



Corporate & Works Committee Agenda

Agenda: *Corporate & Works Committee*

Date: *Monday 7 December 2015*

Time: *6.00pm*

Outline of Meeting Protocol & Procedure:

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

Recommendation only to the Full Council:

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

Delegated Authority:

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

Committee Membership: 7 Councillors

Quorum: The quorum for a Committee meeting is 4 Councillors.

Woollahra Municipal Council

Notice of Meeting

2 December 2015

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

Dear Councillors

Corporate & Works Committee – 7 December 2015

In accordance with the provisions of the Local Government Act 1993, I request your attendance at Council's **Corporate & Works Committee** meeting to be held in the **Council Chambers, 536 New South Head Road, Double Bay, on Monday 7 December 2015 at 6.00pm.**

Gary James
General Manager

Meeting Agenda

Item	Subject	Page
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 23 November 2015	5
D2	Confirmation of Minutes of Property Assets Working Party Meetings held on 28 October 2015 and 10 November 2015 *Confidential Annexures circulated under separate cover	7
D3	Monthly Financial Report - November 2015	11
 Items to be Submitted to the Council for Decision with Recommendations from this Committee		
R1	2016/17 Budget Strategy (SC2660)	19

Item No: D1 Delegated to Committee
Subject: **CONFIRMATION OF MINUTES OF MEETING HELD ON 23 NOVEMBER 2015**
Author: Sue O'Connor, Secretarial Support - Governance
File No: 15/171826
Reason for Report: The Minutes of the Corporate & Works Committee of 23 November 2015 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 & Works Committee Meeting of 23 November 2015 be taken as read and confirmed.

Item No: D2 Delegated to Committee
Subject: **CONFIRMATION OF MINUTES OF PROPERTY ASSETS
WORKING PARTY MEETINGS HELD ON 28 OCTOBER 2015 AND
10 NOVEMBER 2015**
Author: Zubin Marolia, Manager - Property & Projects
Approver: Tom O'Hanlon, Director - Technical Services
File No: 15/165638
Reason for Report: To report on the outcomes of the Property Assets Working Party meeting held on 28 October 2015 and 10 November 2015 to recommend further actions

Recommendation:

- A. That the minutes of the Property Assets Working Party meeting, held on 28 October and 10 November 2015, be noted
- B. That a detailed financial feasibility be provided for Wilberforce Avenue car park - Options 1, 3B and 4 to the Property Assets Working Party
- C. That Council proceed with Expressions of Interest for the proposed commercial uses on the ground floor of St Brigids
- D. That the proposed management model for a community art gallery proposed on level 1 of St Brigids be supported in principle
- E. That Council defer the final decision on the proposed art gallery on level 1 of St Brigids until the result of the Expressions of Interest for the ground level has been considered by Council.

1. Background:

The purpose of this report is to provide the Corporate & Works Committee with copies of the minutes of the Property Assets Working Party meetings held on 28 October and 10 November 2015. The minutes provide the Committee with an update on the outcomes, following a massing exercise and presentation by Allen Jack and Cottier (AJ&C) on redevelopment options for the Rose Bay public car parks at Wilberforce Avenue and Ian Street.

The minutes also provide the Committee with an update on the future uses of St Brigid's, the current library adjacent to Blackburn Gardens, in relation to proposed operating models for a community art gallery on the first floor and expressions of interest for commercial uses on the ground floor of the building.

2. Proposal:

Rose Bay Car Parks

Options 1 and 2 for the redevelopment of the Wilberforce Avenue public car park in Rose Bay was presented by architects Allan Jack & Cottier. AJ&C were engaged to undertake a site massing feasibility study. The key points raised are listed in the copy of the minutes attached as Annexure 1 and 2. The Working Party at its meeting in October proposed exploration of further options, which

were reviewed at its next meeting in November. This last presentation reviewed schematic plans, 3D massing models and indicative parking and rental yields.

Based on the options discussed at the meetings, the Working Party endorsed three final options for the redevelopment of Wilberforce Avenue car park site to be pursued further, in conjunction with Ian Street options 2/3:

- *Wilberforce Avenue option 1 with Ian Street options 2/3*
- *Wilberforce Avenue option 3B with Ian Street options 2/3*
- *Wilberforce Avenue option 4 with Ian Street options 2/3*

The above options are to be the subject of further detailed financial feasibility. Once a report is prepared, it will be submitted to the next Property Assets Working Party for review and recommendation to Corporate and Works Committee.

Subject to the final approval of Council, funding and delivery options are to be reviewed, preferring to pass on any development risk on to a private developer.

St Brigids

At the last Corporate and Works Committee meeting, it was resolved for staff to explore option 2 further, which is a mix of commercial and community/cultural uses. This option proposes to situate a commercial café/restaurant on the ground floor to compliment the current use of the adjoining gardens as a weddings/functions venue. The Working Party reviewed the Expressions of Interest document (Annexure 3) and resolved to invite submissions, ensuring that the proposed uses complement the heritage significance of this building.

Option 2 proposes the first floor to be set aside for cultural uses, primarily as an art gallery. The Director Community Services presented a report to the Working Party on a proposed operational model for a community art gallery on level 1 of St Brigid's. It recommended that a community art gallery be managed by Council to support emerging and mid-career artists and groups and provided estimates of income and expenditure. A copy of this report is attached as Annexure 4. The Working Party resolved that the proposed management model for a community art gallery on level 1 of St Brigid's be supported in principle. This model would later be reviewed once the outcome of the Expressions of Interest for the ground level has been considered by Council.

3. Identification of Income & Expenditure:

Funding to progress the architectural designs and financial feasibility for the development of Rose Bay car parks has been included in the current year's Capital Budget for 2015/2016. Currently no capital funding has been approved for the development of St Brigid's and will be revisited once the Expressions of Interest process is concluded and Council endorses a final proposal.

4. Conclusion:

Reporting of the minutes of the Property Assets Working Party will keep Council informed on the progress and highlight any development initiatives associated with Council owned and/or controlled assets which are being considered by the Working Party. Any actions requiring Council approval will be submitted, as required, to future meetings of this Committee for adoption.

Annexures

1. Meeting minutes of the Property Assets Working Party on 28 October 2015 (*circulated under separate cover*) - **Confidential**
2. Meeting minutes of the Property Assets Working Party on 10 November 2015 (*circulated under separate cover*) - **Confidential**
3. St Brigid's Expressions of Interest - Commercial Use of Ground Floor and Community use first floor (*circulated under separate cover*) - **Confidential**
4. St Brigid's Community Art Gallery - potential models - report to PAWP November 2015 (*circulated under separate cover*) - **Confidential**

Item No: D3 Delegated to Committee
Subject: **MONTHLY FINANCIAL REPORT - NOVEMBER 2015**
Author: Don Johnston, Chief Financial Officer
Approver: Stephen Dunshea, Director - Corporate Services
File No: 15/172551
Reason for Report: To present the monthly financial report for November 2015

Recommendation:

That the Committee:

- A. Receive and note the Monthly Financial Report – November 2015.
- B. Note that Council's 12 months weighted average return for November 2015 on its direct investment portfolio of 2.94% exceeds the November 2015 benchmark 90 day AusBond Bank Bill Index of 2.15%.
- C. Note that the total interest earned for year to date November 2015 of \$1,077k exceeds the revised 2015/16 Budget of \$1,036k.

1. Background:

Clause 212 of the Local Government (General) Regulation 2005 requires the responsible accounting officer (Council's Chief Financial Officer) to provide the Council with a monthly report setting out details of all money that the Council has invested.

