



# Corporate & Works Committee

**Agenda:** *Corporate & Works Committee*

**Date:** *Monday 16 February 2009*

**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).

## **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.
- Quarterly review of Council's Management 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 Minutes of its Meeting.
- 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 below.

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

- Such matters as are specified in Section 377 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; - Delegations.
  - Adoption of Council's Management Plans; - Policies.
  - Quality Service/Communications; - Tenders as per Regulation requirements.
  - Leases.
  - Matters reserved by individual Councillors in accordance with any Council policy on "safeguards" and substantive changes

**Committee Membership:**

6 Councillors

**Quorum:**

The quorum for a Committee meeting is 4 Councillors.

# WOOLLAHRA MUNICIPAL COUNCIL

## Notice of Meeting

12 February 2009

To: His Worship The Mayor, Councillor Andrew Petrie ex-officio  
Councillors Greg Medcraft (Chair)  
Anthony Boskovitz  
Peter Cavanagh (Deputy)  
Nicola Grieve  
Ian Plater  
Isabelle Shapiro

Dear Councillors

### **Corporate & Works Committee Meeting – 16 February 2009**

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 16 February 2009 at 6.00pm.**

Gary James  
General Manager

# **Additional Information Relating to Committee Matters**

**Site Inspection**

**Other Matters**

## Meeting Agenda

<b>Item</b>	<b>Subject</b>	<b>Pages</b>
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 2 February 2009	1
D2	Etham Avenue, Darling Point – Bus shelter - 156. 263.G	2
D3	Monthly Financial Report – January 2009	5

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

R1	2008/2009 Budget Review for the Quarter Ended 31 December 2008 – 331.G	12
R2	Budget Strategy – 331.G 2009/2010	33

**Item No:** D1 Delegated to Committee  
**Subject:** **Confirmation of minutes of meeting held on 2 February 2009**  
**Author:** Les Windle, Manager – Governance  
**File No:** See Council Minutes  
**Reason for Report:** The Minutes of the Meeting of Monday 2 February 2009 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 2 February 2009 be taken as read and confirmed.

Les Windle  
Manager – Governance

**Item No:** D2 Delegated to Committee  
**Subject:** **Etham Avenue, Darling Point – Bus Shelter**  
**Author:** Alan Opera - Manager Engineering Services  
**File No:** 156. 263.G  
**Reason for Report:** To report on a refurbishment proposal for the existing bus shelter.

**Recommendation:**

- A. That the existing bus shelter in Etham Avenue be refurbished in lieu of replacement.
- B. That a standard design bus shelter be constructed at 330 Edgecliff Road, Edgecliff.

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**Background:**

Provision has been made in the 2008/09 Bus Shelter Replacement Program for a replacement bus shelter on the southern side of Etham Avenue, Darling Point, immediately east of Darling Point Road.

Replacement of this shelter has been under consideration for several years, however, there has been difficulty in reaching agreement with residents and the Darling Point Society on the style of the replacement shelter for this location. Three proposals were previously considered including refurbishment of the existing bus shelter, replacement of this shelter with a modified “heritage style” shelter, and replacement with a contemporary style steel and glass shelter.

In November 2008 Council’s Corporate & Works Committee considered a general report on bus shelters and adopted the contemporary style steel and glass bus shelter (installed at various locations during 2007-2008) as the standard bus shelter for the Woollahra Municipality. Council also resolved that a meeting be held with the Darling Point Society to review the proposal for a standard bus shelter for Etham Avenue.

**Issues:**

At a meeting with the Darling Point Society and in a letter dated 2 December 2008, the Society has advised that the Society and local residents do not favour the installation of the standard design bus shelter in Etham Avenue as it is considered that this design would be out of character with the streetscape. Several issues were however raised by the Society in respect of the existing bus shelter including the appearance of the shelter, poor disability access to the shelter, and occasional antisocial behaviour.

The Society was advised that the proposal to replace the existing shelter with a new standard steel and glass shelter would resolve these issues in that access to the new shelter would be improved when the footpath is reconstructed and antisocial behaviour would be discouraged as the standard shelter is predominantly glass and therefore see-through. Some minor improvements can be made by refurbishment of the existing shelter, however, these improvements will not be as significant as those offered by the installation of a new standard design shelter. The Society nevertheless stated its preference for refurbishment of the existing shelter.

Council has recently placed orders for new standard design bus shelters in Lyne Park, Rose Bay, at 47 New South Head Rd, Vaucluse, and at 278 Edgecliff Road, Edgecliff. Approximately \$38,000 remains in the Bus Shelter Replacement Program budget for 2008/09. A new standard shelter will cost approximately \$29,000 and refurbishment of the existing bus shelter in Etham Avenue will cost approximately \$8,000. Therefore a further shelter can be replaced this year.

The next site which is proposed for a replacement shelter is at 330 Edgecliff Road, Edgecliff, which currently has an aluminium shelter which is in poor condition.

**Conclusion:**

Residents and the Darling Point Society have indicated preference for the refurbishment of the bus shelter in Etham Avenue rather than replacement with a standard design shelter. It is therefore proposed that the existing shelter not be replaced but be refurbished to improve as is possible its appearance and disability access, and to discourage antisocial behaviour.

Sufficient funds are available in the 2008/09 Bus Shelter Replacement Program budget for a further shelter to be constructed and it is therefore proposed to replace the existing shelter at 330 Edgecliff Road, Edgecliff.

Alan Opera  
Manager Engineering Services

Warwick Hatton  
Director, Technical Services

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**ANNEXURES:**

1. Letter from Darling Point Society



**Item No:** D3 Delegated to Committee  
**Subject:** **Monthly Financial Report – January 2009**  
**Author:** Don Johnston, Manager Finance  
**File No:**  
**Reason for Report:** To present the monthly financial report for January 2009

**Recommendation:**

A. THAT the monthly financial report for January 2009 be received and noted.

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**Background:**

The monthly financial report for January 2009 is submitted to the Committee for consideration.

The monthly report includes the following:

- Summary of Receipts, Payments and Bank Balance
- Summary of Investments
- Details of Investment Portfolio
- Weighted Average Maturity and Weighted Average Returns Charts
- Maturity Profile Chart

Don Johnston  
Manager Finance

**ANNEXURES:**

Nil.

**Summary of Receipts, Payments and Bank Balance**

Cash Book Balance as at 31 December, 2008 -834,657.54

**Receipts**

Rates 338,501.87  
Other 10,634,247.71 10,972,749.58

**Total Receipts**

Description	Amount
Sundry Debtors Control	-834,112.63
Deposits & Bonds Control Account	-815,292.00
Parking Fines	-472,973.97
Other Developer Contributions	-443,249.51
GST Clearing Balance Account	-358,620.36
S/Drs-Rates	-338,501.87
Trade Waste Debtors Control	-105,768.74
Build/Construction LS Levy Clearing	-59,354.11
Residential Parking Permits	-55,374.63
Operating Subsidies HACC	-38,586.50

**Payments - Cheque**

Cheque Payments -1,443,553.85

Cancelled Cheques 2,747.00

Total Cheque Payments for period -1,440,806.85

Cheque No	Cheque Date	Payee	Description	Amount
202301	08/01/2009	NSW Fire Brigades	Local Govt contr to NSW Fire Brigades 3rd qtr	-508,619.00
202473	29/01/2009	Energy Australia	Street Lighting - Dec'08	-120,414.90
202488	29/01/2009	University Chambers (Coles)	Legal fees re 8 Castra Place, Double Bay	-64,405.00
202335	08/01/2009	Techni-Clean Australia	Cleaning/sealing of footpaths	-52,245.05
202462	27/01/2009	Withheld	Refund of security deposit	-44,000.00
202337	08/01/2009	The Green Horticultural Group	Sand/top dressing - various sites	-34,964.88
202482	29/01/2009	Wentworth Chambers (Flanigan)	Legal fees re 8 Castra Place, Double Bay	-27,720.00
202403	22/01/2009	City Ford, Mascot	Fleet purchases	-26,739.74
202447	22/01/2009	Withheld	Refund of security deposit	-25,900.00
202500	29/01/2009	Withheld	Refund of security deposit	-23,400.00

**Payments - EFT**

EFT Payments -7,708,167.34

Returned EFT Payments 75.00

Total EFT Payments for period -7,708,092.34

Reference	EFT Date	Payee	Description	Amount
19870	15/01/2009	Holdsworth St Community Centre	3rd quarter grant	-198,000.00
19928	22/01/2009	Local Govt Super Scheme-Div.A	Employer/employee super contribs for Jan'09	-169,135.63
19961	22/01/2009	WSN Environmental Solutions	Waste tipping charges - Nov'08	-168,097.79
20005	29/01/2009	State Debt Recovery Office	Infringement processing fees Nov/Dec'08	-141,951.70
19999	29/01/2009	Ozpave (Aust) Pty Ltd	General works - Yarranabbe Rd.,	-127,815.15
1401	14/01/2009	Australian Taxation Office	PAYG 28	-109,334.14
210109	21/01/2009	Australian Taxation Office	PAYG 30	-105,157.54
19929	22/01/2009	Local Govt Super Scheme-Div.B	Employer/employee super contribs for Jan'09	-96,369.89
280109	28/01/2009	Australian Taxation Office	PAYG 31	-95,302.14
1401	14/01/2009	Australian Taxation Office	PAYG 29	-93,198.88

**Payments - Direct Debits From Bank A/c**

Payroll -1,327,196.80

Bank Charges -12,077.02

Credit Cards 0.00

Councillors' fees -730.00

Council Rates 0.00

Total Direct Debits for period -1,340,003.82

**Total Payments**

-10,488,903.01

**Cash Book Balance as at 31 January 2009**

-350,810.97

Unpresented Cheques No. of Cheques: 182 258,929.85

Outstanding Deposits & Miscellaneous Items 60,087.57

**Reconciled Cash Book Balance as at 31 January 2009** -31,793.55

**Bank A/c Balance as at 31 January 2009** -31,793.55

**Unpresented Cheques > \$30,000.00**

Cheque No.	Cheque Date	Payee	Amount
		Nil	0.00

**INVESTMENTS AS AT 31 JANUARY 2009**

CATEGORY	FACE VALUE \$	BOOK VALUE \$
<b>1. LEHMAN BROTHERS (formerly Grange Securities Ltd)</b>		
Funds under management	17,911,989	10,562,615
<b>2. OAKVALE CAPITAL Limited</b>		
Funds under management	6,247,114	3,974,800

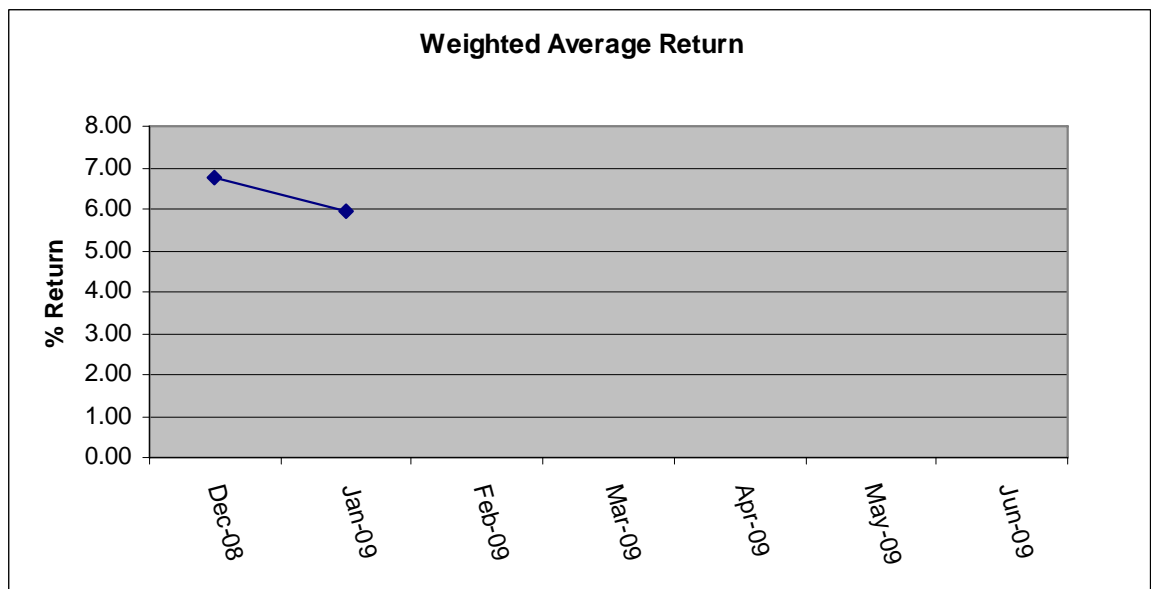
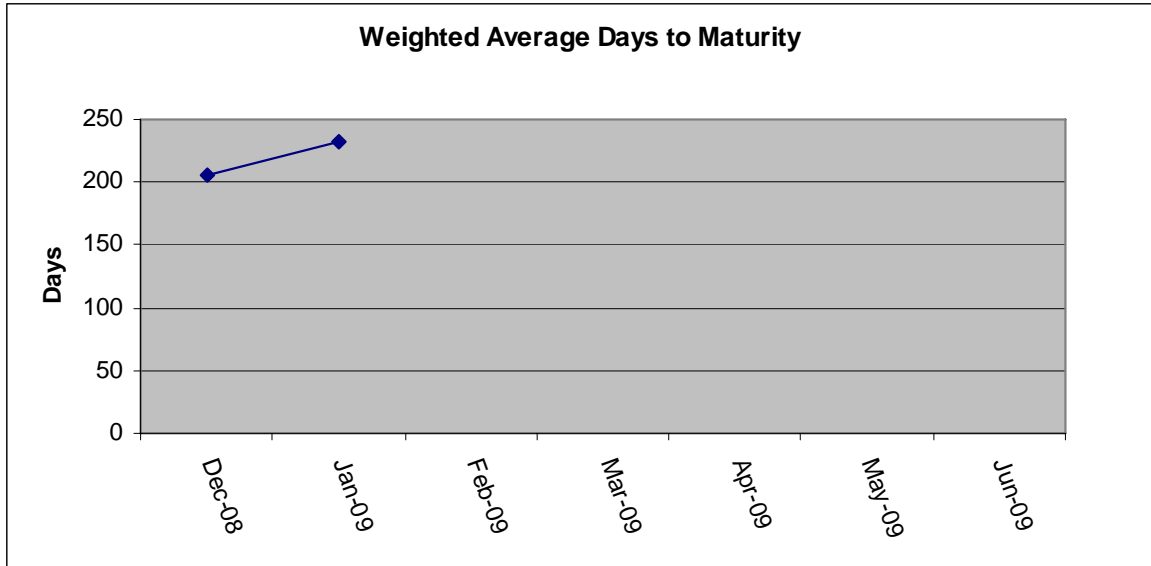
RATING	CATEGORY	PURCHASE DATE	MATURITY DATE	TOTAL TERM (DAYS)	REMAINING DAYS TO MATURITY	%	FACE VALUE \$	BOOK VALUE \$	GOV'T GUARANTEE
<b>3. WMC DIRECT INVESTMENTS</b>									
AA	<u>ST GEORGE BANK LIMITED</u>								
	TERM DEPOSIT	22/01/2009	19/06/2009	148	139	3.64	1,000,000	1,000,000	Guaranteed
NR	<u>SAVINGS &amp; LOANS CREDIT UNION</u>								
	TERM DEPOSIT	28/10/2008	27/03/2009	150	55	6.80	1,500,000	1,500,000	Guaranteed
	TERM DEPOSIT	10/12/2008	10/12/2010	730	678	5.15	1,000,000	1,000,000	Guaranteed
NR	<u>POLICE &amp; NURSES CREDIT SOCIETY</u>								
	TERM DEPOSIT	05/01/2009	15/04/2009	100	74	5.65	1,000,000	1,000,000	Guaranteed
AAA*	<u>POLICE CREDIT UNION (STH AUST)</u>								
	TERM DEPOSIT	18/12/2008	17/04/2009	120	76	5.58	1,000,000	1,000,000	Guaranteed
AAA*	<u>QLD POLICE CREDIT UNION</u>								
	TERM DEPOSIT	03/12/2008	31/03/2009	118	59	6.00	1,000,000	1,000,000	Guaranteed
AA	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	04/09/2008	04/03/2009	181	32	8.00	2,000,000	2,000,000	
BBB	<u>IMB LTD</u>								
	TERM DEPOSIT	27/11/2008	27/11/2009	365	300	5.00	1,000,000	1,000,000	Guaranteed
	TERM DEPOSIT	02/12/2008	02/12/2009	365	305	5.00	1,000,000	1,000,000	Guaranteed
AAA*	<u>MACQUARIE BANK</u>								
	TERM DEPOSIT	04/11/2008	02/02/2009	90	2	7.30	1,500,000	1,500,000	Guaranteed
	TERM DEPOSIT	04/11/2008	04/05/2009	181	93	7.00	1,000,000	1,000,000	Guaranteed
AAA*	<u>ELDERS RURAL BANK</u>								
	TERM DEPOSIT	24/11/2008	24/11/2009	365	297	6.55	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANK WEST</u>								
	TERM DEPOSIT	27/11/2008	27/11/2009	365	300	5.00	1,000,000	1,000,000	Guaranteed
NR	<u>AUSTRALIAN DEFENCE CREDIT UNION</u>								
	TERM DEPOSIT	28/11/2008	26/02/2009	90	26	7.40	1,000,000	1,000,000	Guaranteed
	TERM DEPOSIT	03/12/2008	13/03/2009	100	41	6.63	1,000,000	1,000,000	Guaranteed
AAA*	<u>INVESTEC BANK</u>								
	TERM DEPOSIT	28/11/2008	26/11/2009	363	299	5.65	1,000,000	1,000,000	Guaranteed
AAA*	<u>ARAB BANK</u>								
	TERM DEPOSIT	10/12/2008	10/12/2010	730	678	5.65	1,000,000	1,000,000	Guaranteed
AAA*	<u>CREDIT UNION AUSTRALIA</u>								
	TERM DEPOSIT	28/01/2009	28/07/2009	181	178	4.30	1,000,000	1,000,000	Guaranteed
AAA*	<u>BENDIGO BANK</u>								
	TERM DEPOSIT	21/01/2009	16/10/2009	268	258	4.65	1,000,000	1,000,000	Guaranteed
AAA*	<u>VICTORIA TEACHERS CREDIT UNION</u>								
	TERM DEPOSIT	21/01/2009	21/12/2009	334	324	4.25	1,000,000	1,000,000	Guaranteed
AA	<u>COMMONWEALTH BANK</u>								
	TERM DEPOSIT	16/12/2008	16/12/2011	1095	1049	6.03	1,000,000	1,000,000	
	ONLINE SAVER A/C						2,022,535	2,022,535	
	Total WMC Direct Investments						25,022,535	25,022,535	
	<b>Weighted Average Days to Maturity of WMC Direct Investments</b>				<b>231.46</b>				
	<b>Weighted Average Return of WMC Direct Investments</b>					<b>5.93</b>			
	(excluding CBA floating rate deposit)								
	<b>% Government Guarantee of WMC Direct Investments</b>								<b>80%</b>

