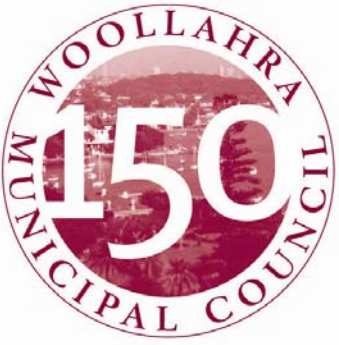


Corporate & Works Committee



Agenda: *Corporate & Works Committee*

Date: *Monday 24 January 2011*

Time: *6.00pm*

Outline of Meeting Protocol & Procedure:

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

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

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

Delegated Authority (“D” Items)

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

Committee Membership:

7 Councillors

Quorum:

The quorum for a Committee meeting is 4 Councillors.

WOOLLAHRA MUNICIPAL COUNCIL

Notice of Meeting

20 January 2011

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

Dear Councillors

Corporate & Works Committee Meeting – 24 January 2011

In accordance with the provisions of the Local Government Act 1993, I request your attendance at a Meeting of the Council's **Corporate and Works Committee** to be held in the **Council Chambers, 536 New South Head Road, Double Bay, on Monday 24 January 2011 at 6.00pm.**

Gary James
General Manager

Additional Information Relating to Committee Matters

Site Inspection

Other Matters

Meeting Agenda

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

Items to be Decided by this Committee using its Delegated Authority

D1	Confirmation of Minutes of Meeting held on 6 December 2010	1
D2	Monthly Financial Report – December 2010	2
D3	Disclosure of Interest Returns submitted by Designated Employees during the period October to December 2010 – 169.G	14

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

R1	Budget Strategy for 2011/2012 & Special Rate Variation Application for 2011/2012 - 331.G 2011/12 & 87.G SRV	17
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Item No: D1 Delegated to Committee

Subject: **CONFIRMATION OF MINUTES OF MEETING HELD ON 6
DECEMBER 2010**

Author: Les Windle, Manager – Governance

File No: See Council Minutes

Reason for Report: The Minutes of the Meeting of Monday 6 December 2010 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 6 December 2010 be taken as read and confirmed.

Les Windle
Manager – Governance

Item No: D2 Delegated to Committee
Subject: Monthly Financial Report – December 2010
Author: Don Johnston, Manager Finance
File No: 349G
Reason for Report: To present the monthly financial report for December 2010

Recommendation:

That the monthly financial report for December 2010 be received and noted.

Background:

The monthly financial report for December 2010 is submitted to the Committee for consideration.

The monthly report includes the following:

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

Investment Transactions for the Month

Date	Transaction	Description	Amount (\$)
30 Nov		Book Value of Investments Held	40,441,106.06
02 Dec	Purchase	Territory Insurance Office TD, 33 days @ 5.78%	1,000,000.00
03 Dec	Maturity	Newcastle Permanent TD, 365 days @ 7.00%	(1,000,000.00)
10 Dec	Maturity	Arab Bank TD, 730 days @ 5.65%	(1,000,000.00)
10 Dec	Maturity	Savings & Loans CU TD, 730 days @ 5.15%	(1,000,000.00)
20 Dec	Maturity	Quartz CDO	(400,000.00)
20 Dec	Adjustment	Fair Value Adjustment Quartz CDO (BV at maturity was \$0)	400,000.00
31 Dec	Increase	Fair Value adjustment of Floating Rate Notes	21,465.00
Various	-	Net Movement in AMP Easy Cash Management Acct	0
Various	Deposit	Net Movement in Online Savings Cash Account	(1,012,064.30)
Various	Withdrawal	Net Movement in UBS Cash Management Trust Account (Coupon payments + UBS interest – UBS Fees - Withdrawals)	530,922.62
Various	Deposit	Net Movement in Macquarie Cash Trust (Macquarie interest – Macquarie Fees - Withdrawals)	16.03
		Net Change in Portfolio	(2,459,660.65)
31 Dec		Book Value of Investments Held	37,981,445.41

Commentary:

The trailing off of the second Rates instalment during December coupled with significant payments towards the Watsons Bay Baths restoration work (\$1.3M), a Workers' Compensation insurance premium instalment (\$382k), loan repayment (\$482k) on other payments for contract works led to the overall reduction in the portfolio of \$2.5M.

December also saw the receipt of proceeds from the maturity of Council's Quartz CDO at its full face value of \$400,000. Based on a nil book value the sale resulted in a \$400,000 fair value adjustment.