The Monthly Financial Report for November 2015 is submitted to the Committee for consideration and includes the following:

- Investment Transactions for the Month
- Summary of Receipts, Payments and Bank Balance
- Details of Investment Portfolio
- Statement of Investment Policy Compliance

- Charts:
 - ◆ Weighted Average Maturity and Weighted Average Returns
 - ◆ Weighted Average Returns v Australian 90 day Term Deposit Index
 - ◆ Actual Interest Earned v Original Budget & Revised Forecast

- Movements in Book Value of Investments

2. Investment Transactions for the Month

Date	Investment Description	Term	Rate	Transaction	Amount
Opening Balance as at 1 November 2015					106,059,376.08
6/11/2015	National Australia Bank TD	364	3.55	Maturity	-2,000,000.00
6/11/2015	ANZ Bank TD	364	3.47	Maturity	-3,000,000.00
17/11/2015	St George Bank TD	180	2.71	Maturity	-4,000,000.00
18/11/2015	Lehman Brothers TD			Maturity	-1,234.26
18/11/2015	Lehman Brothers TD			Purchase	1,234.26
3/11/2015	AMP Online movement			Withdrawal	-3,984,171.37
30/11/2015	CBA Online At Call net movement			Deposit	6,158,060.94
6/11/2015	UBS Trust Net Movement			Withdrawal	-66.72
Net movement in Portfolio for the month					-6,826,177.15
Closing Balance as at 30 November 2015					99,233,198.93

GL Control Accounts Balances as at Period 5

000-5101-0000	Oakvale Capital Investments	640,500.00
000-5102-0000	Council Direct Investments	98,524,647.70
000-5107-0000	Lehamn Brothers (Grange) Investments	68,051.23
		99,233,198.93

Commentary:

Notwithstanding November being a rates instalment month Council's portfolio reduced by some \$7M following two further prepayment of the Kiaora Place Stage 1 Woolworths loan facility totalling \$10M.

3. Investment Working Party Update

There are no updates in relation to the Lehman matter. Future updates will be provided as they come to hand.

4. Summary of Receipts, Payments and Bank Balance

Cash Book Balance as at 31 October, 2015 291,468.51

Receipts

Rates 6,486,893.53
Investment Maturities 9,000,000.00
Transfers In from At Call Accounts 15,190,000.00
Other 4,662,353.73

Total Receipts 35,339,247.26

Description	Amount
Sundry Debtors	908,106.13
Parking Fines	520,476.66
Capital Grants - General	488,071.75
Deposits & Bonds	392,337.70
S.94A Contributions	317,894.29
GST Refund	212,144.00
Net Rental Income from Kiaora Pt	209,000.00
Parking Meter Charges	169,105.17
Trade Waste Debtors	144,220.40
Build/Construction LS Levy	87,804.79

Payments - Cheque

Cheque Payments -777,042.67
Cancelled Cheques 11,139.33
Total Cheque Payments for period -765,903.34

Cheque No	Cheque Date	Payee	Description	Amount
223317	9/11/2015	Withheld	Refund of security deposit	-62,392.13
223588	26/11/2015	Retaining Specialists Pty Ltd	Cooper Park stabilisation	-47,619.00
223590	26/11/2015	Royal HaskoningDHV	Gen w orks - Lyne Park Seawall	-46,537.70
223623	30/11/2015	Withheld	Refund of security deposit	-44,644.61
223373	17/11/2015	Withheld	Refund of security deposit	-32,758.22
223429	19/11/2015	Materials In The Raw	Gen w orks - Edgecliff Public School	-32,446.55
223621	30/11/2015	Withheld	Refund of security deposit	-23,843.10
223367	17/11/2015	Withheld	Refund of security deposit	-22,362.55
223424	19/11/2015	AGL Sydney	Electricity supply - Council Chamber - Feb/Sep'15	-18,628.76
223362	17/11/2015	Withheld	Refund of security deposit	-17,556.04

Payments - EFT

EFT Payments -13,800,313.53
Returned EFTs
Total EFT Payments for period -13,800,313.53

Reference	EFT Date	Payee	Description	Amount
51862	6/11/2015	Woolworths Limited	Loan repayment	-5,000,000.00
52070	20/11/2015	Woolworths Limited	Loan repayment	-5,000,000.00
52161	26/11/2015	United Resource Management Group Pty Ltd	Recycling contract - Oct'15	-208,342.24
51920	12/11/2015	Local Govt Super Scheme-Div.A	Employer/employee super - Oct'15	-206,048.06
51905	12/11/2015	Gilbert + Tobin Lawyers	Legal expenses - Secure Parking, Kiaora Pt	-138,354.35
301115	30/11/2015	Commonwealth Bank	Loan repayment	-137,375.53
52071	26/11/2015	1888 Certified Double Bay Pty Ltd	Capital incentive - Kiaora Place	-132,000.00
51947	12/11/2015	Starcon Group Pty Limited	Gen w orks - Fairfax Rd	-105,358.77
51863	9/11/2015	Local Govt Super Scheme-Div.B	Employer/employee super - Oct'15	-103,876.02
51973	19/11/2015	Ausgrid	Street lighting - Oct'15	-83,244.03

Payments - Direct Debits From Bank A/c

Payroll -1,716,395.94
PAYG Tax -570,510.00
Bank Charges -13,496.19
Transfers to At Call Accounts -17,340,000.00
Councillors' fees -24,946.67
Council Rates -29,837.00
Total Direct Debits for period -19,695,185.80

Total Payments

-34,261,402.67

Cash Book Balance as at 30 November 2015

1,369,313.10

Unpresented Cheques No of Cheques: 218 Value: 248,363.33

Outstanding Deposits & Miscellaneous Items 1,186,332.43

Reconciled Cash Book Balance as at 30 November 2015 2,804,008.86

Bank A/c Balance as at 30 November 2015 2,804,008.86

Unpresented Cheques > \$30,000.00

Cheque No.	Cheque Date	Payee	Description	Amount
223588	26/11/2015	Retaining Specialists Pty Ltd	Gen w orks - Cooper Park stabilisation	47,619.00
223623	30/11/2015	Withheld	Refund of security deposit	44,644.61

Commentary:

This statement presents Council's bank reconciliation as at 30 November 2015. The top ten receipt and payment items are provided in the report. Excluding investment transactions, payments exceeded receipts for the month by some \$5.8m, including \$10M in loan repayments to Woolworths. It should also be noted that the higher Cash Book Balance is due to overnight rates receipts (\$2.5M) received overnight on 30 November.

5. Investment Portfolio as at 30 November 2015

CATEGORY							FACE VALUE \$	BOOK VALUE \$	
1. LEHMAN BROTHERS (formerly Grange Securities Ltd)									
Funds previously under management							68,051	68,051	
2. OAKVALE CAPITAL Limited									
Funds previously under management							1,000,000	640,500	
RATING	CATEGORY	PURCHASE DATE	MATURITY DATE	TOTAL TERM (DAYS)	REMAINING DAYS TO MATURITY	%	FACE VALUE \$	BOOK VALUE \$	GOV'T GUARANTEE
3. WMC DIRECT INVESTMENTS									
TERM DEPOSITS: (in order of Maturity)									
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	21/05/2015	17/12/2015	210	17	2.93	4,000,000	4,000,000	#
	<u>ANZ BANK</u>								
	TERM DEPOSIT	21/05/2015	17/12/2015	210	17	2.80	6,000,000	6,000,000	#
	<u>COMMONWEALTH BANK</u>								
	FLOATING RATE NOTE**	5/03/2012	24/12/2015	1389	24	4.09	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	13/01/2015	8/01/2016	360	39	3.56	2,000,000	2,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	18/05/2015	13/01/2016	240	44	2.93	5,000,000	5,000,000	#
	<u>ANZ BANK</u>								
	TERM DEPOSIT	18/05/2015	13/01/2016	240	44	2.81	2,000,000	2,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	20/07/2015	18/01/2016	182	49	2.85	4,000,000	4,000,000	#
	<u>ING DIRECT</u>								
	TERM DEPOSIT	10/02/2015	5/02/2016	360	67	3.00	1,000,000	1,000,000	#
	<u>ING DIRECT</u>								
	TERM DEPOSIT	10/02/2015	5/02/2016	360	67	3.00	1,000,000	1,000,000	#
	<u>BANKWEST</u>								
	TERM DEPOSIT	26/06/2015	22/03/2016	270	113	2.90	7,000,000	7,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	27/04/2015	26/04/2016	365	148	2.80	3,000,000	3,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	26/06/2015	23/05/2016	332	175	2.98	2,000,000	2,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	23/06/2015	22/06/2016	365	205	2.74	1,000,000	1,000,000	#
	<u>ANZ BANK</u>								
	TERM DEPOSIT	23/06/2015	22/06/2016	365	205	2.84	1,000,000	1,000,000	#
	<u>NATIONAL AUSTRALIA BANK</u>								
	TERM DEPOSIT	23/06/2015	22/06/2016	365	205	2.98	4,000,000	4,000,000	#
	<u>ST GEORGE</u>								
	TERM DEPOSIT	5/08/2015	4/08/2016	365	248	2.90	2,000,000	2,000,000	#
	<u>AMP BANK</u>								
	TERM DEPOSIT	10/08/2015	9/08/2016	365	253	2.90	2,000,000	2,000,000	#
AT CALL:									
	<u>COMMONWEALTH BANK</u>								
	ONLINE SAVER A/C					1.60	10,389,572	10,389,572	#
	<u>AMP BANK</u>								
	31 DAY NOTICE ACCT					2.70	78,369	78,369	#
	BUSINESS SAVER ACCT					2.55	3,006,707	3,006,707	#
	<u>ANZ BANK</u>								
	11AM CALL ACCT					2.00	37,050,000	37,050,000	#
	Total WMC Direct Investments						98,524,648	98,524,648	
	Weighted Average Days to Maturity of WMC Direct Investments				98.48				
	Weighted Average Return of WMC Direct Investments					2.94			
PORTFOLIO TOTALS							99,592,699	99,233,199	