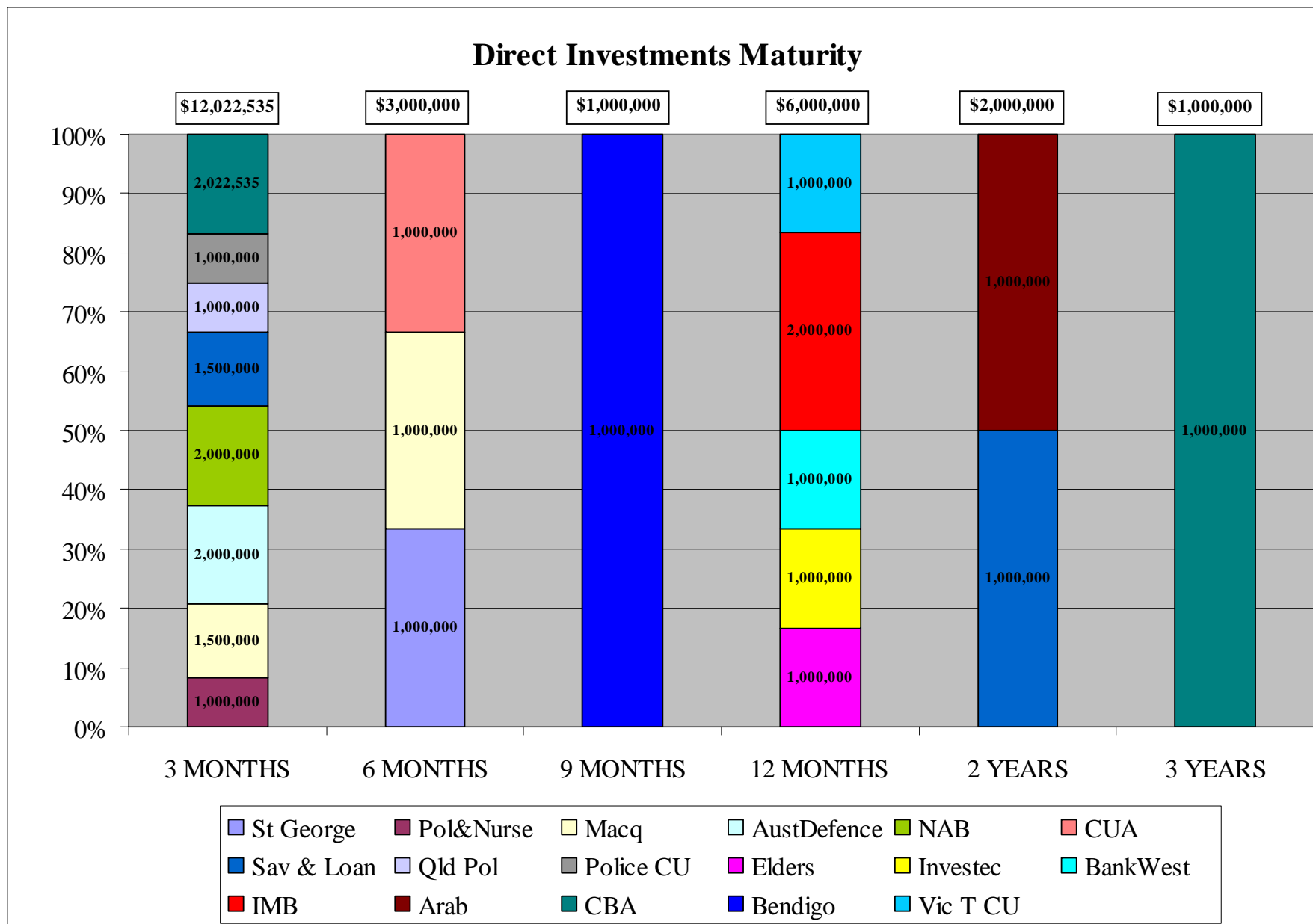
I hereby certify that the above investments have been made in accordance with Section 625 of the Local Government Act 1993, Clause 212 of the Local Government (General) Regulation 2005 and Council's investment policy.

Don Johnston  
Manager Finance

INVESTMENTS PORTFOLIO AS AT 31 JANUARY 2008							
Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
<b>1. LEHMAN BROTHERES (formerly GRANGE SECURITIES)</b>							
<b>Issued by non-ADIs</b>							
Lehman Global Property Note	Other	13/06/2007	15/06/2009	60,000	60,000	5,000	1
Herald Limited (Quartz AA)	CDO	04/07/2007	20/12/2010	400,000	403,644	221,624	1
BELO (Kalgoorlie AA+)	Other	27/02/2007	27/02/2012	500,000	500,000	357,830	1
Magnolia (Flinders AA)	CDO	08/06/2007	20/03/2012	500,000	513,670	324,180	1
Omega (Henley AAA)	CDO	20/12/2006	22/06/2012	450,000	450,000	140,018	1
Helium (Esperance AA+)	CDO	04/07/2007	20/03/2013	500,000	501,565	110,825	1
Zircon (Merimbula AA)	CDO	06/06/2007	20/06/2013	250,000	250,000	37,105	1
Corsair (Torquay AA)	CDO	04/07/2007	20/06/2013	500,000	501,860	91,945	1
Start (Blue Gum AA-)	CDO	08/01/2007	22/06/2013	400,000	402,768	118,832	1
Corsair (Kakadu AA)	CDO	22/01/2007	20/03/2014	500,000	503,300	83,725	1
Helium (Scarborough AA)	CDO	17/01/2007	23/06/2014	400,000	402,620	80,456	1
Helium (Scarborough AA)	CDO	04/07/2007	23/06/2014	500,000	502,270	100,570	1
Helium (Scarborough AA)	CDO	23/07/2007	23/06/2014	500,000	503,810	100,570	1
Zircon (Coolangatta AA)	CDO	20/03/2007	20/09/2014	500,000	500,000	61,100	1
Beryl (AAA Global Bank Note)	Other	03/04/2007	20/09/2014	100,000	100,000	57,151	1
Zircon (Coolangatta AA)	CDO	04/07/2007	20/09/2014	500,000	501,430	61,100	1
Beryl (AAA Global Bank Note)	Other	04/07/2007	20/09/2014	350,000	350,917	200,029	1
Aphex (Glenelg AA-)	CDO	10/01/2007	22/12/2014	500,000	501,960	125,745	1
Aphex (Glenelg AA-)	CDO	04/07/2007	22/12/2014	500,000	501,405	125,745	1
MAS6-7 (Parkes IIA 'AA-')	CDO	13/06/2007	20/06/2015	450,000	461,687	32,117	1
MAS6-7 (Parkes IIA 'AA-')	CDO	04/07/2007	20/06/2015	500,000	504,315	35,685	1
Zircon (Miami AA)	CDO	16/04/2007	20/03/2017	50,000	50,137	7,546	1
				8,910,000	8,967,358	2,478,896	
<b>Issued by ADIs</b>							
Home Building Society FRN (BBB+)	FRN	10/01/2007	17/08/2009	500,000	511,820	453,835	1
Home Building Society FRN (BBB+)	FRN	11/01/2007	17/08/2009	500,000	511,920	453,835	1
Royal Bank of Scotland (AA)	FRN	04/07/2007	28/10/2009	500,000	508,290	466,345	1
Elders Rural Bank Sub Debt (BBB-)	FRN	04/07/2007	23/03/2010	500,000	504,780	428,445	1
NM Rothschild FRSD (unrated)	FRN	09/07/2007	10/08/2010	1,000,000	1,013,290	789,560	1
HSBC Sub Debt (AA-)	FRN	04/07/2007	20/05/2011	500,000	503,915	437,220	1
Suncorp Metway Sub Debt (A)	FRN	19/01/2007	22/06/2011	500,000	503,285	451,250	1
St George Bank Sub Debt (A+)	FRN	10/01/2007	26/07/2011	1,000,000	1,014,990	905,830	1
HSBC FRN (AA-)	FRN	07/02/2007	22/09/2011	500,000	505,470	456,615	1
CBA FRN (AA)	FRN	19/01/2007	28/09/2011	500,000	503,640	479,285	1
CBA FRN (AA)	FRN	31/01/2007	28/09/2011	500,000	504,785	479,285	1
CBA FRN (AA)	FRN	04/07/2007	28/09/2011	500,000	502,360	479,285	1
Westpac FR Sub Debt (AA)	FRN	07/02/2007	24/01/2012	500,000	501,590	455,330	1
Royal Bank of Scotland (AA)	FRN	31/01/2007	17/02/2012	1,000,000	1,014,560	865,130	1
Adelaide Bank FRN (BBB+)	FRN	04/07/2007	28/03/2012	500,000	501,445	480,480	1
				9,000,000	9,106,140	8,081,730	
Macquarie Cash Trust (AAA)	Cash			1,989	1,989	1,989	4
				1,989	1,989	1,989	
<b>Total Lehman Brothers</b>				<b>17,911,989</b>	<b>18,075,486</b>	<b>10,562,615</b>	
<b>2. OAKVALE CAPITAL</b>							
Emeral Reverse Mortgage Series 2007-1 Class B	Mortgage Backed	06/07/2007	06/07/2011	1,000,000	1,000,000	945,200	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	3,029,600	1
<b>Total Oakvale Capital</b>				<b>6,247,114</b>	<b>6,247,114</b>	<b>3,974,800</b>	

Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
<b>3. WMC INVESTMENTS</b>							
Macquarie Bank (7.3% 90 days)	TD	04/11/2008	02/02/2009	1,500,000	1,500,000	1,500,000	4
Aust Defence Credit Union (7.4% 90 days)	TD	28/11/2008	26/02/2009	1,000,000	1,000,000	1,000,000	4
NAB Term Deposit (8.00% 181 days)	TD	04/09/2008	04/03/2009	2,000,000	2,000,000	2,000,000	4
Aust Defence Credit Union (6.63% 100 days)	TD	03/12/2008	13/03/2009	1,000,000	1,000,000	1,000,000	4
Savings & Loans CU (6.80% 150 days)	TD	28/10/2008	27/03/2009	1,500,000	1,500,000	1,500,000	4
Qld Police CU (6.00% 118 days)	TD	03/12/2008	31/03/2009	1,000,000	1,000,000	1,000,000	4
Police & Nurses CU (5.65% 100 days)	TD	05/01/2009	15/04/2009	1,000,000	1,000,000	1,000,000	4
Police CU Ltd SA (5.58% 120 days)	TD	18/12/2008	17/04/2009	1,000,000	1,000,000	1,000,000	4
Macquarie Bank (7.0% 181 days)	TD	04/11/2008	04/05/2009	1,000,000	1,000,000	1,000,000	4
St George (3.64% 148 days)	TD	22/01/2009	19/06/2009	1,000,000	1,000,000	1,000,000	4
Credit Union Australia (4.3% 181 days)	TD	28/01/2009	28/07/2009	1,000,000	1,000,000	1,000,000	4
Bendigo Bank (4.65% 268 days)	TD	21/01/2009	16/10/2009	1,000,000	1,000,000	1,000,000	4
Elders Rural Term Deposit (6.55% 365days)	TD	24/11/2008	24/11/2009	1,000,000	1,000,000	1,000,000	4
Investec Aust Ltd (5.65% 363 days)	TD	28/11/2008	26/11/2009	1,000,000	1,000,000	1,000,000	4
Bank West Term Deposit (5.00% 365 days)	TD	27/11/2008	27/11/2009	1,000,000	1,000,000	1,000,000	4
IMB Term Deposit (5.00% 365 days)	TD	27/11/2008	27/11/2009	1,000,000	1,000,000	1,000,000	4
IMB Term Deposit (5.00% 365 days)	TD	02/12/2008	02/12/2009	1,000,000	1,000,000	1,000,000	4
Victoria Teachers CU (4.25% 334 days)	TD	21/01/2009	21/12/2009	1,000,000	1,000,000	1,000,000	4
Arab Bank Ltd (5.65% 730 days)	TD	10/12/2008	10/12/2010	1,000,000	1,000,000	1,000,000	4
Savings & Loans CU (5.15% 730 days)	TD	10/12/2008	10/12/2010	1,000,000	1,000,000	1,000,000	4
CBA TCD (90 day BBSW + 1.60% - 3 yrs)	TD	16/12/2008	16/12/2011	1,000,000	1,000,000	1,000,000	4
CBA Online Saver	Cash			2,022,535	2,022,535	2,022,535	4
<b>Total Direct Investments</b>				<b>25,022,535</b>	<b>25,022,535</b>	<b>25,022,535</b>	
<b>Total Portfolio</b>				<b>49,181,638</b>	<b>49,345,135</b>	<b>39,559,950</b>	
<b>PORTFOLIO SUMMARISED BY CLASSIFICATION</b>							
CDO				9,900,000	9,956,441	1,858,887	
FRN				9,000,000	9,106,140	8,081,730	
Mortgage Backed				1,000,000	1,000,000	945,200	
Managed Fund				3,247,114	3,247,114	3,029,600	
TD				23,000,000	23,000,000	23,000,000	
Cash				2,024,524	2,024,524	2,024,524	
Other				1,010,000	1,010,917	620,010	
				<b>49,181,638</b>	<b>49,345,135</b>	<b>39,559,950</b>	
<ol style="list-style-type: none"> <li>1. Book Value (Fair Value) as at 30 June 2008</li> <li>2. Matured 17 October 08 repaying full \$100,000 principal</li> <li>3. Defaulted</li> <li>4. Face value of deposit / bank bill</li> </ol>							
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.						