The second quarterly revaluation of floating rate notes, based on valuations provided by Council's investments consultant, saw an increase in valuation of \$21,465 from the 30 September 2010 valuations. The Irish economic climate saw the Royal Bank of Scotland spreads widen significantly to increasingly price a non-call scenario (the first call date for the FRN maturing in February 2017 is February 2012) and also affected the 2014 maturity, although to a much lesser extent. Details of the revaluation are provided in **Annexure 1**.

Investments Working Party Update

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

However, in response to its 22 November 2010 decision to confirm available bids for Esperence, Coolangatta and Merimbula and circulate to the Working Party via email for further consideration, Council was advised of an available bid for Esperence of mid to high 40s. This bid, and updated advice from Council's investments advisor, was circulated to the Working Party which ultimately decided to "hold and review".

Further, Council has received an update on the Lehman Brothers class action which has been circulated to members of the Working Party. Briefly, the update advised that the mediation originally scheduled for mid December 2010 has been adjourned to 23 and 24 February 2011 and that the matter has been listed for trial from 28 February 2011 to 30 March 2011 and for a week commencing on 30 May 2011.

Summary of Receipts, Payments and Bank Balance

Cash Book Balance as at 30 November 2010 -51,312.02

Receipts

Rates 2,908,015.49
Investment Maturities 9,803,910.15
Other 3,734,674.74

16,446,600.38

Total Receipts

Description	Amount
S/Dr's-Rates	-2,908,015.49
Sundry Debtors Control	-965,933.43
Parking Fines	-401,260.54
Deposits & Bonds Control Account	-306,758.46
GST Clearing Balance Account	-218,409.00
Disposal (Asset) Clearing A/C	-153,708.27
Pensioner Rebate Subsidy	-142,615.40
Trade Waste Debtors Control	-141,607.87
Library per capita Subsidy	-139,502.00
Other Developer Contributions	-123,648.30

Payments - Cheque

Cheque Payments -929,059.35
Cancelled Cheques 105,506.60
Total Cheque Payments for period -823,552.75

Cheque No	Cheque Date	Payee	Description	Amount
209887	23/12/2010	Corporation Sole EPA	Statutory contribution - Dept. of Planning	-192,111.75
209879	20/12/2010	Withheld	Refund of security deposit	-83,743.78
209809	16/12/2010	Energy Australia	Street lighting - Nov'10	-83,183.07
209890	23/12/2010	McGrath Sutherland	Fleet purchases	-60,035.71
209688	08/12/2010	Withheld	Refund of security deposit	-53,026.43
209842	16/12/2010	Traffic Calming Australia Pty Ltd	General works - Mona/Epping/D Point Rds	-43,978.00
209808	16/12/2010	E P Draffin Manufacturing Pty Ltd	120Lt Litter bins	-19,477.26
209902	23/12/2010	Strata Associates Pty Ltd	Grafton Place BMC levies - Jan to Mar'11	-19,063.64
209686	08/12/2010	Withheld	Refund of security deposit	-17,522.39
209673	02/12/2010	TAFE NSW - Sydney Institute	Cert IV in Government (39 staff attending)	-17,500.00

Payments - EFT

EFT Payments -6,456,783.08
Returned EFT Payments
Total EFT Payments for period -6,456,783.08

Reference	EFT Date	Payee	Description	Amount
29222	02/12/2010	Sydney Marina Contracting Pty Ltd	General works - Watsons Bay Baths	-693,440.00
29557	23/12/2010	Sydney Marina Contracting Pty Ltd	General works - Watsons Bay Baths	-571,205.80
011210	01/12/2010	National Australia Bank	Loan repayment	-482,813.26
29300	09/12/2010	StateCover Mutual Limited	Workers comp premium 2nd instal to Jun'11	-384,669.17
29556	23/12/2010	Sydney Civil Pty Ltd	Restoration work - Hopetoun Av, B'vue Rd	-249,019.27
29385	16/12/2010	Local Govt Super Scheme-Div.A	Employer/employee super - Nov'10	-201,650.48
29396	16/12/2010	Melhemcorp Pty Ltd	General works - Old South Head Rd	-177,870.10
231210	23/12/2010	Australian Taxation Office	PAYG WK 27	-154,373.14
29571	23/12/2010	WSN Environmental Solutions	Garden/green waste tipping fees 1-14/11/10	-152,832.64
29437	16/12/2010	WSN Environmental Solutions	Garden/green waste tipping fees 18-31/10	-149,872.07

Payments - Direct Debits From Bank A/c

Payroll -1,924,461.95
Bank Charges -20,733.53
Investment Purchases -6,775,000.00
Councillors' fees -23,262.94
Total Direct Debits for period -8,743,458.42

Total Payments

-16,023,794.25

Cash Book Balance as at 31 December 2010

Unpresented Cheques No. of Cheques: 181 379,595.54
Outstanding Deposits & Miscellaneous Items 140,910.52

Reconciled Cash Book Balance as at 31 December 2010

892,000.17

Bank A/c Balance as at 31 December 2010

892,000.17

Unpresented Cheques > \$30,000.00

Cheque No.	Cheque Date	Payee	Amount
209887	23/12/2010	Corporation Sole EPA Act	192,111.75

- 0.00

Commentary:

This statement presents Council's bank reconciliation as at 31 December 2010. The top ten receipt and payment items are provided in the report. Excluding investment transactions, payments exceeded receipts for the month by some \$2.6m with the tapering off of second rates instalments.