Covered under Council's Investment Policy

* Government Guaranteed deposits have been rated AAA

** BBSW + 1.05%p.a.

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

D. Johnston
CHIEF FINANCIAL OFFICER

**Investment Policy Compliance Report
as at 30 November 2015**

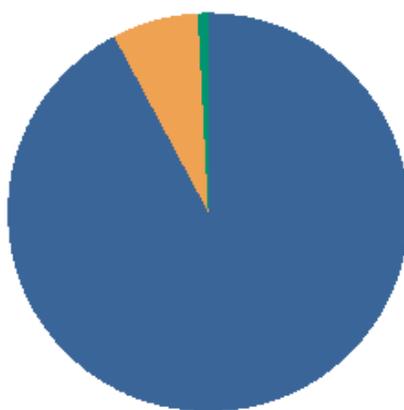
Acct	Bank	Rating Cat.	%	Policy Limit \$	Current Holding	% of Total	Compliance
Counterparty Limits:							
AMP	AMP Bank	A	15%	14,884,980	5,085,076	5%	Complies - \$ 9,799,903 available
ANZ	ANZ Bank	AA	30%	29,769,960	46,050,000	46%	Over Policy Limit by \$16,280,040
CBA	Commonwealth Bank	AA	30%	29,769,960	18,389,572	19%	Complies - \$11,380,387 available
ING	ING Direct	A	15%	14,884,980	2,000,000	2%	Complies - \$12,884,979 available
LEH	Lehman Brothers	NA		0	68,051	0%	Grandfathered - Complies
NAB	National Australia Bank	AA	30%	29,769,960	17,000,000	17%	Complies - \$12,769,959 available
OAK	Oakvale Capital	NA		0	640,500	1%	Grandfathered - Complies
STG	St George Bank	AA	30%	29,769,960	10,000,000	10%	Complies - \$19,769,959 available
					99,233,199		

Credit Quality Limits:

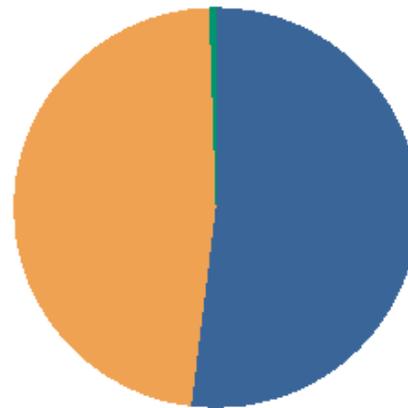
Rating Cat.	Limit	\$	%
AA	100%	91,439,572	92% Complies
A	45%	7,085,076	7% Complies
NA		708,551	1% Grandfathered
		99,233,199	

Term to Maturity Limits:

Term	Limit	\$	%
1. Working funds	10-100	51,592,699	52% Complies
2. Short term funds	20-100	47,000,000	47% Complies
5. Long term funds	0-20	640,500	1% Complies
		99,233,199	