**Item No:** R1 Recommendation to Council  
**Subject:** **2008/2009 BUDGET REVIEW FOR THE QUARTER ENDED 31 DECEMBER 2008**  
**Author:** Michelle Phair – Team Leader Financial Services  
**File No:** 331.G  
**Reason for Report:** To report on the review of the 2008/2009 Budget for the quarter ended 31 December 2008

**Recommendation:**

A. THAT the report be received and noted and the variations to the Budget be adopted.

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**Background:**

The requirement for a quarterly review of the budget arises from Clause 203 of the Local Government (General) Regulation 2005. It requires that, not later than two months after the end of each quarter, the responsible accounting officer of a council prepare and submit to the Council a budget review statement that shows, by reference to the estimates of income and expenditure set out in the Management Plan that the Council has adopted for the relevant year, a revised estimate of the income and expenditure for that year. A budget review statement must include or be accompanied by a report as to whether or not the responsible accounting officer believes that the statement indicates that the financial position of the council is satisfactory, having regard to the original estimates of income and expenditure. If that position is unsatisfactory recommendations for remedial action must also be provided.

This report provides the information and recommendation to fulfill these obligations. Each of the budget managers has provided a revised forecast of expenditure and income for their respective areas. Where necessary, money has been recommended for voting to meet additional expenditure to that anticipated in the budget.

**Discussion:**

*Overall Financial Position*

The Income Statement (below) for the current year shows Council's operating result will decrease by \$429,447 from a forecast surplus at the September 2008 review of \$2,767,803 to \$2,338,356, the reduced operating result has no impact on services or service levels provided.

The forecast indicates our unrestricted current ratio has reduced from 2.18:1 to 2.14:1. The unrestricted current ratio is used to assess the adequacy of working capital and the ability to satisfy obligations in the short term for the unrestricted activities of Council. Financial health checks indicate a ratio of less than 1 is unacceptable, Council's ratio of 2.14:1 remains sound.

The working funds balance which is the available cash to cover any unforeseen expenditure requirements which cannot be covered within the current budget provision has decreased by \$340,403 from \$2,166,204 to \$1,825,801. The benchmark working funds level (outstanding rates plus inventory) is \$1,819,000.



Based on year to date receipts of Section 94A funds, it is anticipated that Council will receive an additional \$400k over the 2008/2009 original budget of \$1m. This is in line with 2007/2008 receipts. These additional funds have been utilised to fund infrastructure projects thereby freeing up working funds to partially cover the major variances in the December 2008 review including: O'Dea Ave commercial property (\$100k); reduction in interest (\$401k); fire levy increase (\$94k); and legal and appeals consultant expenses (\$756k). This course of action maintains the services and Capital Works Program that Council has committed to for the 2008/2009 financial year. A further full review of the budget at the March review will identify any opportunities to restore our working funds level to that anticipated in the original budget.

A summary of major budget review changes is provided later in the report together with full details of the variations. A reconciliation between the working funds and operating results is provided with the Balance Sheet

Overall, based on projected levels of restricted cash and liquidity, Council's financial position will remain sound.

**BUDGET 2008/2009  
INCOME STATEMENT**

	<b>Original Budget</b>	<b>Revised Budget &amp; Revotes</b>	<b>Actual to Date</b>	<b>% of Revised Budget</b>	<b>Proposed Change to Forecast</b>	<b>Revised Forecast</b>
<b>OPERATING REVENUES</b>						
Rates & Annual Charges	36,984,360	37,068,699	37,179,015	100.3	0	37,068,699
Fees & Charges	5,290,974	5,874,974	3,746,847	63.8	675,491	6,550,465
Interest	3,278,000	3,128,500	1,429,566	45.7	-401,046	2,727,454
Grants & Contributions	2,427,017	2,607,383	1,365,911	52.4	14,115	2,621,498
Other Revenue	11,225,032	11,094,712	4,713,719	42.5	27,827	11,122,539
	<u>59,205,383</u>	<u>59,774,268</u>	<u>48,435,058</u>	<u>81.0</u>	<u>316,387</u>	<u>60,090,655</u>
<b>OPERATING EXPENSES</b>						
Employee Costs	27,626,705	27,555,598	14,423,793	52.3	-164,906	27,390,692
Materials & Contracts	10,857,588	12,049,112	6,876,233	57.1	1,358,521	13,407,633
Borrowing Costs	675,306	675,306	348,522	51.6	0	675,306
Depreciation	8,916,412	8,916,412	5,106,983	57.3	0	8,916,412
Other Costs	11,349,740	11,525,722	5,975,904	51.8	98,141	11,623,863
	<u>59,425,751</u>	<u>60,722,150</u>	<u>32,731,434</u>	<u>53.9</u>	<u>1,291,756</u>	<u>62,013,906</u>
<b>CAPITAL REVENUES</b>						
Capital Grants & Contributions	1,444,433	2,300,438	1,051,366	45.7	490,840	2,791,278
Net Gain/(Loss) on Sale of Assets	1,258,700	1,415,247	-223,075	-15.8	55,082	1,470,329
<b>CHANGE IN NET ASSETS</b>	<u><b>2,482,765</b></u>	<u><b>2,767,803</b></u>	<u><b>16,531,914</b></u>		<u><b>-429,447</b></u>	<u><b>2,338,356</b></u>
<b>LESS:</b>						
					Forecast increase in Capital Expenditure	-41,103
					Transfers to Reserve from Operating	-383,100
					Reduction in utilisation of Reserves	-109,278
<b>ADD:</b>						
					Transfers from Reserves for Capital	450,000
					Reduction in Section 94 Interest	31,850
					Reduction in Property Reserve Interest	140,675
<b>Working Funds Movement</b>						<u><b>-340,403</b></u>

In addition to the Income Statement above, Council's Balance Sheet and Reserve levels summarise the results of the budget review and appear as **ANNEXURES 1 and 2** respectively. **ANNEXURE 3** provides a summary of the Capital Budget and proposed variations.

Summary of Variations

The following table summarises by Division, Manager and resource the variations proposed in the Budget Review.

Item	Variation (Favourable)/ Unfavourable \$'000	Comment
<b>OPERATING BUDGET</b>		
<b>COMMUNITY SERVICES:</b>		
<i>Library Services (104):</i>		
	0	Budget has been transferred between cost centres to reflect the new Library structure.
<i>Community Development (105):</i>		
- Vaucluse Bowling Club Income	11	Council is no longer managing activities at Vaucluse Bowling Club. Budget income deficit of \$11k.
- Community Safety Projects	19	Community Safety Projects expenditure, offset by previously budgeted grant received from Attorney General.
<i>Cultural Development (107):</i>		
- Sculpture Prize	28 (28)	Sculpture Prize payments to artists for sales of works and increased cost of street banners and promotional material offset by increased income from sales of sculptures and entry fee.
<b>Small variations within Community Services:</b>	(2)	
<b>Total variation for Community Services:</b>	28	
<b>CORPORATE SERVICES:</b>		
<i>Governance (203):</i>		
- Conference Expense	7	Additional expense incurred for LGA conference held in Broken Hill.
<i>Finance (205):</i>		
- Legal Expense	50	Legal costs for investment advice. Potential for this increase was noted in the Sept 08 review.
- Fire Levy	94	As advised by NSW Fire Brigades - Treasurer & Minister for Emergency Services approved estimates for 08-09. This is a 5% increase over the budget estimate. Total increase over last year's contribution is \$179k.
- Interest on Investments	401	Reduction in expected interest on investments as a result of RBA cash rate cuts.
- Transfer to Property Reserve	(141)	Reduce interest transfer to reserve as a result of decrease in expected interest on investments.

Item	Variation (Favourable)/ Unfavourable \$'000	Comment
<ul style="list-style-type: none"> <li>- Transfer to s.94 Reserve</li> <li>- Section 94A</li> <li>- Transfer to s.94A Reserve</li> </ul>	<p style="text-align: right;">(32)</p> <p style="text-align: right;">(400)</p> <p style="text-align: right;">400</p>	<p>Reduce interest transfer to reserve as a result of decrease in expected interest on investments.</p> <p>Increase in anticipated section 94A funds based on year to date receipts being higher than anticipated. Increase transferred to reserve and used to fund infrastructure projects.</p> <p>Anticipated increase in s94A funds transferred to reserve to be used to fund infrastructure projects.</p>
<p><i>Human Resource Management (206):</i></p> <ul style="list-style-type: none"> <li>- Salaries &amp; Wages</li> <li>- Temporary Staff</li> <li>- Training</li> <li>- Trainee Subsidies</li> <li>- Recruitment</li> <li>- Internal Plant Charge</li> </ul>	<p style="text-align: right;">(59)</p> <p style="text-align: right;">39</p> <p style="text-align: right;">29</p> <p style="text-align: right;">17</p> <p style="text-align: right;">52</p> <p style="text-align: right;">(6)</p>	<p>Decrease salaries &amp; wages budget to reflect extended vacancies.</p> <p>Temporary staff engaged due to staff vacancy.</p> <p>Additional funds to cover basic staff training calendar for remaining 6mths.</p> <p>Subsidies for trainees less than anticipated.</p> <p>Reflects recruitment cost for 2 senior positions in Council.</p> <p>Council fleet vehicle not required by HR Manager.</p>
<p><b>Small variations within Corporate Services:</b></p>	<p style="text-align: right;">(5)</p>	
<p><b>Total variation for Corporate Services:</b></p>	<p style="text-align: right;"><b>446</b></p>	
<p><b>TECHNICAL SERVICES:</b></p>		
<p><i>Engineering Services (302):</i></p> <ul style="list-style-type: none"> <li>- Traffic Counts</li> <li>- General Contracts</li> <li>- Parking Meter Charges</li> <li>- Work Zone Charges</li> </ul>	<p style="text-align: right;">(10)</p> <p style="text-align: right;">(40)</p> <p style="text-align: right;">(10)</p> <p style="text-align: right;">(50)</p>	<p>Reduced number of traffic counts. The RTA has completed counts in Paddington 40K.</p> <p>Anticipated savings from new meters warranty following meter replacement in 2009.</p> <p>Increase based on year to date receipts being higher than anticipated.</p> <p>Increase based on year to date receipts being higher than anticipated.</p>
<p><i>Civil Works (303):</i></p> <ul style="list-style-type: none"> <li>- Restorations</li> </ul>	<p style="text-align: right;">408 (701)</p>	<p>Forecast increase in restorations works and associated income.</p>

<p><i>Property &amp; Projects (306):</i></p> <ul style="list-style-type: none"> <li>- Materials (Goods &amp; Services)</li> <li>- General / Recurrent Contracts</li> <li>- Leases</li> </ul>	<p>(18)</p> <p>23</p> <p>105</p>	<p>Decrease in materials for property maintenance. Fewer incidents of property damage over the holiday period means the requirement for maintenance funds has decreased.</p> <p>Decrease (\$21k) in General &amp; Recurrent Contracts across Trades Support, Parks &amp; Ovals Buildings and Public Toilets. Increases of \$44k including: \$20k Chambers air conditioning unit aging and requiring maintenance plus french polishing at Chambers; Commercial Property O’Dea Ave \$23k costs not recoverable due to vacancy. Commercial property lease at O’Dea Ave continues \$100k. All negotiations with prospective tenants have fallen through. Cosmopolitan Centre Bay Room cannot be leased until construction is finalised \$5k.</p>
<p><i>Depot &amp; Waste (307):</i></p> <ul style="list-style-type: none"> <li>- Domestic Waste Services</li> <li>- Sale of Recycling Material</li> <li>- Waste Services Recycling</li> <li>- Courses &amp; Seminars</li> <li>- Business Centres Streetscapes Maint.</li> <li>- Plant Workshop</li> </ul>	<p>10</p> <p>(10)</p> <p>7</p> <p>17</p> <p>(17)</p> <p>(6)</p> <p>20</p> <p>(20)</p> <p>14</p>	<p>To cover additional invoice received for Paddington bin roll out. Payment will be offset by Performance Improvement Payment to Council.</p> <p>Income of recycling materials has dropped in line with the price buyers are now willing to pay.</p> <p>Agreed alteration to recycling contract of \$650 per week for Paddington service changes.</p> <p>Reduction in training sessions to be attended in 08/09.</p> <p>Materials to maintain new pavements. Funded by Performance Improvement Payment.</p> <p>Increase cost of spares, parts and other materials.</p>
<p><b>Small variations within Technical Services:</b></p>	<p>(14)</p>	
<p><b>Total variation for Technical Services:</b></p>	<p>(292)</p>	
<p><b>PLANNING &amp; DEVELOPMENT:</b></p>		
<p><i>Planning &amp; Development Management &amp; Admin (401):</i></p> <ul style="list-style-type: none"> <li>- Overtime</li> </ul>	<p>(5)</p>	<p>Overtime not likely to be required.</p>
<p><i>Strategic Planning (402):</i></p> <ul style="list-style-type: none"> <li>- Policy Change Requests</li> </ul>	<p>20</p>	<p>Dept Planning has restricted Councils from preparing minor local environmental plans.</p>
<p><i>Urban Design (403):</i></p> <ul style="list-style-type: none"> <li>- General Consultants – Edgecliff DCP</li> </ul>	<p>(30)</p>	<p>Broad strategy for Edgecliff will not be known until determination of housing strategy.</p>

