relate to:

- Car park operations (including revenue sharing gross up) \$374k
- Kiaora Place, \$119k
- Oxford Street Activation, \$63k
- Review of financial sustainability and fuel tax credits, \$47k
- Child Care study, \$44k
- Traffic, \$32k
- Sale of O’Dea Avenue Depot, \$28k
- Waste tender, \$20k

The increases were offset by decreases in the use of contracts and consultants in:

- Temporary staff (\$207k) comprising mainly Domestic Waste \$130k, Property Management \$28k, Civil Works \$21k, IT \$15k and Asset Management \$13k
- Community survey, (\$29k)
- Community capacity survey (\$22k)
- Tree register (\$22k)
- 9A Cooper Park Road rezoning, (\$18k)
- Workers’ Compensation (\$16k)

These variations add to a net increase of \$413k.

Maintenance & Security Contracts (increased by \$114k (14.8%))

The main increases in the use of maintenance and security contracts relate to:

- Lifecycle maintenance, \$74k
- Business Centres, \$48k
- Kiaora Place, \$24

The increases were offset by a decrease in Council’s cleaning contract (\$32k) due mainly to changed arrangements at O’Dea Avenue Depot.

These variations add to a net increase of \$114k.

Legal Expenses (increased by \$133k (8.7%))

The main increases in legal expenses relate to:

- Car parks, \$200k related to the ongoing tender dispute
- Kiaora Place, \$167k related to leases
- Depots, \$48k mainly related to the sale of O’Dea Avenue
- Risk Management, \$27k related to various matters
- Property Management, \$20k related to leases and licences generally together with the sale of 9A Cooper Park Road

These increases were offset by decreases in:

- Building & Compliance, (\$154k) with three matters in 2012/13 costing in excess of \$169k
- Public Liability, (\$56k) with one matter incurring costs of \$47k in 2012/13
- Public Open Space Management, (\$50k) related to the McKell Park matter in 2012/13
- Development Control, (\$39k) with there being no single matter incurring significant expenditure in 2013/14
- Animal Control, (\$20) with four matters incurring cost in 2012/13 and only two in 2013/14
- Finance, (\$16k) with less expenditure on the Oakvale matter

The total of these variances is a net increase in legal expenses of \$127k.

Auditors Remuneration

Council's audit fee increased by CPI in accordance with its contract with the external auditor.

Depreciation (decreased from \$10,347k to \$10,254 (\$93k or 0.9%)) (Note 4(d) p.35 of Annexure 1)

Depreciation remained relatively consistent between 2012/13 and 2013/14 with a detailed review of open space assets useful lives resulting in lower depreciation in that asset class.

Other Expenses (increased from \$15,089k to \$15,447k (\$358k (2.4%)) (Note 4(e) p.36 of Annexure 1)

There are numerous increases and decreases making up this overall variance. Among the increases were:

- Waste disposal charges, \$200k (4.3%)
- Donations, contributions & assistance, \$138k (39.3%) including increases of:
 - \$40k for Double Bay Partnership
 - \$31k for Paddington Business Partnership
 - \$17k for City of Sydney Paddington Library
 - \$20k bushfire donations
 - \$19k for Holdsworth Community Centre
 - \$16k Moscow Circus tickets proceeds
- Insurance deductibles and claims payments, \$117k (49.4%)
- Advertising, \$56k mainly related to the sale of O'Dea Avenue Depot
- Insurance premiums, \$45k (3.4%)
- Bank charges (including merchant service fees) \$44k (18.9%) with a full year of card payments at car parks costing \$33k
- Recoverable expenses, \$32k (12.1%)
- Postage \$29k (24.0%)
- Interest paid on deposits refunded, \$28k (16.1%)

There were offsetting decreases in:

- Election expenses, (\$250k) (84.2%) with the general election held in 2012 and a by election held in 2014
- Electricity charges (\$49k) (10.7%)

- SES contribution paid to Waverley Council (\$46k) (67.6%)

These variations add to a net increase in other expenses of \$344k.