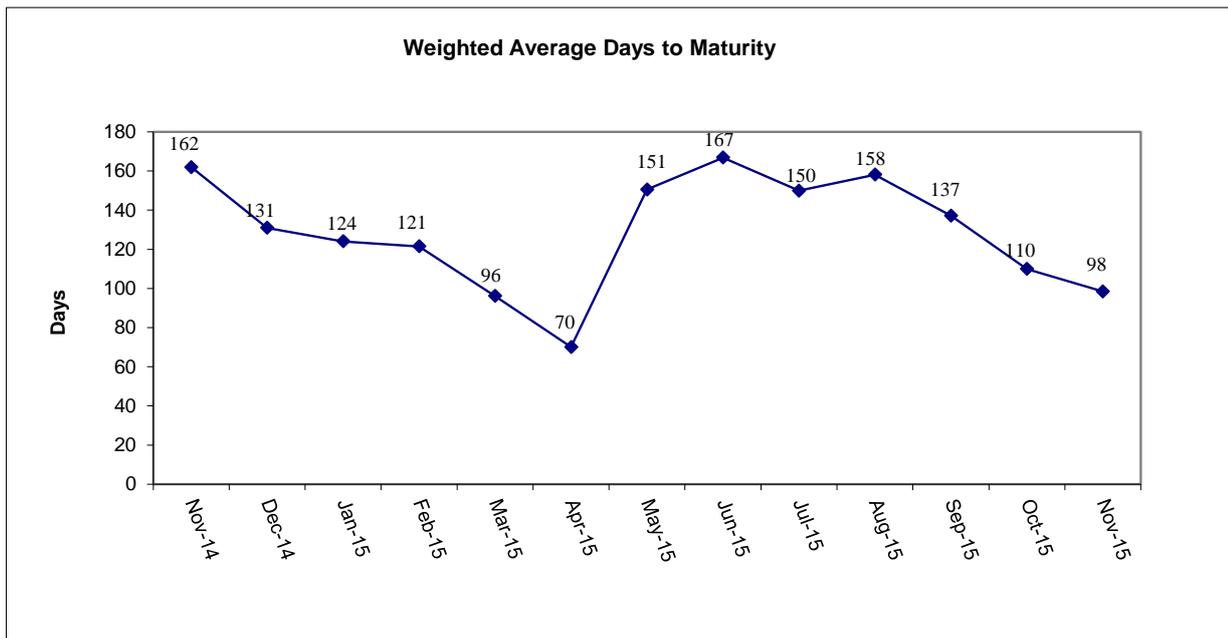


■ 2. AA ■ 3. A ■ 5. NA



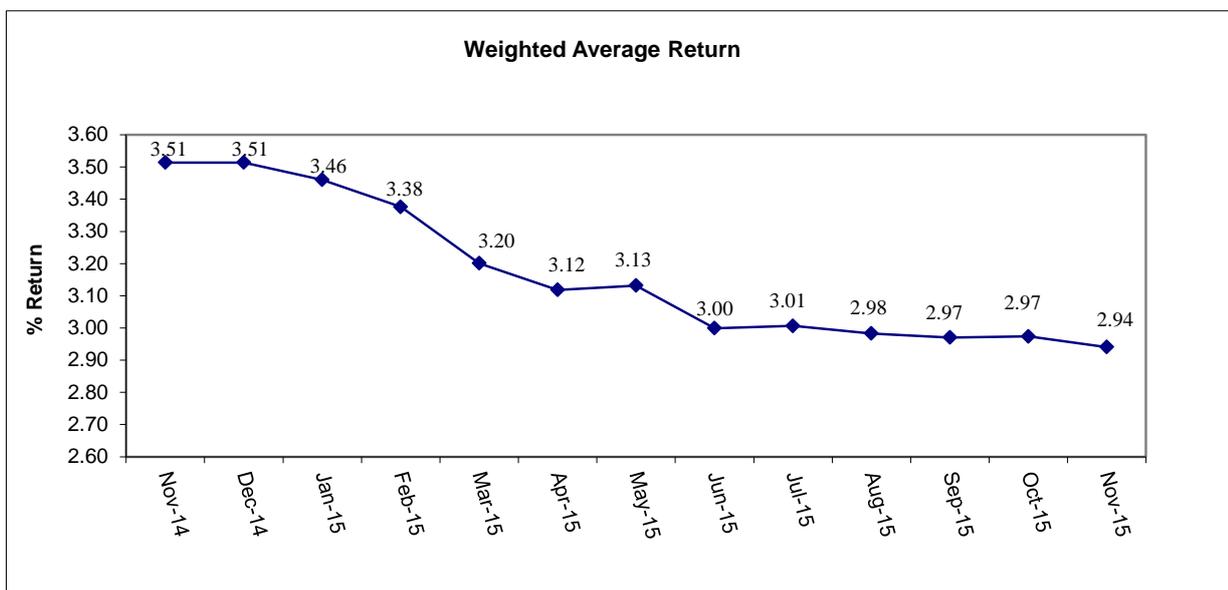
■ 1. Working funds ■ 2. Short term funds ■ 5. Long term funds

Council's Investment Policy limit is exceeded for the ANZ Bank where funds are being held at call to meet the Kiaora Place Stage Two development fee.



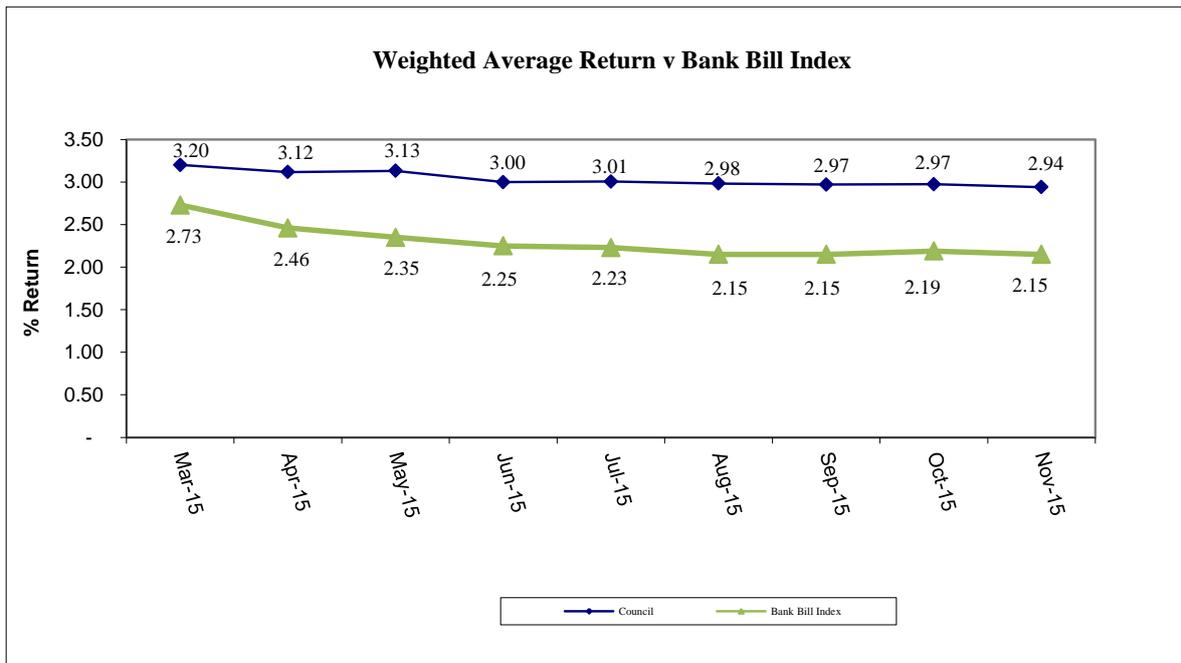
Commentary:

The weighted average fell again during November with no new investments lodged and the portfolio moving towards maturity.



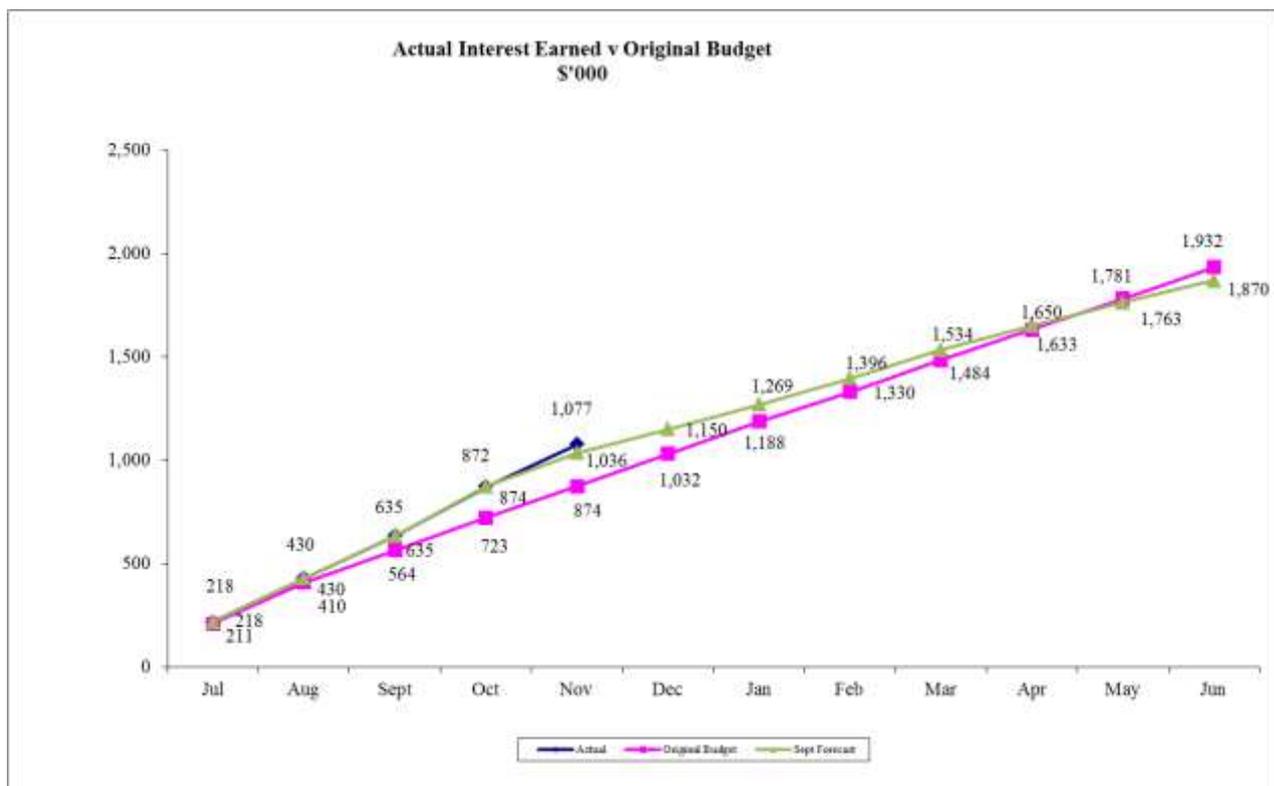
Commentary:

With three maturities and no new deposits the weighted average return fell slightly during November.



Commentary:

This chart tracks Council’s weighted average return on its direct investment portfolio against a 90 day AusBond Bank Bill Index.



Commentary:

The Actual v. Budget chart has been updated to include the revised forecast from the September Budget Review. The total accrued interest to the end of November of \$1,077k is slightly ahead of the revised forecast of \$1,036k for the same period.