<p><i>Development Control (404):</i></p> <ul style="list-style-type: none"> <li>- Salaries &amp; Wages</li> <li>- Assessment / Appeals Consultants</li> <li>- Legal Expense</li> <li>- S.96 Amendment Applications</li> </ul>	<p>(56) 256 500 (20)</p>	<p>Transfer budget to Assessment Consultants for employee engaged via agency due to visa requirements. \$56k offset by transfer from Salaries &amp; Wages. \$200k to cover external consultants for a variety of reasons including resolutions of Council, matters of conflict of interest and for work overflow during peak periods. In addition to this substantial costs will be incurred in 08/09 for appeals including Marinas &amp; those matters resolved by Council. Increase in expenditure reflects current pattern of Council Resolutions plus additional costs expected for Marinas. Higher number of applications being assessed.</p>
<p><i>Compliance (406):</i></p> <ul style="list-style-type: none"> <li>- PCA Service Fee</li> <li>- Construction Certificate Applications</li> <li>- Strata Subdivision Certificates</li> <li>- Parking Fines</li> <li>- Building Certificate Applications</li> <li>- Hoarding Applications Fees</li> <li>- Fines</li> <li>- IPB Processing Charges</li> <li>- Legal Expense</li> <li>- Recoverable Costs</li> <li>- Salaries &amp; Wages</li> </ul>	<p>50 30 8 (50) (15) (20) (20) (38) 25 (15) (14)</p>	<p>Council's market share of PCA jobs has significantly dropped since the setting of the budget. Market share continues to remain at approximately 12% as compared to a budgeted target of 20%. Council's market share of Construction Certificate work has significantly dropped since the setting of the budget. Market share for first quarter is approx. 10% as compared to a budgeted target of 20%. A greater proportion of strata subdivision certificates are now being issued by private certifiers, resulting in a reduction in Council's income. At the time of setting the budget, Council was largely responsible for issuing the majority of strata subdivision certificates. Parking fine income tracking slightly higher than anticipated at December. Statutory fees amended resulting in greater fees for building certificate applications to address unauthorised work. Hoarding fees amended as a result of increase in applications. Increase in income due to ongoing enforcement action. Number of infringements issued for first half of the year below estimate due to staff vacancies. \$15k Environmental &amp; Public Health Services - Additional enforcement action required to address ongoing environmental issues at several properties. Recovery of some costs anticipated. \$10k Animal Control - Additional legal expenditure to commence court proceedings to enforce compliance with a nuisance dog Order. Recoverable costs anticipated from current enforcement action. Savings achieved due to time taken to recruit new Companion Animals Officer</p>

<b>Small variations within Planning &amp; Development:</b>	(2)	
<b>Total variation for Planning &amp; Development:</b>	<b>604</b>	
<b>Total Variance in Operating Funds</b>	<b>786</b>	
<b>CAPITAL BUDGET</b>		
<b>TECHNICAL SERVICES:</b>		
<i>Civil Works &amp; Infrastructure</i>		
- <i>Traffic Infrastructure</i>	(27) 5	Savings across a number of projects including: Greenoaks Ave Traffic Calming with reduced scope of works approved C&E Dec 08 (\$30k), Bike Route savings (\$6k), Gurner Lane Footpath Widening (\$5k), offset by decrease in Transfer from Infrastructure Reserve \$5k. Increased budget expenditure for EA approved designs for Lighting Pedestrian Crossings \$18k.
- <i>Streetscapes</i>	16	Five Ways Paddington. Final claim for works completed in 2007.
<i>Stormwater Levy Works</i>	26 (26)	Stormwater levy funds transferred to projects identified as comprising drainage works. Projects include: Yarranabbe Rd
<i>Open Space</i>	35 (35)	Rushcutters Memorial \$35k expenditure offset by (\$30k) contribution and transfer from s.94A levies.
<i>Property &amp; Projects</i>	(15) 50 (50)	Small variations across projects. Additional advice required for negotiations regarding Kiaora Lands funded from Property Reserve.
<i>Infrastructure Renewal &amp; Environmental Works Program</i>	33 (33) (400)	A number of small re-allocations have been made between projects. Additional s.94A funding for infrastructure projects. The utilisation of this additional funding has freed up working funds to partially cover the major variances in the December Review.
<i>Plant Replacement</i>	(74) 50	A number of re-allocations have been made across the Plant Replacement budget. The major variations include purchase of bin lifter \$25k funded by DWM reserve; Isuzu Compactor being replaced this financial year rather than Volvo Compactor \$(121k) funded from DWM reserve and sale of old compactor. Other variations relate to small ups and downs across fleet purchases and sales.
<b>Total Variance in Capital Funds</b>	<b>(445)</b>	
<b>TOTAL CHANGE IN WORKING FUNDS</b>	<b>340</b>	

**ANNEXURE 4** provides a report of the proposed variations to forecasts by Manager and Cost Centre.

**Conclusion:**

Following the review of the estimates of expenditure and income made in the original budget, the Income Statement (Annexure 1) shows a fall in our operating result of \$429,447. The major changes giving rise to this variation have been detailed in the report. The Balance Sheet (Annexure 1) shows liquidity at 2.14:1 with working funds position at \$1,825,801

Having regard to the original estimates of income and expenditure, and the proposed variations, the projected restricted cash levels and liquidity position indicate that Council's overall financial position will remain sound at 30 June 2009.

Michelle Phair  
Team Leader Financial Services

Stephen Dunshea  
Director Corporate Services

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**ANNEXURES:**

1. Forecast Balance Sheet for the year ending 30 June 2009
2. Forecast Reserve Levels as at 30 June 2009
3. Summary of Capital Budget as at 31 December 2008 with Proposed Variations
4. Revised Forecasts of Expenditure and Income by Manager and Cost Centre

**ANNEXURE 1**

**BUDGET 2008/2009  
BALANCE SHEET**

	<b>Actual 07/08</b>	<b>Revote &amp; Rollovers into 08/09</b>	<b>Original Budget &amp; Revotes</b>	<b>September Review 08/09</b>	<b>December Review 08/09</b>	<b>December Review 08/09</b>
<b>Current Assets</b>						
Cash & Investments	39,269,078	24,918,756	24,173,829	23,453,971	-470,550	22,983,421
Receivables	4,581,419	4,581,419	4,581,419	4,581,419		4,581,419
Inventories & Other Assets	240,365	240,365	240,365	240,365		240,365
Non Current Assets held for sale	0	0	0	0		0
Other	1,265,619	1,265,619	1,265,619	1,265,619		1,265,619
	<b>45,356,481</b>	<b>31,006,159</b>	<b>30,261,232</b>	<b>29,541,374</b>	<b>-470,550</b>	<b>29,070,824</b>
<b>Current Liabilities</b>						
Payables	16,319,477	16,319,477	16,319,477	16,319,477		16,319,477
Interest Bearing Liabilities	703,214	703,214	756,507	756,507		756,507
Provisions	6,547,733	6,547,733	6,547,733	6,547,733		6,547,733
	<b>23,570,424</b>	<b>23,570,424</b>	<b>23,623,717</b>	<b>23,623,717</b>	<b>0</b>	<b>23,623,717</b>
<b>NET CURRENT ASSETS</b>	<b>21,786,057</b>	<b>7,435,735</b>	<b>6,637,515</b>	<b>5,917,657</b>	<b>-470,550</b>	<b>5,447,107</b>
<b>Non-Current Assets</b>						
Receivables	72,942	72,942	72,942	72,942		72,942
Investment Properties	11,037,736	11,037,736	11,037,736	11,037,736		11,037,736
Property, Plant & Equipment	656,790,360	671,671,928	672,796,269	673,269,919	41,103	673,311,022
	<b>667,901,038</b>	<b>682,782,606</b>	<b>683,906,947</b>	<b>684,380,597</b>	<b>41,103</b>	<b>684,421,700</b>
<b>Non-Current Liabilities</b>						
Payables	0	0	0	0		0
Interest Bearing Liabilities	8,422,993	8,422,993	7,666,486	7,666,486		7,666,486
Provisions	518,968	518,968	518,968	518,968		518,968
	<b>8,941,961</b>	<b>8,941,961</b>	<b>8,185,454</b>	<b>8,185,454</b>	<b>0</b>	<b>8,185,454</b>
<b>NET ASSETS</b>	<b>680,745,134</b>	<b>681,276,380</b>	<b>682,359,008</b>	<b>682,112,800</b>	<b>-429,447</b>	<b>681,683,353</b>
<b>EQUITY</b>						
Opening Equity	653,132,378	680,745,134	680,745,134	680,745,134		680,745,134
Asset Revaluation Reserve	24,356,114					
Operating Result	3,256,642	531,246	1,613,874	1,367,666		938,219
Closing Equity	<b>680,745,134</b>	<b>681,276,380</b>	<b>682,359,008</b>	<b>682,112,800</b>	<b>0</b>	<b>681,683,353</b>
<b>Working Funds</b>						
Current Assets	21,786,057	7,435,735	6,637,515	5,917,657		5,447,107
ADD:						
Current Prov'n for ELE	6,547,733	6,547,733	6,547,733	6,547,733		6,547,733
Current Deposits	10,964,450	10,964,450	10,964,450	10,964,450		10,964,450
07/08 Current Loan Liability	703,214	703,214	703,214	703,214		703,214
LESS:						
External Restrictions *	-7,973,328	-3,539,483	-3,434,148	-3,109,315		-3,169,843
Internal Restrictions *	-29,864,274	-19,947,797	-19,252,560	-18,857,535		-18,666,860
Fair Value Adjustments						
	<b>2,163,852</b>	<b>2,163,852</b>	<b>2,166,204</b>	<b>2,166,204</b>	<b>0</b>	<b>1,825,801</b>
<b>Movement in Working Funds</b>		<b>0</b>	<b>2,352</b>	<b>0</b>		<b>-340,403</b>
<b>Unrestricted Current Ratio</b>	<b>3.10</b>	<b>2.28</b>	<b>2.22</b>	<b>2.18</b>		<b>2.14</b>

\* After Notional Fair Value Adjustment



**ANNEXURE 2**

**WOOLLAHRA MUNICIPAL COUNCIL**  
Forecast Restricted Cash Balances - 30th June 2009

Externally Restricted Cash				REVOTES		ORIGINAL BUDGET				SEPTEMBER REVIEW	DECEMBER REVIEW			
Purpose	Closing Balance Jun 08 <sup>1</sup> Notionally adjusted for FV	Notional Fair Value Adj. <sup>1</sup>	Closing Balance Jun 08	Transfers From	Closing Balance Jun 08	Transfer To	Interest Earned	Transfers From	Closing Balance Jun 08	Closing Balance September 08	Transfer To	Interest Earned	Transfers From	Closing Balance Jun 08
Section 94 Contributions	2,217,828	1,323,615	3,541,443	247,260	3,294,183		200,000	500,000	2,994,183	2,782,283		-31,850		2,750,433
Section 94A Contributions	997,791	595,487	1,593,278	687,508	905,770	1,000,000	50,000	947,150	1,008,620	826,674	400,000		400,000	826,674
Unexpended Grants	932,408	0	932,408	368,969	563,439			181,000	382,439	310,803				310,803
Environmental Levy	1,140,157	0	1,140,157	1,098,264	41,893			50,000	-8,107	-120				-120
Infrastructure Levy	256,768	0	256,768	255,352	1,416				1,416	0			-4,646	4,646
Environmental & Infrastructure Levy	1,378,171	0	1,378,171	1,378,171	0	3,201,412		3,198,997	2,415	5,588				5,588
Stormwater Levy	306,591	0	306,591	273,521	33,070	475,000		475,000	33,070	36,870				36,870
Domestic Waste	743,615	443,795	1,187,410	124,800	1,062,610	620,000		299,600	1,383,010	1,510,115	-16,900		-104,632	1,597,847
	<b>7,973,328</b>	<b>2,362,897</b>	<b>10,336,225</b>	<b>4,433,845</b>	<b>5,902,380</b>	<b>5,296,412</b>	<b>250,000</b>	<b>5,651,747</b>	<b>5,797,045</b>	<b>5,472,212</b>	<b>383,100</b>	<b>-31,850</b>	<b>290,722</b>	<b>5,532,740</b>

**Internally Restricted Cash**

Purpose	Closing Balance Jun 08 <sup>1</sup> Notionally adjusted for FV	Notional Fair Value Adj. <sup>1</sup>	Closing Balance Jun 08	Transfers From	Closing Balance Jun 08	Transfer To	Interest Earned	Transfers From	Closing Balance Jun 08	Closing Balance September 08	Transfer To	Interest Earned	Transfers From	Closing Balance Jun 08
Employee Leave Entitlements	979,955	584,844	1,564,799	183,344	1,381,455				1,381,455	1,381,455				1,381,455
Plant Replacement	123,008	73,412	196,420	28,818	167,602				167,602	239,279				239,279
Insurance	215,866	128,830	344,696		344,696			100,000	244,696	103,736				103,736
Computer	220,063	131,335	351,398		351,398				351,398	351,398				351,398
Infrastructure	376,571	224,740	601,311	71,085	530,226				530,226	530,226				530,226
Election	200,000	0	200,000		200,000	50,000		200,000	50,000	50,000				50,000
Investments	1,000,000	0	1,000,000		1,000,000	0			1,000,000	1,000,000				1,000,000
Deposits	6,600,837	0	6,600,837		6,600,837				6,600,837	6,600,837				6,600,837
Kindergarten	88,892	53,052	141,944		141,944	22,000			163,944	163,944				163,944
Property	9,663,182	5,767,051	15,430,233	193,452	15,236,781		1,104,075	300,000	16,040,856	15,754,114		-140,675	50,000	15,563,439
Loan Repayments	933,023	0	933,023		933,023			920,312	12,711	12,711				12,711
Loan Funds	6,149,300	0	6,149,300	6,149,342	-42				-42	-42				-42
Revotes & Rollovers	2,671,017	0	2,671,017	2,671,017	0				0	0				0
General Reserve	642,559	383,483	1,026,042	619,419	406,623			351,000	55,623	16,623				16,623
	<b>29,864,274</b>	<b>7,346,746</b>	<b>37,211,020</b>	<b>9,916,477</b>	<b>27,294,543</b>	<b>72,000</b>	<b>1,104,075</b>	<b>1,871,312</b>	<b>26,599,306</b>	<b>26,204,281</b>	<b>0</b>	<b>-140,675</b>	<b>50,000</b>	<b>26,013,606</b>

<b>Total Restricted Cash</b>	<b>37,837,602</b>	<b>9,709,644</b>	<b>47,547,245</b>	<b>14,350,322</b>	<b>33,196,923</b>	<b>5,368,412</b>	<b>1,354,075</b>	<b>7,523,059</b>	<b>32,396,351</b>	<b>31,676,493</b>	<b>383,100</b>	<b>-172,525</b>	<b>340,722</b>	<b>31,546,346</b>
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1) Notional fair value adjustments were made at 30 June 2008 and will be reviewed at year end in light of reserve utilisation less any fair value adjustment as at 30 June 2009.