Net Losses on Sale of Assets (increased from \$1,455k to \$2,780k (\$1,325k (91.1%)) (Note 5 p.37 of Annexure 1)

The major difference between the two years is the one off write off of replaced and transferred 'Other Structures' assets, which form part of infrastructure assets, in preparation for the implementation of a new corporate asset management system with a book value of \$1,572k.

The loss on sale of plant and equipment, arising from the routine replacement of Council's plant and vehicle fleet, decreased by (\$167k) to \$221k mainly as a result of a smaller replacement program in 2013/14.

The retirement (write off) of renewed infrastructure assets increased by \$167k to \$1,367k. This is due to the increase in asset renewals capitalised for the year.

There was also a write off of buildings assets totalling \$162k due to demolitions at Kiaora Place and the renewal works at Woollahra Seniors.

Proceeds from the sale of roadway increased by (\$407k) to \$542k.

The total of these variations is an increase in the losses on sales of assets of \$1,327k.

Receivables, Payables, Borrowings and Provisions

Receivables (increased from \$6,761k to \$12,652k) (\$5,891k 87.1%) (Note 7 p.42 of Annexure 1)

By far the largest increase in receivables relates to GST, \$5,929k, which arises predominantly from the payment of \$5,825k in GST on Kiaora Place which was not refunded to Council until July following the submission of its June Business Activity Statement.

Other increases in receivables include:

- Leases & Licences \$193k (28.8%) largely due to Kiaora Place leases
- Sale of Land, \$170k (44.4%) arising from exchanges of contracts during 2013/14
- Other income Accruals, \$129k (26.8%) largely due to an increase in accrued fines and penalties of \$110k
- Other debtors, \$63k (54.8%)
- Rates, Annual & Extra Charges, \$60k (2.8%) which is less than the 3.4% rate peg limit for the year and resulted in a decrease in the percentage outstanding from 4.65% to 4.55%
- Recovered costs, \$32k

There were offsetting decreases in:

- Government Grants & Subsidies, (\$373k) where the variance depends on the projects undertaken in any one year and, in this instance, is mainly due to 2012/13 receivables for:
 - Trumper Park, \$196k
 - Rose Bay Ferry Wharf Interchange Works, \$143k

- Amounts due from other Councils, (\$191k) comprising mainly the City of Sydney being up to date with payments (\$52k) and an amount due from Randwick Council for the 3 Council Eco Program (\$130k)
- Restorations, (\$75k)
- User Charges & Fees, (\$65k) mainly related to the Preschool where the introduction of direct debit reduced outstanding debt by \$62k

The total of these variations is a net increase in receivables of \$5,872k.

Payables (increased from \$17,296k to \$20,389k) (\$3,093k 17.9%) (Note 10 p.46 of Annexure 1)

Increases in payables include:

- Goods & Services, \$1,375k which is mainly due to an increase in capital creditors which in turn is due to the timing of expenditure on capital projects toward the end of the financial year
- Deposits & Bonds, \$1,052
- Payments in Advance, \$574k comprising mainly:
 - July leases \$355k, including Woolworths
 - Work Zones \$106k
 - Hoardings \$36k
- Salaries & Wages, \$126k due to an increase in the days accrued and Award increase in salaries and wages

The total of these increases is \$3,127k.

Borrowings (increased from \$5,035k to \$64,370k) (\$59,335k 1,178.5%)

Council raised two new loans during 2013/14, being:

- \$58.25m for Stage 1 of Kiaora Place
- \$2.1m for streetscape improvements projects.

No principal was repaid on with of these loans prior to 30 June 2014. \$1,016k in principal was repaid on existing loans. As a result, Council's total Borrowings increased by \$59,335k

Provisions (increased from \$9,732k to \$10,533k) (\$801k 8.23%)

The increase in Council's provision for ELE relates mainly to long service leave, which increased by \$819k as it tends to not be taken 'in-service'. Annual Leave increased slightly, by \$28k, while sick leave (\$33k) and gratuities (\$13k) both fell as these frozen entitlements are paid out on termination.