6. Movement in Book Value (Fair Value) of Investments

Formerly managed by Lehman Brothers				
Date	Description	Securities	UBS Cash Management Trust	Total Book Value
30/06/2015	Balance brought forward		51,822.15	51,822.15
15/07/2015	CBA FRN - quarterly interest		8,300.00	60,122.15
20/07/2015	UBS Fee - Jun'15 management fee		(62.16)	60,059.99
7/08/2015	UBS Fee - Jul'15 management fee		(64.21)	59,995.78
7/09/2015	UBS Fee - Aug'15 management fee		(64.53)	59,931.25
30/09/2015	Interest - UBS Cash Account		147.18	60,078.43
15/10/2015	CBA FRN - quarterly interest		8,100.00	68,178.43
15/10/2015	UBS Fee - Sep'15 management fee		(60.48)	68,117.95
6/11/2015	UBS Fee - Oct'15 management fee		(66.72)	68,051.23
		0.00	68,051.23	
Formerly managed by Oakvale Capital				
		Securities		Total Book Value
30/06/2015	Balance brought forward	640,500.00		640,500.00
		640,500.00		
Direct Investments				
		Securities		Total
30/06/2015	Balance brought forward	1,000,000.00		1,000,000.00
		1,000,000.00		

Commentary:

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

No coupons were due for November.

Annexures

Nil

Item No: R1 Recommendation to Council
Subject: **2016/17 BUDGET STRATEGY (SC2660)**
Author: Don Johnston, Chief Financial Officer
Approver: Stephen Dunshea, Director - Corporate Services
File No: 15/159500
Reason for Report: To seek adoption of the strategy to guide the preparation of the 2016/17 Budget

Recommendation:

That Council:

- A. Receive and note the report on the Budget Strategy for 2016/17.
- B. Note the principal strategy for the preparation of the draft 2016/17 Budget (which supports the Operational Plan and adopted four year Delivery Program), subject to the completion of management's comprehensive budget review process is to:
 1. Provide sufficient funding for all continuing services;
 2. Provide funding for recommended service expansions;
 3. Continue Council's commitment to asset renewal;
 4. Continue a program of capital improvements at similar budget levels and ratios;
 5. Maintain an adequate working funds balance
- C. Endorse the following economic parameters around which the draft 2016/17 Budget will be prepared:
 1. That Council adopt a balanced budget for 2016/17.
 2. That the Draft 2016/17 Budget be prepared on the basis of no new borrowings.
 3. That any transfers to and from Reserves be clearly shown in the Draft 2016/17 Budget.
 4. That fees and charges be increased by at least CPI (2.5%) where practical unless it would have an adverse impact on forecast revenue or users' capacity to pay.
 5. That the 2016/17 draft salaries and wages Budget be prepared on the basis of a 2.8% Award increase and 5% vacancy rate.
 6. That the 2016/17 budget be prepared on the basis of the continuation of higher employer contributions to the defined benefits superannuation scheme as notified by the scheme and a 9.5% contribution rate for the Superannuation Guarantee.
- D. Receive further progress reports in relation to the preparation of Council's 2016/17 Operational Plan and Budget, as well as the review of the Long Term Financial Plan, at future Corporate & Works Committee Meetings.
- E. Received further reports on any implications arising from the State Government's local government reform agenda.

1. Introduction:

Each year, councils across New South Wales are required to prepare an annual Budget for inclusion in the Operational Plan. As part of the Integrated Planning & Reporting Framework, the Budget is structured to reflect the strategies, goals and priorities of the Community Strategic Plan and Delivery Program.

The 2016/17 financial year will represent the final year of the four year Delivery Program 2013 to 2017 prepared in conjunction with Council's Community Strategic Plan – *Woollahra 2025...our community...our place...our plan*.

In brief, the Budget preparation process at Woollahra has in the past involved:

- Adoption of a high level budget strategy by Council
- Preparation of detailed operating (day-to-day services) and capital (asset renewal and upgrade) budgets by staff, guided by the budget strategy
- Comprehensive management review and development of options to balance the budget
- Presentation of the draft budget to the Corporate & Works Committee
- Councillor workshops to consider the budget in detail (optional)
- Final consideration and adoption of the draft budget for inclusion in the draft Delivery Program and Operational Plan (DPOP) for public exhibition
- Adoption of the annual budget following consideration of any submissions from public exhibition of the draft DPOP

The effectiveness of this process can be demonstrated by the favourable budget results achieved in recent years, details of which are provided later in the report. It is proposed that this process remain in place for the 2016/17 Budget.

This report provides discussion on the fiscal constraints and opportunities available to Council to assist in its budget deliberations and presents a recommended strategy and economic parameters to guide the preparation of the 2016/17 Budget.

While it is an important part of the budget process that Council revisits the strategies and parameters to ensure their ongoing relevance, and reviews the various fiscal and economic impacts on its budget, given this clear demonstration of the effectiveness of the broad strategies, no significant changes to the budget strategy are proposed for development of the draft 2016/17 Budget.

2. Background:

By way of brief reiteration, Council has in place its Community Strategic Plan, *Woollahra 2025 – our community, our place, our plan*, (Woollahra 2025) which presents the Council's and Community's long term vision for the Local Government Area. Woollahra 2025 is built around five broad interrelated Themes and identifies the agreed Goals and Strategies for Council to achieve the agreed vision.

Those five Themes are:

- Community well being
- Quality places and spaces
- A healthy environment
- Local prosperity
- Community leadership and participation

The supporting 4 year Delivery Program is designed as the single point of reference for all activities to be undertaken by Council during the Council's term of office in the achievement of the Goals and Strategies outlined in Woollahra 2025.

Supporting the four year Delivery Program is the annual Operational Plan. It sets out the details of the individual actions and projects that will be undertaken each year in response to the four year commitments made in the Delivery Program. The Operational Plan also includes the Council's budget for the year, comprising detailed estimates of income and expenditure, the proposed capital works program, the rating structure and schedule of fees and charges. All plans, actions, projects, and funding allocations directly link to the Operational Plan and subsequently to the Delivery Program and Community Strategic Plan.

Council has combined its Delivery Program and Operational Plan into a single document comprising both the four year Delivery Program Priorities and the annual Operational Plan Actions, all of which support the Themes, Goals and Strategies contained in Woollahra 2025. This integrated approach enables Council to clearly demonstrate to the community how its annual Operational Plan and Budget are contributing toward achieving Council's agreed four year priorities outlined in the Delivery Program. Council has been commended by the Office of Local Government (OLG) for the strong linkages that exist within our suite of Integrated Planning and Reporting documents.

3. Planning for 2016/17:

This section of the report presents an overview of the economic and fiscal challenges that we will face in the formulation of the 2016/17 Budget and makes a series of suggestions regarding the strategic approach to the formulation of the budget having regard to those economic challenges and constraints.

Prior to presenting any draft budget to the Committee for consideration, Council's Management and Executive teams undertake a comprehensive review of all existing services and service levels against the detailed budget estimates. These budget estimates are then further scrutinised in detail by the Chief Financial Officer, Director Corporate Services and the General Manager against the economic parameters and other budget constraints to ensure that any surplus funds arising from any non-recurrent or one-off discretionary projects existing in the current budget are identified, and that sufficient funding is provided in the draft Budget for all continuing services, recommended service expansions and any proposed service enhancements. Additionally, management will seek formal lodgement of budget 'bids' from the various organisations Council currently provides financial support to in order to ensure timely consideration of their annual funding requests.

A proposed timetable for the preparation of the Delivery Program 2013 to 2017 and Operational Plan 2016/17 is presented below.