**Capital Expenditure Summary  
Expenditure & Commitments to Period 6**

	<b>Original Budget</b>	<b>Revotes</b>	<b>Current Forecast</b>	<b>Actual Expenditure</b>	<b>Committed</b>	<b>Total Expenditure</b>	<b>% of Forecast Spent</b>	<b>Proposed Variations</b>	<b>Revised Expenditure Forecasts</b>
920 - Roads and Kerb & Gutter Infrastructure	0	8,103	8,103	3,500	0	3,500	43.2	0	8,103
933 - Traffic Infrastructure	927,000	584,756	1,755,113	57,867	32,639	90,506	5.2	-26,830	1,728,283
935 - Flood Plain Management	0	0	94,471	27,843	71,335	99,178	105.0	0	94,471
938 - Open Space Capital Works Project Mgmt	40,100	0	40,100	21,835	0	21,835	54.5	0	40,100
939 - Parks & Reserves	1,128,600	1,845,869	3,951,366	544,709	309,562	854,271	21.6	30,840	3,982,206
941 - Playgrounds	140,000	228,778	368,778	4,893	111,014	115,907	31.4	0	368,778
942 - Sportsfields	40,000	248,400	288,400	153,061	100,362	253,423	87.9	0	288,400
945 - Streetscapes	80,000	6,164,249	6,290,494	1,678,683	2,046,362	3,725,045	59.2	16,024	6,306,518
949 - Infrastructure Renewal Program	0	265,518	309,764	7,233	26,230	33,463	10.8	-44,246	265,518
950 - Library General	279,000	138,262	417,262	56,430	35,047	91,476	21.9	0	417,262
953 - Library - Paddington	65,000	14,978	79,978	13,822	2,580	16,401	20.5	0	79,978
954 - Community Services	0	13,673	13,673	8,040	0	8,040	58.8	0	13,673
959 - Environmental Works Program	190,000	1,712,630	1,909,828	222,296	6,692	228,988	12.0	1,219	1,911,047
968 - Stormwater Levy Works	475,000	277,719	592,001	290,334	55,358	345,692	58.4	26,671	618,672
969 - Environmental & Infrastructure Program	4,597,490	1,922,177	5,601,643	2,380,965	1,579,171	3,960,136	70.7	76,356	5,677,999
981 - Computers & Office Equipment	412,000	322,763	734,763	25,742	25,898	51,641	7.0	0	734,763
982 - Commercial/Leased Properties	40,000	75,610	112,716	26,249	4,801	31,050	27.5	6,064	118,780
983 - Sportsfield Buildings	43,000	0	34,000	28,050	0	28,050	82.5	-5,950	28,050
984 - Parks / Ovals Buildings	83,000	35,000	138,000	11,584	8,485	20,069	14.5	-386	137,614
985 - Depots	34,000	0	34,000	12,239	0	12,239	36.0	-4,761	29,239
986 - Council Offices	230,000	331,438	604,175	241,520	8,680	250,200	41.4	0	604,175
987 - Community Facilities	15,000	61,870	118,850	32,759	58,622	91,381	76.9	-9,780	109,070
988 - Library Buildings	100,000	241,665	341,665	0	6,300	6,300	1.8	0	341,665
989 - Car Parks	15,000	75,382	190,382	87,060	26,175	113,235	59.5	50,000	240,382
990 - Plant Replacement Program	2,506,700	312,728	2,919,142	856,690	659,827	1,516,518	52.0	-74,118	2,845,024
	<b>11,440,890</b>	<b>14,881,568</b>	<b>26,948,667</b>	<b>6,793,402</b>	<b>5,175,140</b>	<b>11,968,542</b>	<b>44.4</b>	<b>41,103</b>	<b>26,989,770</b>

**ANNEXURE 4**

**Budget Review by Manager and Cost Centre**  
as at 31 December 2008

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
<b><i>OPERATING BUDGET</i></b>						
<b><i>101 Director Community Services</i></b>						
<b><i>502 Community Services Management</i></b>						
Expenditure	1,079,906	1,137,046	595,907	52	2,500	1,139,546
Income	0	0	-6,098	-	0	0
<b><i>103 Community Liaison Coordinator</i></b>						
<b><i>505 Venue Hire</i></b>						
Expenditure	142,453	161,020	91,592	57	0	161,020
Income	-96,700	-106,700	-57,156	54	0	-106,700
<b><i>104 Library Services</i></b>						
<b><i>512 Library Information Services</i></b>						
Expenditure	317,415	327,777	144,994	44	-9,167	318,610
Income	-22,950	-28,656	-8,630	30	5,162	-23,494
<b><i>513 Library - Paddington Service</i></b>						
Expenditure	341,363	341,363	202,166	59	0	341,363
Income	-197,600	-197,600	-52,185	26	0	-197,600
<b><i>515 Library Admin. Collection Support</i></b>						
Expenditure	562,956	563,456	331,827	59	-14,368	549,088
Income	-157,115	-157,615	-143,378	91	12,000	-145,615
<b><i>516 Library Lending Services</i></b>						
Expenditure	412,081	412,081	236,922	57	-16,800	395,281
Income	-33,000	-33,000	-17,130	52	-7,500	-40,500
<b><i>517 Customer &amp; Community Services</i></b>						
Expenditure	310,213	310,213	91,413	29	22,135	332,348
Income	0	0	0	-	-7,450	-7,450
<b><i>518 Resource Management</i></b>						
Expenditure	480,130	480,130	195,388	41	18,200	498,330
Income	0	0	0	-	-2,712	-2,712
<b><i>105 Family &amp; Community Development</i></b>						
<b><i>521 Family &amp; Community Development</i></b>						
Expenditure	573,839	511,532	202,046	39	15,968	527,500
Income	-94,020	-94,020	-17,274	18	10,258	-83,762
<b><i>522 EJ Ward Centre Operating</i></b>						
Expenditure	0	0	0	-	0	0
Income	0	0	0	-	0	0
<b><i>523 Kindergarten</i></b>						
Expenditure	690,449	690,449	365,073	53	0	690,449
Income	-687,040	-687,040	-430,120	63	0	-687,040
<b><i>525 Woollahra Community Centre</i></b>						
Expenditure	165,259	169,125	93,271	55	0	169,125
Income	-83,282	-87,148	-51,865	60	-340	-87,488
<b><i>107 Cultural Development</i></b>						
<b><i>503 Cultural Development</i></b>						
Expenditure	150,806	157,395	134,692	86	28,147	185,542
Income	-38,500	-38,500	-66,647	173	-28,147	-66,647
<b><i>201 Director Corporate Services</i></b>						
<b><i>771 Executive Services</i></b>						

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
Expenditure	336,530	343,340	159,148	46	1,000	344,340
Income	-6,048	-10,315	-2,993	29	0	-10,315
<b>202 Risk Management</b>						
<u>731 Risk Management</u>						
Expenditure	369,170	460,990	175,987	38	0	460,990
Income	-16,210	-108,030	-8,699	8	0	-108,030
<u>732 Public Liability/Professional Indemnity</u>						
Expenditure	1,175,000	1,175,000	1,053,451	90	0	1,175,000
Income	-50,000	-50,000	-54,082	108	0	-50,000
<u>733 Workers' Compensation</u>						
Expenditure	1,455,000	1,470,000	925,303	63	0	1,470,000
Income	-354,515	-369,515	-73,783	20	0	-369,515
<u>734 Motor Vehicle Insurance</u>						
Expenditure	293,000	293,000	186,315	64	0	293,000
Income	-77,393	-77,393	-48,286	62	0	-77,393
<u>735 Council's Property Insurance</u>						
Expenditure	180,000	223,140	216,618	97	0	223,140
Income	-31,588	-74,728	-28,008	37	0	-74,728
<b>203 Governance</b>						
<u>711 Elected Officials</u>						
Expenditure	850,486	858,540	556,833	65	6,300	864,840
Income	-200,000	-200,000	-495	0	-495	-200,495
<u>712 Governance</u>						
Expenditure	686,224	686,224	383,195	56	0	686,224
Income	-13,193	-13,193	-6,311	48	0	-13,193
<u>713 Records Management</u>						
Expenditure	471,841	471,841	249,709	53	0	471,841
Income	-13,578	-13,578	-4,114	30	0	-13,578
<b>205 Finance</b>						
<u>721 Finance</u>						
Expenditure	857,740	999,840	583,329	58	50,000	1,049,840
Income	-41,685	-43,585	-24,190	56	0	-43,585
<u>722 Rates</u>						
Expenditure	570,448	574,448	350,165	61	0	574,448
Income	-361,923	-365,923	-244,558	67	0	-365,923
<u>800 Statutory Contributions</u>						
Expenditure	3,023,600	3,022,600	1,038,271	34	494,338	3,516,938
Income	-1,000,000	-1,000,000	-783,745	78	-400,000	-1,400,000
<u>801 Untied Grants</u>						
Expenditure	0	0	0	-	0	0
Income	-1,393,000	-1,489,000	-808,730	54	0	-1,489,000
<u>802 Interest on Investments</u>						
Expenditure	1,372,075	1,307,575	8,259	1	-172,525	1,135,050
Income	-3,278,000	-3,128,000	-1,428,912	46	401,200	-2,726,800
<u>803 General Rate Income</u>						
Expenditure	3,676,412	3,685,800	3,685,836	100	0	3,685,800
Income	-	-	-	100	0	-
	29,664,512	29,748,851	29,752,163			29,748,851
<u>804 Debt Servicing</u>						
Expenditure	1,380,937	1,380,937	692,978	50	0	1,380,937
Income	-960,312	-960,312	0	0	0	-960,312
<b>206 Human Resources</b>						
<u>741 Human Resources Administration</u>						
Expenditure	700,466	722,966	358,282	50	-29,854	693,112
Income	-59,052	-59,052	-32,264	55	0	-59,052

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
<u>742 Corporate Training</u>						
Expenditure	152,500	153,700	118,861	77	28,980	182,680
Income	-39,921	-39,921	-8,171	20	17,000	-22,921
<u>743 Recruitment</u>						
Expenditure	149,250	199,250	199,064	100	52,000	251,250
Income	-12,156	-12,156	-6,528	54	0	-12,156
<b>207 Information Systems</b>						
<u>751 Information Technology Management</u>						
Expenditure	889,218	889,218	463,845	52	0	889,218
Income	-21,672	-21,672	-10,529	49	0	-21,672
<u>752 Information Systems</u>						
Expenditure	604,400	624,400	338,151	54	307	624,707
Income	-11,333	-11,333	-6,086	54	0	-11,333
<u>753 Network - Telecommunications</u>						
Expenditure	173,800	179,800	107,156	60	-2,000	177,800
Income	-3,259	-3,259	-1,750	54	0	-3,259
<b>209 Customer Service</b>						
<u>611 Customer Service</u>						
Expenditure	945,931	958,406	495,830	52	90	958,496
Income	-76,007	-76,007	-40,828	54	0	-76,007
<b>301 Director Technical Services</b>						
<u>781 Technical Services Management</u>						
Expenditure	403,336	403,336	262,589	65	-2,500	400,836
Income	-10,838	-10,838	-11,736	108	0	-10,838
<b>302 Engineering Services</b>						
<u>142 Infrastructure Development Assessment</u>						
Expenditure	212,486	212,486	114,991	54	7,017	219,503
Income	0	0	0	-	0	0
<u>321 Traffic Investigation &amp; Reports</u>						
Expenditure	336,031	428,781	166,598	39	-24,106	404,675
Income	-455,000	-455,000	-400,222	88	-45,000	-500,000
<u>333 Parking Meters</u>						
Expenditure	328,000	328,000	108,236	33	-40,000	288,000
Income	-1,290,000	-1,290,000	-586,131	45	-10,000	-1,300,000
<u>341 Street Lighting</u>						
Expenditure	1,121,000	1,172,000	450,781	38	0	1,172,000
Income	-278,100	-278,100	0	0	0	-278,100
<u>782 Engineering Services Management</u>						
Expenditure	121,074	121,074	79,642	66	-2,400	118,674
Income	-95,000	-95,000	-41,534	44	-441	-95,441
<u>784 Engineering Design</u>						
Expenditure	162,398	190,164	77,254	41	-1,500	188,664
Income	0	0	-93	-	0	0
<b>303 Civil Works &amp; Infrastructure</b>						
<u>221 Drainage Maintenance</u>						
Expenditure	0	0	16	-	0	0
Income	0	0	0	-	0	0
<u>308 Civil Works - Area A</u>						
Expenditure	450,849	450,849	203,237	45	0	450,849
Income	0	0	-22	-	0	0
<u>309 Civil Works - Area B</u>						
Expenditure	435,889	435,889	224,989	52	0	435,889
Income	0	0	0	-	0	0

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
<b><u>310 Civil Works - Reactive Works</u></b>						
Expenditure	512,738	512,738	235,385	46	0	512,738
Income	0	0	-29	-	0	0
<b><u>311 Road Pavement Maintenance</u></b>						
Expenditure	0	0	0	-	0	0
Income	0	0	0	-	0	0
<b><u>313 Infrastructure Assets Depreciation</u></b>						
Expenditure	5,771,000	5,771,000	3,171,730	55	0	5,771,000
Income	0	0	0	-	0	0
<b><u>315 Traffic Devices-Lines &amp; Signs</u></b>						
Expenditure	122,840	122,840	69,541	57	0	122,840
Income	-121,500	-121,500	-66,500	55	-6,250	-127,750
<b><u>316 Restorations</u></b>						
Expenditure	304,095	684,206	871,944	127	408,087	1,092,293
Income	-560,000	-1,176,000	-1,250,982	106	-701,403	-1,877,403
<b><u>319 Civil Works Management &amp; Admin</u></b>						
Expenditure	355,028	355,028	214,536	60	0	355,028
Income	-84,700	-84,700	-38,458	45	0	-84,700
<b><u>444 Harbour Facilities</u></b>						
Expenditure	0	0	0	-	0	0
Income	0	0	0	-	0	0
<b><u>445 Ferry Wharves</u></b>						
Expenditure	0	0	0	-	0	0
Income	0	0	-7,500	-	0	0
<b><u>785 Asset Management</u></b>						
Expenditure	145,015	150,133	35,152	23	0	150,133
Income	0	0	-93	-	0	0
<b><u>791 Fletcher Street - Operations</u></b>						
Expenditure	104,968	104,968	60,481	58	0	104,968
Income	0	0	0	-	0	0
<b><u>304 Parks &amp; Street Trees</u></b>						
<b><u>231 Trees Maintenance</u></b>						
Expenditure	813,897	813,897	480,527	59	0	813,897
Income	0	0	952	-	0	0
<b><u>235 Trees View Pruning Service</u></b>						
Expenditure	36,268	36,268	21,811	60	0	36,268
Income	-40,000	-40,000	-15,733	39	0	-40,000
<b><u>426 Depot Operations</u></b>						
Expenditure	121,000	121,000	75,406	62	0	121,000
Income	0	0	0	-	0	0
<b><u>427 Parks and Street Trees Management</u></b>						
Expenditure	400,996	400,996	234,855	59	0	400,996
Income	0	0	-278	-	0	0
<b><u>431 Bush Regeneration</u></b>						
Expenditure	584,460	584,460	286,514	49	0	584,460
Income	0	0	-30	-	0	0
<b><u>432 Bush Regeneration Grant Works</u></b>						
Expenditure	0	0	5,995	-	0	0
Income	0	0	0	-	0	0
<b><u>452 Parks Area Team East</u></b>						
Expenditure	566,239	566,239	283,878	50	0	566,239
Income	0	0	0	-	0	0
<b><u>454 Parks Area Team West</u></b>						
Expenditure	649,052	649,052	318,985	49	0	649,052