Restricted Cash Balances

The table below details Council's restricted cash balances (grossed up for restricted receivables and provisions) and the notional fair value adjustment arising from the sales and maturities of investment securities over the course of 2013/14.

Externally Restricted Cash

Purpose	Opening Balance July 13	Transfer To	Transfers From	Fair Value Adjustment 13/14	Closing Balance June 14
Section 94 Contributions	3,079,994	158,179	(129,094)	63,738	3,172,817
Section 94A Contributions	972,741	1,882,659	(1,601,190)	28,641	1,282,851
Unexpended Grants	1,082,549	430,811	(735,244)		778,116
Environmental Levy	34,068		(25,548)		8,520
Enviro & Infrastructure Levy	933,301	3,742,443	(3,690,638)		985,105
Stormwater Mgt Charge	185,209	484,354	(592,660)		76,903
Domestic Waste	558,380	985,059	(127,737)	21,363	1,437,065
	6,846,242	7,683,505	(6,902,111)	113,742	7,741,377

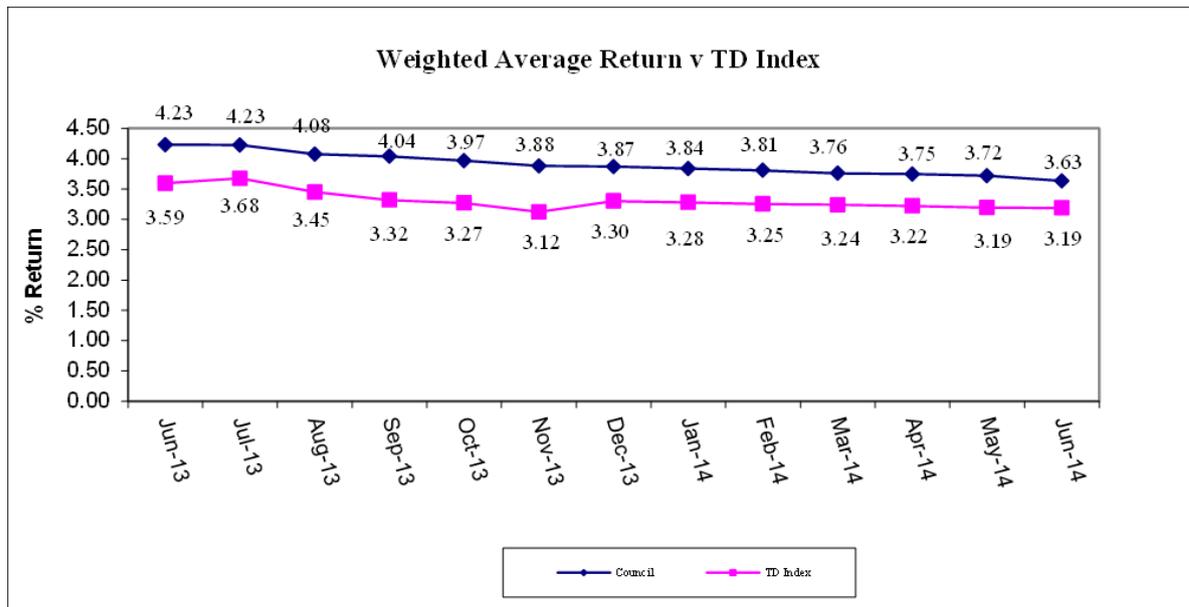
Internally Restricted Cash

Purpose	Opening Balance July 13	Transfer To	Transfers From	Fair Value Adjustment 13/14	Closing Balance June 14
Employee Leave Entitlements	1,159,940			28,152	1,188,092