Month	Date	Activity
Dec	7	2015/16 Budget Strategy Report to Corporate & Works Committee
Dec / Jan	31	Review Delivery Program 2013-2017, prepare 2016/17 Operational Plan (DPOP) and draft 2016/17 Budget (Operating and Capital)
Feb	Mid	Internal review of DPOP and the draft 2016/17 Budget and development of options to achieve a balanced Budget.
Mar	2 nd meeting	Report to Corporate & Works Committee on the DPOP and the draft 2016/17 Budget
Early April	TBC	Optional Strategic & Corporate Committee meeting to consider the DPOP and draft 2016/17 Budget
Late April	2 nd meeting	Adoption of Draft 2016/17 Budget for the purposes of community consultation
May		Community consultation on 2013 to 2017 Delivery Program and 2016/17 Operational Plan including the draft 2016/17 Budget.
June	27	Adoption of the revised Delivery Program 2013 to 2017 and Operational Plan 2016/17 including the adopted 2016/17 Budget

4. 2016/17 Budget – Economic Parameters:

Consistent with previous years, Council will need to take a fiscally responsible and strategic approach to the preparation of the 2016/17 budget. Factors that Council should continue to take into consideration include:

- Council’s forecast financial position and Working Funds balance as at 30 June 2016;
- Maintaining an adequate Working Funds balance;
- Loan repayments and debt servicing capacity;
- Anticipated future commitments against Council’s reserve funds, including the funding of projects and services from asset sales proceeds;
- External impacts on the budget including:
 - Constraints on revenue;
 - Economic climate and the income forecasts;
 - Inflationary pressures on expenditure and additional expenditure requirements.
- Long term financial sustainability.

Financial Position and Working Funds

Before discussing budget strategy options for the development of the 2016/17 budget it is worth recapping what the previous budget strategies have achieved in the budget over recent years.

	11/12	12/13	13/14	14/15	15/16
Working Funds	\$2.615m ¹	\$2.568m	\$2.726m	\$2.811m ²	\$2.637m ³
Unrestricted Current Ratio (UCR)	2.54:1	2.74:1	7.12:1 ⁴	4.68:1	3.30:1 ³
Reserves:					
External (s94, DWM, Grants, Levies)	\$7.772m	\$6.846m	\$7.741m	\$4.346m	\$3.740m ³
Internal (ELE, Property, Insurance etc)	\$26.696m	\$27.659m	\$29.716m	\$67.505m	\$54.248m ³
Capital Funding from Operating Budget	\$3.786m ⁵	\$4.422m ⁵	\$3.950m ⁵	\$3.725m ⁵	\$4.512m ⁵
Net Capital Budget	\$3.718m ⁵	\$4.394 ⁵	\$3.919m ⁵	\$3.703m ⁵	\$4.495m ⁵
Budget Result Surplus/(Deficit)	\$.068m ⁵	\$.028m ⁵	\$.031m ⁵	\$.022m ⁵	\$.017m ⁵

1. After allocating \$490k to Restricted Cash (\$90k Insurance, \$150k IT, \$250k Property)
2. After allocating \$1,400k to Restricted Cash (\$700k Open Space Projects, \$250k Property Development, \$200k Insurance, \$150k IT and \$100k Fit for the Future)
3. As at September Quarter Budget Review
4. Includes \$65.1m in Assets Held for Sale – exclusion would result in a UCR of 2.61:1 for 2013/14.
5. Original Budgets

These results demonstrate that previous budget strategies have seen Council's financial position remain satisfactory over the past four years and that it is forecast to remain so for 2015/16.

There is nothing to suggest that the preparation of the 2016/17 Budget will not continue to be challenging. Indeed, with the potential for increases in operating expenditure to outstrip increases in income, it could in fact be more difficult to prepare a balanced Budget. However, Council's ongoing commitment to achieving efficiency gains in the budget remains a principal budget strategy and has been demonstrated in the past through adopting a balanced budget each year.

Recommendation - Economic Parameter 1

That Council adopt a balanced budget for 2016/17.

Loan repayments and debt servicing

Council uses two indicators to monitor its debt servicing costs;

- Debt Service Ratio – an old industry benchmark and Fit for the Future indicator that measures total debt servicing costs as a percentage of operating income less capital items and specific purpose grants and contributions. The industry benchmark ranges between up to 15% and up to 20%.
- Debt Service Cover Ratio – a NSW Treasury Corporation (TCorp) ratio introduced in 2013 that measures the availability of operating cash to cover total debt servicing costs. The benchmark is greater than 2 times (2x).

Council's performance against these measures is discussed briefly below.

While Council's current debt servicing costs and ratios are currently very low, borrowings associated with Kiaora Place, together with 2013/14 borrowings under the Local Infrastructure Renewal Scheme (LIRS) for streetscape improvements and the new Double Bay Library fitout will see these indicators change over the coming years. Currently, modelling sees:

- the debt service ratio peak at 10.4% in 2016/17 and still well within the up to 15% to 20% industry benchmarks; and
- the debt service cover ratio dip below the benchmark of 2x in 2016/17 (1.87x) and 2017/18 (1.98x) and return to above benchmark in 2018/19 and beyond.

These ratios, which are drawn from Council's Long Term Financial Plan (LTFP), will both improve when the LTFP is updated based on the Kiaora Place refinancing strategy which will see Council's indebtedness reduced by \$18.5m which was to be borrowed for Stage 2 of Kiaora Place.

Noting the above, it is suggested that the initial draft budget for 2016/17 be prepared on the basis of no new borrowings.

Recommendation – Economic Parameter 2

That the draft 2016/17 Budget be prepared on the basis of no new borrowings.

Anticipated future commitments against Council's Reserve funds

The proceeds from the sale of O’Dea Avenue Depot and 9A Cooper Park Road will see \$21.1m and \$8.8m held in the Property and 9A Cooper Park Road Reserves respectively. These funds will be available to progress the redevelopment of Rose Bay Car Park, the future use of St Brigids and the Cross Street Cinema should Council funding be required.

As is usual practice, proposed transfers to and from Reserves will be made clear when the draft budget is presented to the Corporate & Works Committee.

Recommendation – Economic Parameter 3

That any transfers to and from Reserves be clearly shown in the draft 2016/17 Budget.

Constraints on revenue

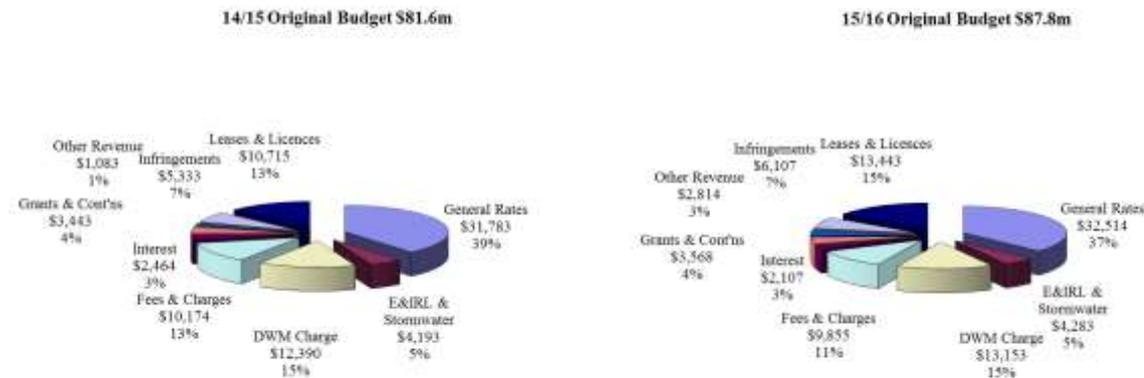
There are a number of constraints facing Council regarding its capacity to raise income, most notably rate pegging. These constraints are discussed below.

Rate pegging

IPART’s has in the past released its determination of the general rate peg limit early in December. At the time of writing the report, it had not been released. The increase is based on a Local Government Cost Index, adjusted by a ‘productivity factor’. Indicatively, a 2.5% increase in Council’s 2015/16 general rates of around \$33.1m will increase income for 2016/17 by approximately \$828,000.

Other income

The following graphs demonstrate the composition of Council’s total income in the original 2014/15 and 2015/16 Budgets:



As can be seen, in 2015/16 the growth in income from Kiaora Place has seen a reduction in the percentage of Council’s income coming from Rates including Special Levies and the Stormwater Management Charge (42% down from 44%) while income from leases and licences increase from 13% to 15% of Council’s total income. The increase in Other Revenue in 2015/16 is due mainly to the inclusion of a forecast \$1.3m distribution from the Lehman Brothers administration. Other sources of income remain at or close to the same percentage as in 2014/15.