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
Income	0	0	0	-	0	0
<u>455 Horticultural Projects</u>						
Expenditure	496,800	496,800	304,140	61	0	496,800
Income	0	0	-100	-	0	0
<b><i>305 Public Open Space</i></b>						
<u>411 Public Open Space Management</u>						
Expenditure	154,804	154,804	89,475	58	0	154,804
Income	-343,260	-351,260	-216,326	62	0	-351,260
<u>412 Tree Management</u>						
Expenditure	291,383	291,383	108,025	37	0	291,383
Income	-42,360	-42,360	-20,546	49	-2,000	-44,360
<u>413 Public Open Space Planning &amp; Asset Manag</u>						
Expenditure	235,779	246,042	112,272	46	0	246,042
Income	-230	-230	-127	55	0	-230
<u>783 Sustainability Projects</u>						
Expenditure	64,707	64,707	24,791	38	0	64,707
Income	-1,000	-1,000	-1,227	123	0	-1,000
<b><i>306 Property and Projects Management</i></b>						
<u>331 Property Maintenance - Carparks</u>						
Expenditure	947,062	939,679	421,392	45	-2,536	937,143
Income	-1,487,000	-1,487,000	-373,326	25	0	-1,487,000
<u>441 Parks/Ovals Buildings Maint &amp; Repairs</u>						
Expenditure	696,583	696,583	391,548	56	-10,000	686,583
Income	-10,000	-10,000	-7,403	74	0	-10,000
<u>442 Property Maintenance - Tennis Courts</u>						
Expenditure	9,192	9,192	7,868	86	3,692	12,884
Income	-1,200	-1,200	-276	23	0	-1,200
<u>443 Property Maintenance - Public Toilets</u>						
Expenditure	83,223	86,423	35,284	41	-7,150	79,273
Income	0	0	0	-	0	0
<u>514 Property Maintenance - Libraries</u>						
Expenditure	147,923	147,923	84,089	57	0	147,923
Income	0	0	0	-	0	0
<u>524 Property Maintnce - Community Facilities</u>						
Expenditure	194,215	204,665	127,124	62	1,875	206,540
Income	-20,273	-20,273	-2,208	11	0	-20,273
<u>761 Property Services</u>						
Expenditure	298,613	302,613	214,064	71	-2,692	299,921
Income	0	-250	-128	51	0	-250
<u>762 Property Projects</u>						
Expenditure	173,901	173,901	113,419	65	0	173,901
Income	0	-200	-104	52	0	-200
<u>763 Property Maintenance - Depots</u>						
Expenditure	123,646	123,646	64,286	52	0	123,646
Income	0	0	0	-	0	0
<u>764 Restaurants/Other Commercial</u>						
Expenditure	123,302	118,302	72,262	61	22,900	141,202
Income	-20,000	-20,000	-14,340	72	0	-20,000
<u>765 Property Maintenance - Council Offices</u>						
Expenditure	651,049	651,049	419,939	65	15,000	666,049
Income	0	0	0	-	0	0
<u>766 Property Maintenance - Supervision</u>						
Expenditure	0	0	0	-	0	0
Income	0	0	0	-	0	0
<u>767 Property Maintenance - Trades Support</u>						

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
Expenditure	348,619	348,619	153,144	44	-10,000	338,619
Income	0	0	-1,945	-	0	0
<u>768 Property Management</u>						
Expenditure	364,630	520,630	190,399	37	-3,500	517,130
Income	-2,244,679	-2,095,179	-656,580	31	104,846	-1,990,333
<u>769 Property Mtce - Street Furniture &amp; Fence</u>						
Expenditure	156,806	156,806	112,689	72	0	156,806
Income	0	0	-700	-	0	0
<b><i>307 Depot and Waste Services</i></b>						
<u>241 Waste Services Domestic</u>						
Expenditure	7,567,458	7,582,158	3,683,110	49	10,000	7,592,158
Income	-7,567,458	-7,582,158	-7,609,331	100	-10,000	-7,592,158
<u>242 Waste Services Trade</u>						
Expenditure	990,611	990,611	464,024	47	0	990,611
Income	-1,204,000	-1,204,000	-633,163	53	7,000	-1,197,000
<u>246 Waste Services Recycling</u>						
Expenditure	1,316,516	1,316,516	579,287	44	16,900	1,333,416
Income	-1,316,516	-1,316,516	-707,018	54	-16,900	-1,333,416
<u>247 Waste Services Garden Refuse</u>						
Expenditure	793,489	793,489	413,843	52	0	793,489
Income	-721,692	-721,692	-308,068	43	0	-721,692
<u>248 Waste Services Supervision</u>						
Expenditure	554,335	515,373	367,580	71	0	515,373
Income	-451,507	-402,545	-225,636	56	0	-402,545
<u>249 Waste Projects</u>						
Expenditure	172,241	296,503	82,022	28	0	296,503
Income	-161,670	-285,932	-168,113	59	885	-285,047
<u>251 Street Cleaning General</u>						
Expenditure	1,616,783	1,616,783	813,594	50	-6,000	1,610,783
Income	-509,676	-509,676	-288,065	57	0	-509,676
<u>421 Business Centres Streetscape Maintenance</u>						
Expenditure	1,593,972	1,593,972	816,645	51	20,000	1,613,972
Income	0	0	-20,190	-	-20,000	-20,000
<u>723 Purchasing/Stores</u>						
Expenditure	201,935	201,935	100,025	50	0	201,935
Income	-30,290	-30,290	-16,401	54	0	-30,290
<u>792 Depot &amp; Waste Services Management &amp; Admin</u>						
Expenditure	135,330	135,330	72,589	54	0	135,330
Income	-20,300	-20,300	-11,029	54	0	-20,300
<u>793 O'Dea Ave Depot Operations</u>						
Expenditure	247,790	247,790	147,246	59	0	247,790
Income	-79,796	-79,796	-42,853	54	0	-79,796
<u>794 Plant Workshop</u>						
Expenditure	233,404	233,404	184,867	79	13,700	247,104
Income	-26,258	-26,258	-16,016	61	0	-26,258
<u>795 SES</u>						
Expenditure	32,538	32,538	4,357	13	0	32,538
Income	0	0	0	-	0	0
<u>796 Plant Operations</u>						
Expenditure	0	0	940	-	0	0
Income	-308,000	-308,000	-170,057	55	0	-308,000
<b><i>401 Director Planning &amp; Development</i></b>						
<u>171 Planning &amp; Development Mgmt &amp; Admin</u>						
Expenditure	378,870	378,870	156,860	41	-5,000	373,870



	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
Income	0	0	-216	-	-400	-400
<b><i>402 Strategic Planning</i></b>						
<b><i>111 Environmental Planning</i></b>						
Expenditure	566,439	568,329	209,971	37	7,385	575,714
Income	-34,200	-34,200	-1,636	5	20,400	-13,800
<b><i>121 Heritage Planning</i></b>						
Expenditure	198,815	201,237	102,638	51	0	201,237
Income	0	0	-244	-	0	0
<b><i>161 Certificates Processing</i></b>						
Expenditure	75,115	75,115	38,391	51	0	75,115
Income	-437,700	-437,700	-170,695	39	0	-437,700
<b><i>211 Environmental Protection</i></b>						
Expenditure	109,680	120,945	51,209	42	0	120,945
Income	0	0	0	-	0	0
<b><i>403 Urban Design</i></b>						
<b><i>131 Urban Design</i></b>						
Expenditure	179,758	228,895	47,473	21	-38,885	190,010
Income	0	0	0	-	0	0
<b><i>404 Development Control</i></b>						
<b><i>141 Development Control</i></b>						
Expenditure	3,278,864	3,278,864	2,242,055	68	700,000	3,978,864
Income	-1,291,000	-1,291,000	-701,134	54	-20,000	-1,311,000
<b><i>406 Compliance</i></b>						
<b><i>151 Building &amp; Compliance</i></b>						
Expenditure	1,076,695	1,076,695	602,998	56	0	1,076,695
Income	-893,600	-853,600	-295,648	35	33,000	-820,600
<b><i>152 Fire Safety Management</i></b>						
Expenditure	125,965	125,965	47,571	38	0	125,965
Income	-85,500	-85,500	-26,193	31	0	-85,500
<b><i>332 Ranger Services Parking Enforcement</i></b>						
Expenditure	1,882,210	1,882,210	695,633	37	-38,000	1,844,210
Income	-4,300,000	-4,300,000	-1,759,267	41	-50,000	-4,350,000
<b><i>530 Immunisation</i></b>						
Expenditure	10,150	10,150	8,445	83	1,000	11,150
Income	-8,000	-8,000	-4,151	52	-1,000	-9,000
<b><i>531 Environment &amp; Public Health Services</i></b>						
Expenditure	327,263	327,263	191,579	59	15,000	342,263
Income	-97,000	-97,000	-75,600	78	-15,000	-112,000
<b><i>532 Ranger Services</i></b>						
Expenditure	364,967	364,967	159,340	44	0	364,967
Income	-42,000	-45,000	-10,319	23	0	-45,000
<b><i>533 Animal Control</i></b>						
Expenditure	110,431	110,431	39,445	36	-4,307	106,124
Income	-26,250	-26,250	-5,103	19	0	-26,250
<b><i>501 General Manager</i></b>						
<b><i>621 Business Centre Support</i></b>						
Expenditure	273,500	273,500	19,792	7	0	273,500
Income	-200,000	-200,000	0	0	0	-200,000
<b><i>770 Executive</i></b>						
Expenditure	400,037	400,037	169,273	42	0	400,037
Income	-5,910	-5,910	-3,382	57	0	-5,910
<b><i>503 Communications</i></b>						
<b><i>612 Communications</i></b>						
Expenditure	513,606	534,500	259,003	48	0	534,500
Income	-9,050	-9,050	-4,710	52	0	-9,050

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
<b>Operating Budget Total Variation</b>					785,944	
<b><i>CAPITAL BUDGET</i></b>						
<b><i>101 Director Community Services</i></b>						
<u>954 Community Services</u>						
Expenditure	0	13,673	8,040	59	0	13,673
Income	0	0	0	-	0	0
<b><i>104 Library Services</i></b>						
<u>950 Library General</u>						
Expenditure	279,000	417,262	91,476	22	0	417,262
Income	0	-36,805	0	0	0	-36,805
<b><i>207 Information Systems</i></b>						
<u>981 Computers &amp; Office Equipment</u>						
Expenditure	412,000	734,763	51,641	7	0	734,763
Income	0	0	0	-	0	0
<b><i>302 Engineering Services</i></b>						
<u>935 Flood Plain Management</u>						
Expenditure	0	94,471	99,178	105	0	94,471
Income	0	-16,033	0	0	0	-16,033
<b><i>303 Civil Works &amp; Infrastructure</i></b>						
<u>920 Roads and Kerb &amp; Gutter Infrastructure</u>						
Expenditure	0	8,103	3,500	43	0	8,103
Income	0	0	0	-	0	0
<u>933 Traffic Infrastructure</u>						
Expenditure	927,000	1,755,113	90,506	5	-26,830	1,728,283
Income	-555,000	-919,523	0	0	4,646	-914,877
<u>945 Streetscapes</u>						
Expenditure	80,000	6,290,494	3,725,045	59	16,024	6,306,518
Income	0	-6,146,017	-198,964	3	0	-6,146,017
<u>968 Stormwater Levy Works</u>						
Expenditure	475,000	592,001	345,692	58	26,671	618,672
Income	-475,000	-592,001	0	0	-26,671	-618,672
<b><i>305 Public Open Space</i></b>						
<u>938 Open Space Capital Works Project Mgmt</u>						
Expenditure	40,100	40,100	21,835	54	0	40,100
Income	-40,100	-40,100	0	0	0	-40,100
<u>939 Parks &amp; Reserves</u>						
Expenditure	1,128,600	3,951,366	854,271	22	30,840	3,982,206
Income	-1,037,600	-3,776,134	0	0	-30,840	-3,806,974
<u>941 Playgrounds</u>						
Expenditure	140,000	368,778	115,907	1	0	368,778
Income	-95,000	-313,978	0	0	0	-313,978

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
<u>942 Sportsfields</u>						
Expenditure	40,000	288,400	253,423	88	0	288,400
Income	0	-240,736	119,982	-50	0	-240,736
<b><i>306 Property and Projects Management</i></b>						
<u>982 Commercial/Leased Properties</u>						
Expenditure	40,000	112,716	31,050	28	6,064	118,780
Income	0	0	0	-	0	0
<u>983 Sportsfield Buildings</u>						
Expenditure	43,000	34,000	28,050	83	-5,950	28,050
Income	0	-18,636	18,830	-101	0	-18,636
<u>984 Parks / Ovals Buildings</u>						
Expenditure	83,000	138,000	20,069	15	-386	137,614
Income	-30,000	-50,000	-20,000	40	0	-50,000
<u>985 Depots</u>						
Expenditure	34,000	34,000	12,239	36	-4,761	29,239
Income	0	0	0	-	0	0
<u>986 Council Offices</u>						
Expenditure	230,000	604,175	250,200	41	0	604,175
Income	-100,000	-327,924	-330	0	0	-327,924
<u>987 Community Facilities</u>						
Expenditure	15,000	118,850	91,381	77	-9,780	109,070
Income	0	-42,800	0	0	0	-42,800
<u>988 Library Buildings</u>						
Expenditure	100,000	341,665	6,300	2	0	341,665
Income	0	-204,257	0	0	0	-204,257
<u>989 Car Parks</u>						
Expenditure	15,000	190,382	113,235	60	50,000	240,382
Income	0	-145,000	0	0	-50,000	-195,000
<b><i>307 Depot and Waste Services</i></b>						
<u>910 Domestic Waste</u>						
Expenditure	0	0	0	-	0	0
Income	0	0	0	-	0	0
<u>990 Plant Replacement Program</u>						
Expenditure	2,506,700	2,919,142	1,516,518	52	-74,118	2,845,024
Income	-1,339,300	-1,658,542	-571,064	34	49,550	-1,608,992
<b><i>707 Environmental Works Program</i></b>						
<u>959 Environmental Works Program</u>						
Expenditure	190,000	1,909,828	228,988	12	1,219	1,911,047
Income	-190,000	-1,869,508	0	0	0	-1,869,508
<b><i>708 Infrastructure Renewal Program</i></b>						
<u>949 Infrastructure Renewal Program</u>						
Expenditure	0	309,764	33,463	11	-44,246	265,518

	<i>Original Budget</i>	<i>Current Forecast</i>	<i>Total Inc/Exp</i>	<i>% Spent</i>	<i>Proposed Variation</i>	<i>Revised Forecast</i>
Income	0	-147,490	0	0	-118,028	-265,518
<u>969 Environmental &amp; Infrastructure Program</u>						
Expenditure	4,597,490	5,601,643	3,960,136	71	76,356	5,677,999
Income	-3,182,880	-3,913,255	-31,650	1	-315,301	-4,228,556
<b>Capital Budget Total Variation</b>					<u>-445,541</u>	
<b>TOTAL PROPOSED VARIATION</b>					<u><u>340,403</u></u>	

**Item No:** R2 Recommendation to Council  
**Subject:** **Budget Strategy**  
**Author:** Stephen Dunshea, Director Corporate Services  
Don Johnston, Manager Finance  
**File No:** 331G 2009/2010  
**Reason for Report:** To provide the Committee with an overview of the continuing issues facing Council in preparing the 2009/2010 Budget and to propose a strategy for its preparation.

**Recommendation:**

- A. That Council receive and note the report in relation to the 2009/10 Budget Strategy
- B. That Council endorse the following Budget Strategy Recommendations contained in the report:
- 1 That the 2009/10 budget strategy include the application of at least the forecast CPI increase to Council's fees and charges where practical.
  - 2 Part of the budget strategy will be to continue to take up the full amount of the general rate variation specified by the Minister for Local Government.
  - 3 That the 2009/2010 draft budget be prepared on the basis of a 6% vacancy rate
  - 4 That the 2009/2010 budget be prepared on the basis of the continuation of the full withdrawal of the superannuation holiday.
  - 5 That the proposed \$200,000 budget allocation for 2009/10 for the Double Bay Centre Management be reviewed in light of advice from the Double Bay Partnership in regard to commitment of Business Centre Funds..