Plant Replacement	348,482	30,000	(92,434)	3,534	289,582
Insurance	326,395	119,731	(25,000)	6,201	427,327
Computer	565,343		(489,321)		76,022
Infrastructure	73,000		(66,175)		6,825
Election Reserve	0	87,500			87,500
Deposits	8,774,947	1,041,180			9,816,127
Kindergarten	208,280	10,915	(37,627)	2,553	184,121
Loan	181,127	60,350,000	(58,688,309)		1,842,818
Property Reserve	13,687,215	542,482	(719,242)	276,602	13,787,057
Carry Over Works	1,449,761	1,540,090	(1,118,192)		1,871,659
Financial Assistance Grant	802,485		(802,485)		0
General Reserve	81,640	83,326	(31,640)	5,556	138,882
	27,658,616	63,805,224	(62,070,425)	322,598	29,716,013
Total Restricted Cash	34,504,857	71,488,729	(68,972,536)	436,340	37,457,390

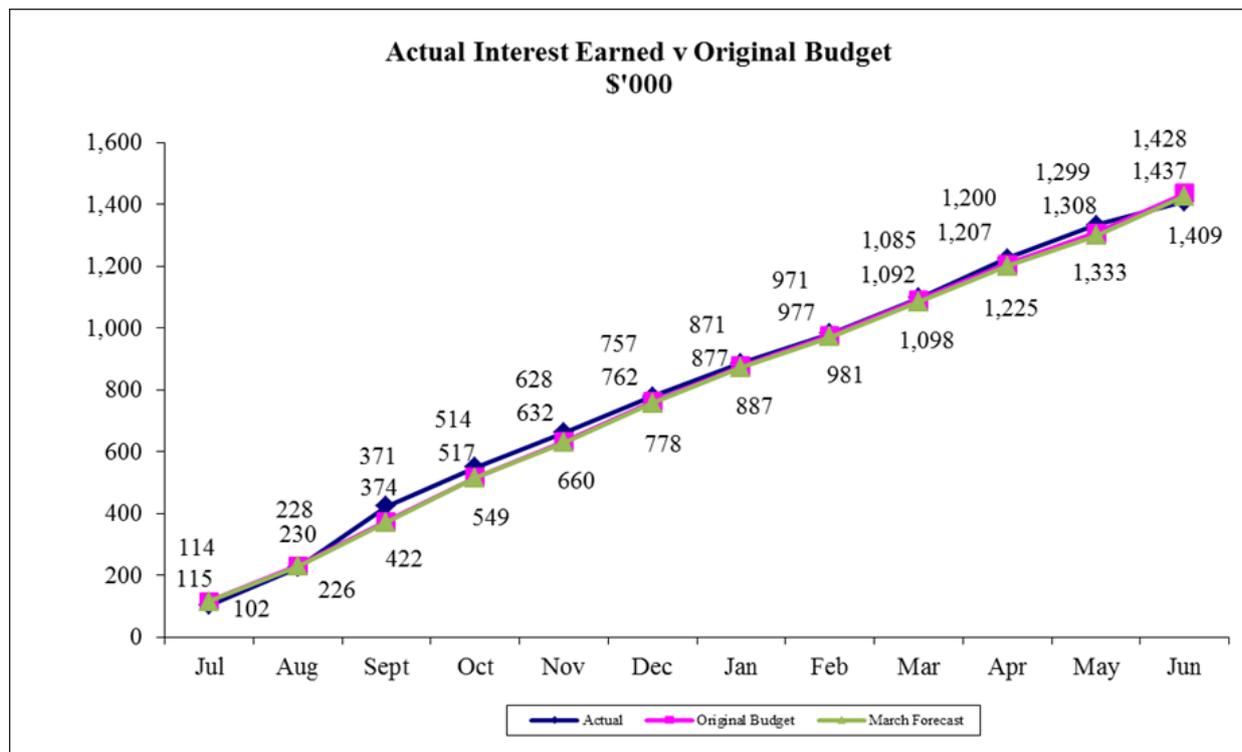
One of Council's financial indicators is the level of funding held to cover employee leave entitlements (ELE). Total restricted cash for ELE is \$1,267k (including \$79k in Domestic Waste Management) compared to Council's provision for its ELE liability and associated on costs which amount to \$10,533k representing 12.0% (11.9% at 30 June 2013).