13%, or \$9.8m of Council’s income is generated from the various fees and charges set out in the Schedule of Fees & Charges adopted each year. Of this, \$1.5m is made up of fees and charges limited by statute and as a consequence cannot be altered by Council. The remaining \$8.3m arises from fees & charges set by Council. The major sources of income are:

Income Source	15/16 Budget \$'000
Trade Waste Charges	2,057
Parking Meter Charges	1,880
Kindergarten Fees	806
Road Restoration Charges	520
Work Zone Charges	400
Advertising Fees	361
Residential Parking Permits	350
Compliance Levy	240
Crane Permits	150
Hoarding Application Fees	143
Credit Card Usage	112
Other	1,298
	8,317

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

Notwithstanding this limitation, part of the budget process is to review the Schedule of Fees & Charges. It is current policy to increase fees and charges each year by at least the CPI where practical. In some instances the application of this policy can adversely affect the forecast revenue from the fee or charge or affect users' capacity to pay. For 2016/17 it is recommended that these issues be recognised in the budget parameters.

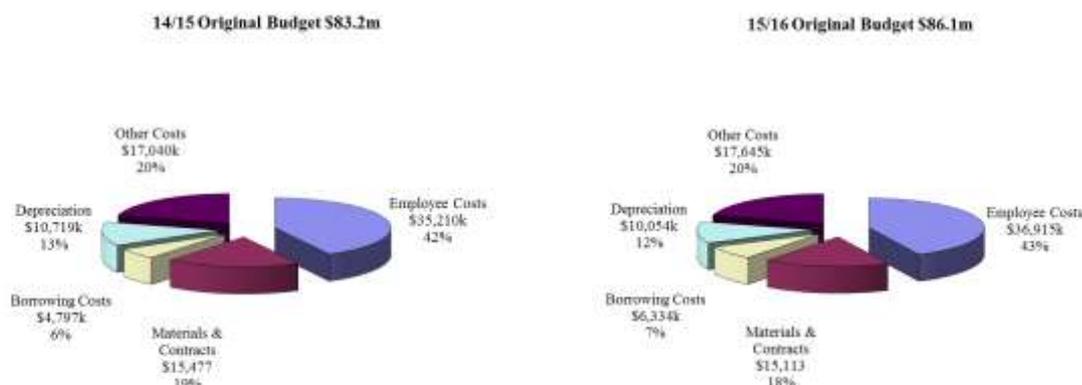
The CPI is currently 1.9% (as at September 2015). The Reserve Bank's inflation forecasts in its *Statement of Monetary Policy – November 2015* suggest that CPI inflation will be in the 1.5% to 2.5% range at June 2016. A rate of 2.5% is therefore proposed for general application to fees and charges.

Recommendation – Economic Parameter 4

That fees and charges be increased by at least CPI (2.5%) where practical unless it would have an adverse impact on forecast revenue or users' capacity to pay.

Inflationary pressures on expenditure and additional expenditure requirements

The graphs below show the breakdown of our operating expenditure in the 2014/15 and 2015/16 Original Budgets. The notable change is the continuing increase in borrowing costs from 2014/15 to 2015/16 as provision for the repayment of the Kiaora Place debt is made in the budget. It is also important to note that the draft 2016/17 Budget will reflect the refinancing of Stage One of Kiaora Place and Council's decision not to draw down the \$18.5m loan facility for Stage Two.



Employee Costs

Annual Increase

Council's gross salaries and wages budget for 2015/16 is \$29.6m. From the Local Government (State) Award, we know the Award increase will be 2.8%, effective from 1 July 2016. This will increase expenditure by some \$830k in 2016/17.

In determining the budget for salaries and wages it is appropriate to assume a certain amount of time elapses where positions remain vacant as the recruitment of replacement staff takes place. This can be reflected in the budget by applying a uniform 'vacancy factor' across the salaries and wages budget. For a number of years Council set this rate at 6% in the budget. For 2012/13 it was reduced to 5% and further reduced to 4.5% since 2013/14. The need to reduce the vacancy rates correlates with a reduction in Council's overall staff turnover rate in recent years.

It should be noted that there are some service delivery areas of Council that back fill vacancies with casual staff to maintain full staffing levels throughout the year and, therefore the vacancy factor is not applied. These are Domestic Waste Services, Preschool, Library Services, Customer Services and Ranger Services.

Budgeting for 100% staffing would have seen a 2015/16 salaries and wages budget of \$30.5m. With the 4.5% vacancy factor, this was reduced to \$29.6m, making \$900k available to fund services and projects. Achieving the vacancy factor is regularly monitored with any necessary budget adjustments reported to Council through the quarterly review process.

Council met its 4.5% vacancy factor target in 2014/15 and, in the current budget salaries and wages are only slightly behind meeting the forecast 4.5% vacancy factor. In light of this, and to demonstrate a commitment to further efficiency improvements, it is recommended that the vacancy factor be increased to 5% for 2016/17, although this will be monitored as budget preparation progresses.

Recommendation – Economic Parameter 5

That the Draft 2016/17 Budget be prepared on the basis of a 4.5% vacancy rate.

Council Superannuation Contributions

Defined Benefits Superannuation (Retirement Scheme)

As a consequence of the global financial crisis and its impact on the investment returns and reserves of the defined benefits superannuation scheme (Retirement Scheme) Council participates in, the scheme introduced additional Employer Contributions to the scheme. There is approximately 47 staff currently 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.

Since 2011/12, the additional contribution has been a fixed amount based on the accrued benefit of each member for an employer as at 30 June 2009. Council's contribution since 2011/12 has been \$321,367 per annum.

Council received advice from Local Government Super on 13 November in relation to the additional contributions required from councils. The advice was in three parts:

- 1. Timeframe - the Additional Contribution advised below will continue for a minimum of the five years, commencing from 1 July 2016. Towards the end of this period the matter will be reassessed in light of recent investment performance.*
- 2. Amount Payable - the total amount to be levied will be \$40m p.a. This is a significant reduction from the \$50m p.a. that is currently levied. It recognises the need to bring in sufficient revenue to make meaningful progress in order to commence the 'de-risking' process, while seeking to minimise any increases to individual Councils.*
- 3. Apportionment Basis - as the amount levied is designed to build up a surplus. It will be based on current membership (the previous amount levied was in relation to reducing the deficit and therefore each Council's proportion was based on its membership at 1 July 2009). The amount payable for each upcoming financial year (commencing 1 July 2016) will be calculated based on each Council's proportion of our total defined benefit liabilities as at the previous 1 July.*

The advice went on to say:

While the lower total 'Amount Payable' (see point 2 above) will mean that for most Councils from 1 July 2016 the Additional Contribution payment will decrease, due to the apportionment basis, for a small number of Councils the Additional Contribution amount payable will increase (for those that increase it is because your Council's percentage of our total defined benefit liabilities has grown since 1 July 2009).

For Woollahra Municipal Council the Additional Contribution amount will be \$344,000.00 p.a. for the year 1 July 2016 to 30 June 2017.

Unfortunately Woollahra is one of the small number of Councils that will be paying an increased contribution. Our current contribution of \$321,367 will increase by \$22,633 to \$344,000 from 1 July 2016.

Superannuation Guarantee

In 2014/15 the compulsory superannuation employer contribution increased from 9.25% to 9.5%. At the same time, the Federal Government postponed any further increases in the rate until 2021/22 with subsequent annual 0.5% increments to reach 12% for 2025/26.

Recommendation – Economic Parameter 7

That the draft 2016/17 Budget be prepared on the basis a 9.5% contribution rate for the Superannuation Guarantee.

Other Expenditure

There are also inflationary pressures on other areas of expenditure. A 2.5% increase in materials & contracts and other expenses would increase council expenditure by \$819k.

It should be noted that an overall increase in line with CPI is considered optimistic as, in the past, Council has experienced increases well beyond it in areas such as cost of construction materials, street lighting charges, Emergency Management contribution and tipping charges. Specific details of increases in expenditure significantly above CPI will be presented in the report on the draft budget.

5. Operating Budgets – Service Reviews:

In preparing the draft budget each year, all Managers undertake a comprehensive review of all services and service levels against the detailed budget estimates, having regard to the economic parameters and constraints on the budget.