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**Background:**

Section 402 of the Local Government Act requires each Council to annually adopt a Management Plan for the following year, part of which includes the provision of detailed estimates of income and expenditure for that proceeding financial year. These detailed estimates form the Council's annual Budget.

This report sets out the constraints and issues facing us in preparing next year's Budget. While many of these constraints and issues are similar to previous years, the current global financial crisis presents some specific and difficult challenges, particularly in respect of certain revenue forecasts, which require careful consideration by Council. Therefore, this report presents Council with an overview of the economic and fiscal challenges that we face in the formulation of the 2009/10 Budget and makes a series of recommendations regarding the strategic approach to the formulation of the budget having regard to those economic challenges and growing community needs and expectations.

**Introduction:**

By way of background, Council's budget comprises the operating budget and capital budget. The operating budget generally provides resources for the day-to-day service delivery of Council with the capital budget providing funding for new and renewal infrastructure projects. For reference, Council's 2008/2009 Budget includes operating expenditure totalling \$59.5m and a capital budget of \$11.5m.

In taking a fiscally responsible and strategic approach to the preparation of the 2009/2010 budget, factors that council should take into consideration include:

- Council’s most recent forecast financial position and Working Funds balance as at 30 June 2009
- External impacts on the budget such as;
  - Constraints on revenue raising;
  - Economic climate;
  - Investment Revenue Forecasts
  - State and Federal Government Cost Shifting to Local Government
  - Inflationary pressures on expenditure and additional expenditure requirements;
  - IPART Review of State Taxation recommendations which included:
    - “Over a two-year period, the payroll tax exemption for local councils should be removed and a corresponding increase in municipal rate-pegging limits should be phased in”.
    - “In the short term, the statutory contributions by insurance companies to fund fire services should be replaced by an equivalent, transparent property-based levy collected by local councils. The levy should be separately identified on rates notices, be phased in over time and be excluded from the municipal rates cap. The State Government’s contribution to the fire services should increase by the amount that the State Government currently contributes to the Fire Services Levy through insurance premiums.”
- A comprehensive review of the operating budget in the context of community expectations of continued and improving service delivery;
- Loan repayments and debt servicing capacity;
- Maintaining an adequate Working Funds balance; and
- The capital budget:
  - Overview;
  - Developer Contributions Levy Receipts (S94 and S94A)
  - Grant funding

This report will briefly cover these issues.

### Financial position:

Before looking at a strategy for the development of the 2009/2010 budget it is worth recapping the achievements in the budget over the past five years.

	04/05	05/06	06/07	07/08	08/09
Working Funds	\$2.146m	\$2.057m	\$3.325m	\$2.164m <sup>1</sup>	\$1,826 <sup>3</sup>
Unrestricted Current Ratio	1.64:1	1.76:1	2.33:1	3.1:1	2.14:1 <sup>3</sup>
Reserves:					
External (s94, DWM, Grants, Levies)	\$6.660m	\$7.219m	\$8.740m	\$10.336m <sup>2</sup>	\$5,533m <sup>2/3</sup>
Internal (ELE, Property, Insurance etc)	\$10.614m	\$13.549m	\$21.944m	\$37.211m <sup>2</sup>	\$26,014m <sup>2/3</sup>
Capital Funding from Operating Budget	\$3.658m	\$4.197m	\$4.237m	\$4.318m	\$4.399m

1. After allocation of \$1.3m to Restricted Cash (\$1m to Investments and \$300k to IT)
2. Excludes notional fair value adjustments of totalling \$9.7m
3. As at December Quarter Budget Review
4. Original 2008/2009 Budget

Council's financial position has shown steady improvement over the past four years. Working funds are at a reasonable level, although at a minimum acceptable level, and liquidity is sound.

Importantly, the level of funding released from the operating budget for capital expenditure has grown steadily from \$3.6m in 04/05 to \$4.4m in 08/09. This is a significant achievement and demonstrates expenditure constraint and efficiency gains to be able to minimise the impacts of annual increases in salaries and wages and other inflationary pressures. At the same time revenues have also increased. For some years now it has been the policy position of Council to grow the capital funding available from the operating budget result (surplus) by the amount of the forecast increase in rates revenue.

Overall, this target has been exceeded with general rates increases since 04/05 having been 3.5%, 3.6%, 3.4% and 3.5% for the current year. Applying these to the 04/05 capital funding level results in a target figure for 08/09 of \$4.198m. As can be seen, the capital funding available in the original 2008/2009 budget exceeds this figure by some \$200,000.

Notably, Council has adopted a comprehensive Infrastructure Asset Management Strategy with a view to redressing the backlog of asset renewal works and bringing our infrastructure to a 'satisfactory standard'. Through a series of special variation applications Council has put in place a special rate levy of \$3m per annum for five years, supplemented by Council's annual commitment of \$1.4m to fund this program of works at the optimal level identified in the strategy. This levy has been further supplemented by the stormwater management charge introduced in 2007/2008. This carefully targeted program of works is underway and will, over the coming years, assist with improving the standard of our infrastructure.

Part of enabling a focus on infrastructure renewal has been the fiscal constraint shown in the operating budget. The strategy over this period has been quite simple, minimising expenditure through efficiency gains and innovation while maintaining service levels and optimising income.

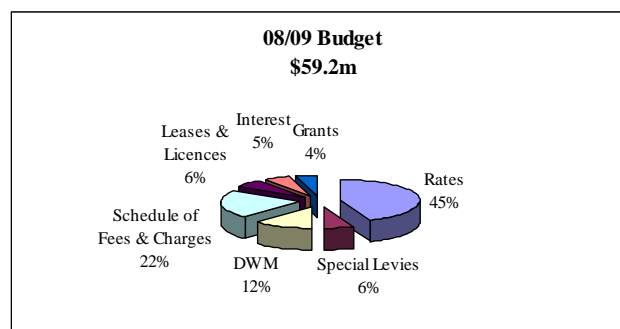
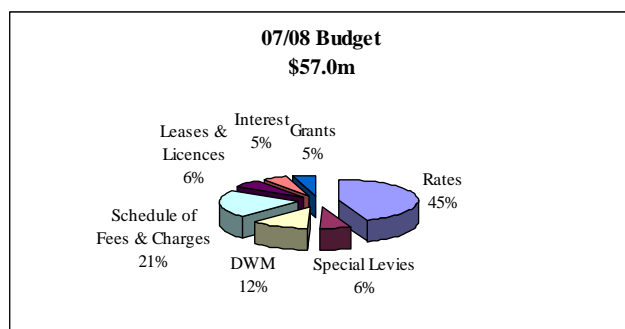
Continuing this strategy into the 2009/2010 will be extremely difficult due to a variety of external impacts on the budget, not the least of which is the impact of the global financial crisis and the significant downturn in forecast revenue from interest on investments and revenue from development activity, being both operating from Development Application fees and capital from Developer Contributions.

### **External impacts on the budget:**

#### *Constraints on revenue raising:*

The constraints facing council regarding its capacity to raise income are well known and have been reported to the Corporate & Works Committee on a number of occasions.

The graphs below show how our income in the 2007/2008 and 2008/2009 Budgets are made up. In 2008/2009 half of it comes from Rates including Special Levies and the Stormwater Management Charge (\$29.6m), with a further 12% (\$7.3m) coming from the Domestic Waste Management Charge. Another 15% (\$9.6m) comes from grants, interest and leases & licences combined. The remaining 22% is generated from the various fees and charges set out in the Schedule of Fees & Charges adopted each year.



Fees & charges represent around \$12.7m. Of this, \$5.7m is made up of fees and charges limited by statute and as a consequence cannot be altered by Council. The remaining \$6.9m is set by Council. The major sources of income that make up some 75% of the \$6.9m are:

Income Source	08/09 Budget
Parking Meter Charges	1,290,000
Trade Waste Charges	1,070,000
Road Restoration Charges	560,000
Kindergarten Fees	551,040
Work Zone Charges	450,000
Residential Parking Permits	300,000
Compliance Levy	260,000
Additional Waste Service	207,450
Advertising Fees	180,000
Sportsfield Lease	180,000
PCA Service Fees	120,000
Construction Certificate Applications	110,000
	<b>5,278,490</b>

There is very limited scope for Council to raise any significant additional revenue from these activities.

Notwithstanding this limitation, part of the budget process is to review our Schedule of Fees & Charges. Part of the recommended strategy for developing next year's budget is to increase fees and charges by at least the CPI where practical. Any opportunities for additional fees and charges will also be proposed.

Recommendation 1

That the 2009/10 budget strategy include the application of at least the forecast CPI increase to Council's fees and charges where practical.

General Rate Variation

It is difficult to anticipate the quantum of the general rate variation approved by the Minister each year. It is therefore proposed to provide for a 3.5% general variation in the Draft Budget in line with previous years' determinations. On a general rate base of \$26.4m this will yield an additional \$923,000.



It is important to note however, that as will become evident throughout this report, that the additional rating revenue raised from the Minister's allowing percentage increase is deficient in being able to meet unavoidable increases in recurrent expenditure, such as employee costs and statutory contributions. The challenge therefore for Council is to develop a balance budget having regard to the State Government's imposed restriction on revenue raising whilst at the same time maintaining expected standards of service delivery to our community.

#### Recommendation 2

Part of the budget strategy will be to continue to take up the full amount of the general rate variation specified by the Minister for Local Government.

#### Domestic Waste Management (DWM) Charge

There is provision in the legislation for the Minister to impose a limit on the increase in our DWM charge from year to year, although this has not happened in the past. The legislation requires that the DWM be based on the reasonable cost of providing the service. This charge will again be reviewed as part of the budget development process to ensure that we are capturing the full cost of the service.

#### *Global Financial Crisis*

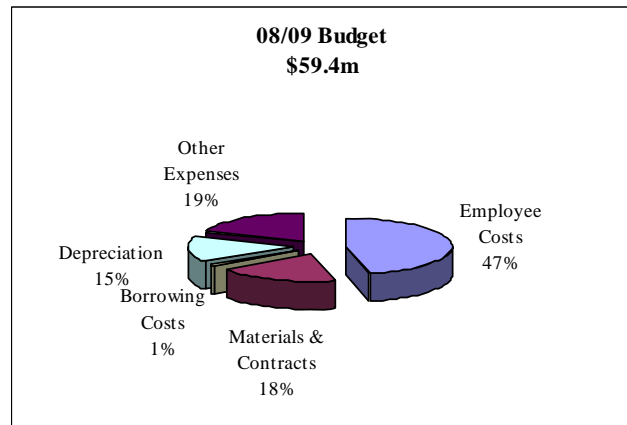
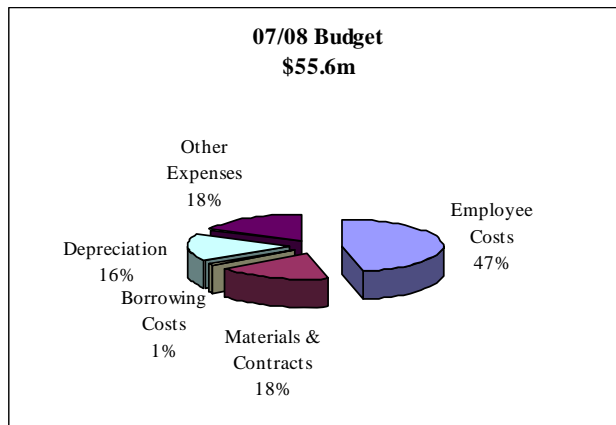
The current global financial crisis will place enormous pressure on the 2009/2010 budget as it has already done on the 2008/09 budget, particularly in regard to income. The impact on investment returns will be substantial. There is also some evidence of reducing development activity which will further affect Council's operating revenue, in the areas of Development Application fees, and capital revenue from Developer Contributions.

In the original 2008/2009 budget, the forecast interest returns from investments was \$3.148m which has been revised down to \$2.597 in the December quarter review. Despite Council's long term investments having margins of between 80 and 205 basis points above the bank bill swap rate, as they roll through their quarterly resets, the returns will fall quite dramatically. The forecast return from investments for 2009/2010 has been calculated to be \$1.317m. This figure also allows for the continuing non payment of coupon for CDOs where Lehman Brothers are the swap counter party and the default of two further CDOs. Already it can be seen from the above figures that the initial forecast revenue from interest on investments for 2009/10 are in excess of \$1.8m lower than the original estimate for 2008/09.

It should be noted however that these gross revenue forecasts for interest on investments includes interest to be received from restricted funds and other Council reserve funds, i.e., Section 94 and the Property Reserve. As interest on these restricted funds is transferred to the respective reserves, the corresponding transfer to reserve will also reduce, resulting in no direct impact on working funds or general funded service delivery. The downturn does however impact on future opportunity for capital expenditure from those Reserves.

#### *Inflationary Pressures on Expenditure and Additional Requirements*

Council's expenditure pattern has remained largely unchanged in recent years. The graphs below show the breakdown of our operating expenditure in the 2007/2008 and 2008/2009 Budgets.



## Employee Costs

### *Annual Increase*

It is clear from the above graphs that Council's largest area of expenditure is employee costs. The gross salaries and wages budget for 2008/2009 is \$23.4m, discounted by a 6% vacancy factor of \$1.2m resulting in a net budget provision of \$22.2m. Using previous Award increases as a guide, a 3.5% increase in salaries during 2009/2010 will increase costs by some \$780k.

### Recommendation 3

That the 2009/2010 draft budget be prepared on the basis of a 6% vacancy rate.

### *Council Superannuation Contribution "Holiday"*

Prior to the 2005/2006 budget Council had the benefit of a Superannuation Contribution "holiday" and we were not required to fund employer contributions to the Retirement Scheme within the Local Government Superannuation Scheme for a period of time. There was a partial withdrawal of the contribution "holiday" in the 2006/2007 budget which continued into the 2007/2008 budget. The full contribution "holiday" ceased in 2008/2009. This cost impact of \$350k was funded by a one off transfer from restricted cash. This will not be available for the 2009/2010 budget.

The Local Government Superannuation Scheme has advised that the billing of Council's contributions to the Retirement Scheme will change from April 2009. There is approximately 80 staff in this scheme as it was closed to new entrants some years ago. Those staff in the Retirement Scheme may elect to contribute up to 9 percent of their annual salary to the scheme. Currently, Council is required to contribute 1.9 times this amount plus 2.5% of the employee's annual salary. This will be changing to a flat 14% contribution for all members. This might see a small decrease in Council's overall contribution for the 2009/2010 budget.

While at this time last year there was some hope of a partial "holiday" returning for 2009/2010, the deepening financial crisis will certainly see Council paying its full contribution.

### Recommendation 4

That the 2009/2010 budget be prepared on the basis of the continuation of the full withdrawal of the superannuation holiday.

### Other Expenditure

Likewise, there are inflationary pressures on other areas of expenditure. The CPI increase as at December 2008 was 3.8% (4.9% as at September 2008), and this alone represents an increase in materials & contracts and other expenses of \$850k. Council has already experienced increases well beyond CPI in areas such as cost of construction materials, street lighting charges, Fire Brigades contribution and tipping charges.

By way of example, in the 2008/2009 budget we provided for a 5.7% increase in Street Lighting Charges. We have since been advised the increase will be 9.97%, an increase of \$43k over Council's budget allocation. Further advice has been received indicating that the average increase in street lighting charges for 2009/2010 will be 22%. This represents additional expenditure of over \$250k on a base cost of \$1.15m.