Investment Portfolio Performance and Valuation

Council's weighted average return on its term deposit investments consistently outperformed the 90 day term deposit index throughout the year. The steady decline in rates through a number of interest rates cuts during the year is clear to see, falling from 4.2% at the start of the year to 3.6% at the end.



While the term deposit index was outperformed throughout the year, total interest earned (\$1,409k) fell slightly below the revised budget forecast (\$1,428k). This result is shown in the chart below.



Other Entities

Council is a member of the Premsure Insurance Pool which is in the final stages of being wound up. It is included in Council's financial statements by way of joint venture, although it is reported that Council holds zero equity. Premsure is subject to separate audit and Council is provided with financial reports for the purposes of consolidation.

Council is aware that the Pool continues to hold surplus funds that will be distributed to members upon closure of the Pool. An actuarial analysis of the various fund years that remain open is required before any distribution of funds can be determined. On this basis, at reporting date, Council disclosed a contingent asset in Note 18 for this potential distribution from the Pool.

Revaluation and Reclassification of Land, Buildings and Other Structures

Each year end, Council engages its valuer to undertake a review of the value of its operational land. As at 30 June 2014, this revaluation resulted in significant increases and decreases in values, based on sales evidence.

Further, as a result of Council's resolutions to sell O'Dea Avenue Depot and 9A Cooper Park Road prior to 30 June 2014, and the commencement of a sales strategy, required these assets to be reclassified to 'Assets Held for Sale'.

O'Dea Avenue Depot

O'Dea Avenue Depot was held as an Investment Property (the front parcels leased out), operational land (Council's Depot) and buildings. These have been reclassified to 'Assets Held for Sale' and revalued to the contracted sale price of \$56m.

9A Cooper Park Road

9A Cooper Park Road was held as operational land. It has been reclassified to 'Assets Held for Sale' and revalued to the updated valuation from Council's valuer of \$9.1m.

The total value of 'Assets Held for Sale' (Note 22, page 70 of Annexure 1) at 30 June 2014 is \$65.1m.

Kiaora Place

Land known collectively as Kiaora Lands was held as operational land while improvements in the car parks were held as other structures. These has been reclassified to 'Investment Properties' in addition to the \$58.25m acquisition of stage 1 of Kiaora Place and revalued based on a valuation from Council's valuer to \$82.05m.

Other Operational Land and Investment Property

Other operational land and investment property has been revalued to the updated valuations from Council's Valuer resulting in a net increase in value of \$2.234m.

Conclusion:

The final budget result for the year was an increase in working funds of \$159k, or \$99k more than forecast in the March Budget Review, resulting in a working funds balance of \$2,727k at 30 June. The \$2,727k balance is above Council's minimum benchmark figure (arrears of Rates & Charges plus Inventory) of \$2,400k.

Council's operating result for the year was a deficit of \$2,897k with major variances to the forecast result and 2012/13 provided in the report.

Council's working funds and liquidity both remain satisfactory at year end as does Council's overall financial position.

The Corporate & Works Committee should note that the 2013/14 Financial Statements have been reviewed by Council's Audit & Assurance Committee. A number of minor typographical corrections and disclosure improvements resulted, none of which changed the reported results. Those changes have been incorporated into the financial statements now presented to the Corporate & Works Committee. The Audit & Assurance Committee resolved to support the staff recommendation to the Corporate & Works Committee included in this report.

It has been recommended that the Committee recommend to Council the adoption of its statement in relation to the 2013/14 financial statements.

It is also recommended that, in anticipation of receiving the Auditor's Reports, that Council set the Corporate & Works Committee meeting to be held on Monday 3 November 2014 as the meeting at which the 2013/14 Financial Statements will be presented to the public.

Don Johnston
Chief Financial Officer

Stephen Dunshea
Acting General Manager

Annexures:

1. General Purpose Financial Statements for the year ended 30 June 2014 (*circulated separately*)

Political Donations – matters to be considered by Councillors at Meetings