Council's budget preparation strategy is to try to limit expenditure increases and to optimise income with any proposals to increase expenditure having to be fully justified. Managers are required to submit to the Management Executive (Manex) and to Finance, formal budget justification submissions including service benefit analysis for any proposed expansionary requests. By its very nature, this process requires each Manager to undertake a rigorous review of the budget as part of the budget development process. In this regard, it is the rigour of these tight budgetary processes and controls that have produced the positive budget outcomes for Council in previous years, as presented earlier in the report.

6. The Capital Budget:

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

	11/12 \$'000	12/13 \$'000	13/14 \$'000 (Incl. Kiaora)	13/14 \$'000 (Excl. Kiaora)	14/15 \$'000 (Incl. Kiaora & Depots)	14/15 \$'000 (Excl. Kiaora & Depots)	15/16 \$'000 (Incl. Kiaora)	15/16 \$'000 (Excl. Kiaora)
Capital Works Programs								
Infrastructure Renewal	4,931	5,017	4,819	4,819	5,100	5,100	5,580	5,580
Stormwater	840	580	605	605	480	480	484	484
Parks & Open Space	2,536 ²	1,310	832	832	1,430	1,430	2,930 ⁶	2,930 ⁶
Streetscape Improvements	383	170	2,200	2,200	100	100	900 ⁷	900 ⁷
Traffic	297	478	494	494	740 ⁵	740	536	536
Floodplain Management	65	20	60	60	70	70	30	30
Council Buildings	723	1,743	60,398	1,330	54,086	537	36,672	1,172
Environmental Works	1,050	580	560	560	340	440	317	317
Other	0	0	0	0	0	0	11	11
	10,825	9,898	69,968	10,900	62,346	8,897	47,460	11,960
Operating Capital								
Plant & Fleet	2,659	2,980	1,891	1,891	2,166	2,166	2,388	2,388
IT	763 ³	100	180	180	560 ⁶	560	589	589
Library	381	450 ⁴	441	441	451	451	464	464
Other	0	40	40	40	325	325	326	326
	3,803	3,570	2,552	2,552	3,502	3,502	3,767	3,767
	14,628	13,468	72,520	13,452	65,848	12,399	51,227	15,727

- 1 Includes repayment of \$500 'borrowed' in 2010/11 for Watsons Bay Baths
- 2 Includes \$351k for cyclical replacement of PCs and \$270k provision for Electronic Document Management
- 3 Includes transfer of \$80,000 "book maintenance" from the Operating Budget
- 4 Includes \$250k for parking meter replacement
- 5 Includes \$400k for cyclical replacement of server infrastructure
- 6 Includes \$1.3m for synthetic playing surface
- 7 Includes \$550k for Double Bay Lighting Scheme & CCTV and \$300k for Edgecliff

Capital Budget Funding

Funding for the capital budget comes from a variety of sources including the Environmental & Infrastructure Renewal Levy (E & IRL), Stormwater Management Charge, Section 94A contributions and grants. The 2013/14 and 2014/15 budgets also included loan borrowings for Kiaora Place and LIRS borrowings for streetscapes and Library fitout projects. In addition, funds are released from the operating budget to fund the capital budget.

The funding for each of the last five years' capital budgets is shown in the table below.

	11/12 \$'000	12/13 \$'000	13/14 \$'000 (Incl. Kiaora)	13/14 \$'000 (Excl. Kiaora)	14/15 \$'000 (Incl. Kiaora & Depots)	14/15 \$'000 (Excl. Kiaora & Depots)	15/16 \$'000 (Incl. Kiaora)	15/16 \$'000 (Excl. Kiaora)
E & IR Levy	3,511	3,613	3,740	3,690	3,829	3,829	3,642	3,642
Stormwater Charge	480	480	485	485	480	480	484	484
Section 94 & 94A	1,846	1,560	1,303	1,303	2,579	1,179	3,330	1,930
Grants & Contributions	2,650	957	1,151	1,001	762	562	1,850	1,850
Reserves	1,299	1,223	842	224	21,488	1,763	18,012	2,412
Plant & Vehicles Sales	1,124	1,241	730	730	883	883	914	914
Loan Borrowings	0	0	60,350	2,100	32,124	0	18,500	0
Released from Operating	3,786	4,422	3,950	3,950	3,725	3,725	4,512	4,512
	14,696	13,496	72,551	13,483	65,870	12,421	51,244	15,744

It is becoming increasingly difficult to release the current level of funding from the operating budget for capital projects, although the proposed increase in Council's vacancy factor from 4.5% to 5% will assist. Included in this level of funding is some \$1.4m that is directed toward infrastructure renewal to supplement the Environmental & Infrastructure Renewal Levy.

Section 94A Contributions

Council's *Section 94A Development Contributions Plan 2011* allows the levying of a contribution, as a condition of development consent or as a condition of a complying development certificate, based on a percentage of the proposed cost of carry out the development.

A levy imposed on a development is generally required to be paid prior to the issue of a construction certificate or occupation certificate. As a result, there is some lag between the approval of a development application and the payment of the levy. Notwithstanding this lag, the total contributions received still track the level of development activity. This is reflected in the table below which shows contributions received under Council's Section 94A Plan since its inception. The 2013/14 total contributions was only achieved as a result of four larger than usual payments totalling \$462,124. Without these payments, total contributions would have been \$1,392,463.

Year	Original Budget \$	Actual Contributions \$
2005/06	0	62,752
2006/07	1,000,000	961,644
2007/08	650,000	1,426,578
2008/09	1,000,000	1,498,712
2009/10	1,400,000	1,920,406
2010/11	1,400,000	1,691,885
2011/12	1,700,000	1,215,145
2012/13	1,600,000	1,458,239
2013/14	1,300,000	1,854,587
2014/15	1,300,000	1,953,695
2015/16	1,500,000	966,225 ¹

1. Received to 12 November 2015

In the context of the Budget, Council anticipates the amount of contributions it is going to receive and funds capital projects accordingly. As a result, if the forecast level of contributions is not received, capital projects would need to be deferred.

Year-to-date contributions in 2014/15 indicate that the \$1.5m forecast will again be exceeded. This will be monitored and reported through quarterly reviews of the 2015/16 budget. Based on the growing evidence that total annual contributions are steadily increasing, and still taking a conservative approach, it would be prudent to forecast an increased level of contributions for 2016/17 of, say, \$1.8m.

Grants

Grants can influence the size of Council's capital budget from year to year. Examples of this are the works undertaken in recent years at Gap Park and Lyne Park. Council maintains an active grants seeking program to ensure grant opportunities for a range of Council projects are identified.

Invariably the timing of Council's budget development process precedes the respective grant agencies approvals process. Projects can be included in the capital budget in anticipation of a successful grant application but only proceed if that application is successful. It should also be noted that projects may be added to the budget as part of the quarterly review process if a suitable grants program is identified during the year.

Full details of anticipated grants for 2016/17 will be presented as part of the overall draft budget.

7. Other considerations and potential impacts on the 2016/17 Budget:

It is too early at this stage to anticipate potential 2016/17 budget requirements for major projects in their early planning stages. These projects include the Cross Street Cinema, Rose Day Car Park Redevelopment and Future Use of St Brigids. As these projects progress their inclusion in the draft 2016/17 Budget will be reviewed.

We also need to consider the potential threat of a forced amalgamation. If the State Government proceeds with the forced amalgamation of Woollahra into a 'Global City' council, or with another combination of neighbouring councils, there could be consequential implications for the 2016/17 budget. In light of Council's adopted position in this regard, we will be taking a business-as-usual approach to the preparation of the draft budget. In this regard, further reports will be submitted to the Committee on any implications arising from the State Government's local government reform agenda.

8. Conclusion:

This report presents an overview of the budget process at Woollahra and steps through broad strategies and economic parameters to guide the preparation of the draft 2016/17 Budget. It is anticipated that a draft budget, with options for adopting a balanced budget for 2016/17, will be presented to the Corporate & Works Committee in March for consideration.

Reports on Council's Draft Fees & Charges and Draft Rating Structure for 2015/16 will be presented to the Committee in separate reports.

Annexures

Nil

Political Donations – matters to be considered by Councillors at Meetings