A further example lies in Council's contribution to NSW Fire Brigades. For the last 3 years increases in the contribution have exceeded the permissible rate cap with the last two years both exceeding 10%.

<b>Year</b>	<b>General Rates</b>	<b>Fire Brigades Contribution</b>	<b>\$ Increase</b>	<b>% Increase</b>	<b>% of General Rates</b>
04/05	22.664m	1.420m	1k	0.07	6.3
05/06	23.443m	1.466m	46k	3.24	6.3
06/07	24.271m	1.527m	61k	4.16	6.3
07/08	25.202m	1.693m	166k	10.87	6.7
08/09	26.370m	1.872m	179k	10.57	7.1

A further 10% increase for 2009/2010 would result in additional expenditure of \$187k. By 2009/10 Council will have to have absorbed in excess of \$640k in increased Fire Brigade levies. Combined with increases in street lighting charges (\$612k), the total value of these increased charges imposed by the State Government total in excess of \$1.2m which has directly impacted upon Council's ability to provide services to its community.

### IPART Recommendations

IPART, in its Review of State Taxation made two recommendations that could increase Council expenditure substantially.

- "Over a two-year period, the payroll tax exemption for local councils should be removed and a corresponding increase in municipal rate-pegging limits should be phased in".
- "In the short term, the statutory contributions by insurance companies to fund fire services should be replaced by an equivalent, transparent property-based levy collected by local councils. The levy should be separately identified on rates notices, be phased in over time and be excluded from the municipal rates cap. The State Government's contribution to the fire services should increase by the amount that the State Government currently contributes to the Fire Services Levy through insurance premiums."

Preliminary costings of these recommendations calculated in support of Council's submission where made in June 2008. An extract from the submission appears below:

Financial impacts of the recommendations

*Council's current payroll exceeds \$20m per annum. Payroll tax, even at the reduction rate of 5.75% would represent an additional cost of \$1.2m on our community.*

*Council's current contribution to fire services funding is \$1.7m. A sixfold increase in this amount would impose an additional \$10.2m contribution on our community.*

*Together, the recommendations could cost Council at least \$11.2m. Council has a rate base of \$26.37m levied on 25,500 rateable properties. The reference to relaxation of rate pegging to facilitate this cost shifting equates to an increase in rates of over 40% at a cost of \$439 per rateable property. An increase of this magnitude would not be offset by possible reductions in insurance premiums.*

*This is simply not sustainable. The potential impact on lower income families and individuals, particularly pensioners, is substantial.*

We are yet to hear more on these recommendations.

**A review of the operating budget:**

Council's budget preparation strategy in recent years has been to try to limit expenditure increases and to optimise income. Any proposals to increase expenditure had to be fully justified. By its very nature, this process required each Manager to undertake a detailed review of the budget as part of the budget development process.

Survey Outcomes View of the Budget

When reviewing the operating budget with a view to identifying savings it is useful to look at it in terms of the community survey outcomes.

Council's total operating budget, excluding depreciation, is \$50.6m. Some \$36m, or 71%, can be related directly to the 34 survey outcome items. The remaining \$14.6m relates to other activities / services not identified in the survey, organisation support and governance.

The survey outcomes were provided in the form of a quadrant analysis. The 34 items were all regarded by the community as 'important' but were reclassified on a relative basis in regard to importance and satisfaction. This further analysis categorised the items into areas of higher importance and higher satisfaction, higher importance and lower satisfaction, lower importance with higher satisfaction and lower importance with lower satisfaction. A summary is provided below with an indication of the operating budget provided to deliver these activities / services.

**Higher importance with higher satisfaction**

Waste collection  
Parks and recreation areas  
Maintaining foreshores and beaches  
Community safety  
Recycling  
Street cleaning  
Environmental monitoring and protection  
Stormwater drainage  
Services for older people and their carers  
Protecting heritage values and buildings  
Services for people with a disability & their carers

**\$18.9 million**

**Higher importance with lower satisfaction**

Managing local traffic flow  
Maintaining local roads  
Footpaths  
Overall responsiveness to the community  
Assessing and determining DA's  
On street parking in residential areas  
Informing residents about Council activities  
Providing for community involvement in decision making  
Council's long term planning and vision  
Regulating the design and quality of new developments  
Managing trees in streets  
Managing activities on construction sites

**\$11.9 million**

<b>Lower importance with higher satisfaction</b>	<b>Lower importance with lower satisfaction</b>
Library services Street signage Sporting fields and facilities Cultural activities Community halls and facilities	Kerb and guttering Parking in shopping centres Social and leisure activities for young people Child care services Preserving trees on private property Support services for parents
<b>\$3.0 million</b>	<b>\$2.2 million</b>

It should be noted that these figures are only indicative. In a number of instances, budget costs centres need to be allocated across more than one quadrant which has been done on a 'best guess' basis. Notwithstanding this, the analysis suggests that the expenditure in the operating budget is well targeted in meeting the 'important' items identified by the community.

### Overhead Apportionment Model

In order to understand the full cost of services provided, an internal financial model has been developed to test, benchmark and apportion organisational support services across Council. The model apportions support services including Records, Customer Service, Finance, Risk Management, Human Resources, Information Systems, Executive Services, Governance and Accommodation.

Principally, the overhead model works to distribute the non-survey corporate overheads across service areas of Council, although there are some exceptions. Non-survey budget items total \$14.6m, while the apportionment model totals \$12.5m, which is further broken down into \$3.8m in governance and \$8.8m in corporate overheads.

The model, based on some quite simple drivers, allocates the costs of these organisation support functions across Council's direct service delivery cost centres. While the model requires some refinement, it provides a good indication of the cost of service delivery inclusive of corporate overheads.

In a report prepared for the *Independent Inquiry into the Financial Sustainability of NSW Local Government* titled "*Corporate Overheads of Local Government*" corporate overhead percentages ranged between 4% and 19%. At \$8.8m, the corporate overheads in our model represent less than 15% of total expenses. As with all comparative information of this kind, it is difficult to determine what is included / excluded from the costs by other Councils.

At a State level, in the Council on the Cost and Quality of Government (now the Performance Review Unit) 2004 Annual Report it was noted that:

*"Based on an analysis of expenses, reviewed agencies used between 7 percent and 39 percent of their expenses on corporate overheads. The average ratio is about 18 percent."*

The same comment about direct comparability applies. Both reports do, however, provide an indication that our corporate overhead rate is reasonable.

### **Funding of Double Bay Centre Management:**

On 13 August 2007 the Urban Planning Committee considered a report on Centre Management and recommended to Council, in part:

3. *That Council agrees in principle to match funds raised by the business community (up to \$200,000) as seed funding for centre management in Double Bay for year 1 only.*
4. *That a special rates levy to fund centre management in Double Bay be further considered following discussions with the Double Bay business community.*

This recommendation was subsequently adopted by Council on 27 August 2007.

A subsequent report identified the Chamber's request for Council to extend its funding from 1 to 2 years, \$200,000 per year. It was recommended that this request, along with the issue of a rates levy commencing on 1 July 2009, be deferred until the incorporated association has been established and has operated for a period of six months.

After some debate, provision was made in the 2008/2009 Budget for a \$200,000 contribution, funded from \$400,000 windfall from the Cosmopolitan Centre redevelopment. The remaining \$200,000 was earmarked to fund the 2009/2010 contribution

#### Recommendation 5

That the proposed \$200,000 budget allocation for 2009/10 for the Double Bay Centre Management be reviewed in light of advice from the Double Bay Partnership in regard to commitment of Business Centre Funds..

#### **Loan repayments:**

Loan repayments form part of the operating budget. The operating budget has absorbed the repayment of the \$3.07m loan raised in 2005/2006 (\$420k) The longer term funding model for the \$6.525m loan raised in 2007/2008 anticipated the following model being in place in the 2009/2010 budget:

	<b>\$'000</b>
New revenue streams from commercial arrangements	500
Current annual capital budget allocations to streetscapes not required as a result of the improvement works	300
Section 94A contributions	150
	<b>950</b>

Increased borrowing costs at the time of raising the loan sees actual repayments of \$965k being required in the 2009/2010 budget.

In last year's budget strategy report it was noted that there may be development delays and that this model would need to be revisited for the 2009/2010 budget. It was also noted that development delays would result in the new revenue streams coming into effect a little later.

The new revenue streams for 2009/2010, net of additional operational costs, are now forecast to be only \$280,000. This places additional short term pressure on the budget, through a shortfall in anticipated revenue of some \$220,000.

There is an opportunity to make an additional contribution toward the loan repayments from Section 94A contributions and maintain the capital works program funded by Section 94A at a similar level to the original 2008/2009 budget, that is, about \$1m. This needs to be considered further in the context of the proposed overall capital works program yet to be presented to Council.

## Working Funds:

Working funds are, in simple terms, funds available to Council to cover unforeseen financial events that cannot be covered by re-prioritising the current budget. An old ‘rule of thumb’ is that working funds should, as a minimum, be sufficient to cover arrears of rates plus inventory. This is on the basis that these current assets would be difficult to liquidate in the event of a financial emergency. Using this as a guide, our minimum working funds level should be \$1.819m. The forecast working funds position at 30 June 2009 is \$1.825m (December Quarterly Review).

As working funds is at a minimum acceptable level, it will be imperative to adopt a “balanced” budget for 2009/2010.

## The Capital Budget:

### Overview

The capital budgets adopted for each of the last five years appears below.

	<b>04/05</b>	<b>05/06</b>	<b>06/07</b>	<b>07/08</b>	<b>08/09</b>
<b>Other Capital</b>					
Infrastructure Works	2,934	2,097	3,939	5,366	5,749
Parks & Open Space	973	563	1,261	970	1,349
Streetscape Improvements	370	3,510	780	6,846	80
Council Buildings	648	509	702	455	661
Environmental Works	902	1,010	1,040	440	440
Other	0	0	0	200	0
	<b>5,827</b>	<b>7,689</b>	<b>7,722</b>	<b>14,276</b>	<b>8,279</b>
<b>Operating Capital</b>					
Plant & Fleet	2,258	3,072	2,519	2,455	2,507
IT	210	346	620	378	412
Library	302	330	393	321	344
	<b>2,770</b>	<b>3,748</b>	<b>3,532</b>	<b>3,154</b>	<b>3,263</b>
	<b>8,597</b>	<b>11,437</b>	<b>11,254</b>	<b>17,430</b>	<b>11,542</b>

The streetscapes programs in 2005/2006 and 2007/2008 were supported by loan borrowings of \$3.43m (later reduced to \$3.070m) and \$6.525m. The infrastructure works and environmental works programs, previously funded by separate levies, are now funded by a combined Environmental and Infrastructure Renewal Levy as a result of a series of special variation applications in conjunction with Council’s ongoing commitment of \$1.4m. The combined levy is supplemented by a stormwater management charge introduced in 2007/2008.

### Capital Budget Funding

As advised previously in the report, Council’s strategy for funding the capital works program has been to derive in excess of \$4m from the operating budget surplus as a contribution to the capital works program. For 2008/09 this amount was \$4.4m.

Further, since the inception of a special levy to fund Council’s Infrastructure Asset Management Strategy, Council has contributed at least \$1.4m from the overall operating surplus provided to the capital works program towards a total Infrastructure Renewal Program of around \$4.1m.

In the context of all of the pressures on the 2009/2010 budget outlined in this report, achieving a balanced budget that maintains this level of funding for capital works and infrastructure renewals presents an enormous challenge. But again this needs to be considered further by Council in the context of the overall budget.

### Section 94A Contributions

Originally, the Section 94A Development Contributions Plan 2005 included a 1% levy on the proposed cost of carrying out development. The levy was reduced for the 2007/2008 and subsequent budgets, to:

<u>Proposed Cost of development</u>	<u>Levy</u>
< \$100k	Exempt
\$100k to \$200k	0.5%
> \$200k	1.0%

In previous budget considerations it was noted that the transition to section 94A levies would take some time, making accurate forecasting difficult. For the 2006/2007 budget \$1m was originally forecast and subsequently reduced to \$600k in the March Review for that year based on monthly receipts to that time. We ultimately received \$960k, \$370k of which was received in May and June alone. These receipts preceded the reduction in the contribution rate.

In 2007/2008 we received \$1,427k after an original forecast of \$650k. There was still volatility from month to month with a low month figure of \$36k and a high in June 08 of \$361k. The forecast for 2008/2009 was \$1m and to the end of December 2008 we have received \$783k. The 2008/2009 forecast has been revised to \$1.4m in the December quarterly review with the additional funds being directed toward infrastructure projects.

The budget proposed for 2009/2010 is again for receipt of \$1.4m. The long term loan repayment funding model recommends utilising \$150k of this leaving \$1,250k available to fund capital works projects.

### Grants

As Councillors are aware, Council maintains an active grants seeking program to ensure grant opportunities for a range of Council services and projects is maximised. Further details of anticipated grant for 2009/10 will be presented as part of the overall draft budget.

### **Summary:**

Taking up an assumed 3.5% increase in rates will provide an additional \$923,000 in income. Increasing our fees and charges in line with at least the CPI will provide around \$260,000 on the \$6.9m that we can set and this assumes a continuation of the same level of demand for the various services provided. It is difficult to anticipate any increase in the statutorily limited fees and charges at this stage. In round numbers our operating income could, conservatively, only grow by \$1.18m. This increase in income could be more than offset by the reduction in interest earnings and may see Council's total revenue base remaining at the same level as 2008/2009 in overall terms.



The pressures on our expenditure arise mainly in salaries and wages due to an annual increase and market impacts. These could add upwards of \$500,000. Based on current experience, it would be prudent to include a provision to cover the impact of the market and skills shortage. Indicatively this should be around 1% or \$200,000. At least a further \$850,000 could arise from a CPI increase on our other expenditure. There is also an argument for increasing the resources available within the operating budget. Combined, these costs, again conservatively, exceed \$1.5m.

**Conclusion:**

Leading into the consideration of our Budget for 2009/2010 it is appropriate to remind ourselves of the issues and constraints facing us. We have limited opportunities to grow our income and are facing a series of pressures on our expenditure. In previous years our budget strategy has been to continue to maintain and enhance our service delivery from the Operating Budget and ensure there are sufficient funds available to service our identified Capital Works Program.

Based on this strategy, Council over recent years has improved our capacity to fund capital works. Funding from the operating budget has grown from \$3.6 to \$4.4m while, through a series of special variations, funding has been put in place to meet the needs of Council's adopted infrastructure asset management strategy. These are significant achievements.

The current economic climate adds new challenges and pressures to the preparation of the 2009/2010 budget, particularly in relation to income from interest on investments. It may be that our overall revenue base remains at around the same level as 2008/2009 providing no capacity to cover known increases in expenditure. Achieving a balanced budget for 2009/2010 is going to be an particularly difficult exercise.

A series of recommendations have been made throughout the report. Together, and subject to consideration by the Committee, these will form the basis of preparing a preliminary draft budget for 2009/2010.

Striking a balance in the allocation of resources among many competing priorities is difficult. Presentation of the preliminary draft budget, together with corporate planning workshops to be held over the course of March and April will provide Council with the opportunity to review both the operating and capital budgets and determine its priorities for the allocation of resources in the 2009/2010 budget.

Don Johnston  
Manager Finance

Stephen Dunshea  
Director Corporate Services

Gary James  
General Manager

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**ANNEXURES:**

Nil.

**POLITICAL DONATIONS DECISION MAKING FLOWCHART  
FOR THE INFORMATION OF COUNCILLORS**