INVESTMENTS AS AT 31 DECEMBER 2010

CATEGORY		FACE VALUE \$	BOOK VALUE \$						
1. LEHMAN BROTHERS (formerly Grange Securities Ltd)									
Funds previously under management		14,668,544	8,007,504						
2. OAKVALE CAPITAL Limited									
Funds previously under management		6,247,114	2,469,556						
RATING	CATEGORY	PURCHASE DATE	MATURITY DATE	TOTAL TERM (DAYS)	REMAINING DAYS TO MATURITY	%	FACE VALUE \$	BOOK VALUE \$	GOV'T GUARANTEE
3. WMC DIRECT INVESTMENTS									
<i>TERM DEPOSITS: (in order of Maturity)</i>									
AAA*	<u>TERRITORY INSURANCE OFFICE</u>	02/12/2010	04/01/2011	33	4	5.78	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANKWEST</u>	12/07/2010	10/01/2011	182	10	6.20	1,000,000	1,000,000	Guaranteed
AAA*	<u>MEMBERS EQUITY</u>	11/08/2010	10/01/2011	152	10	6.20	1,000,000	1,000,000	Guaranteed
AAA*	<u>CREDIT UNION AUST</u>	02/08/2010	17/01/2011	168	17	6.15	1,000,000	1,000,000	Guaranteed
AAA*	<u>COMMUNITY CPS CREDIT UNION</u>	26/07/2010	25/01/2011	183	25	6.31	1,000,000	1,000,000	Guaranteed
AAA*	<u>SGE CREDIT UNION</u>	18/08/2010	14/02/2011	180	45	6.29	1,000,000	1,000,000	Guaranteed
AAA*	<u>SUTHERLAND CREDIT UNION</u>	18/08/2010	14/02/2011	180	45	6.20	1,000,000	1,000,000	Guaranteed
AAA*	<u>ING DIRECT</u>	19/08/2010	15/02/2011	180	46	6.36	1,000,000	1,000,000	Guaranteed
AAA*	<u>DEFENCE FORCE CREDIT UNION</u>	29/11/2010	28/02/2011	91	59	6.22	1,000,000	1,000,000	Guaranteed
AAA*	<u>HUNTER UNITED EMPLOYEES CREDIT UNION</u>	29/11/2010	28/02/2011	91	59	6.25	1,000,000	1,000,000	Guaranteed
AAA*	<u>WIDE BAY AUST</u>	31/08/2010	28/02/2011	181	59	6.15	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANK OF QUEENSLAND</u>	25/10/2010	24/03/2011	150	83	6.00	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANANACOAST CREDIT UNION</u>	26/03/2010	26/03/2011	365	85	7.00	1,000,000	1,000,000	Guaranteed
AAA*	<u>SUNCORP METWAY LTD</u>	04/11/2010	04/04/2011	151	94	5.96	1,000,000	1,000,000	Guaranteed
AAA*	<u>BANK OF CYPRUS</u>	25/10/2010	27/04/2011	184	117	6.25	1,000,000	1,000,000	Guaranteed
AAA*	<u>HERITAGE BUILDING SOCIETY</u>	04/11/2010	03/05/2011	180	123	6.11	1,000,000	1,000,000	Guaranteed
AAA*	<u>QUEENSLAND POLICE CREDIT UNION</u>	23/11/2010	23/05/2011	181	143	6.38	1,000,000	1,000,000	Guaranteed
AAA*	<u>IMB</u>	11/08/2010	11/08/2011	365	223	6.35	1,000,000	1,000,000	Guaranteed
AAA*	<u>LAIKI BANK</u>	03/09/2010	05/09/2011	367	248	6.30	1,000,000	1,000,000	Guaranteed
AAA*	<u>INVESTEC AUSTRALIA LTD</u>	26/11/2009	12/10/2011	685	285	6.61	1,000,000	1,000,000	Guaranteed
AAA*	<u>ELDERS RURAL BANK</u>	24/11/2009	24/11/2011	730	328	6.60	1,000,000	1,000,000	Guaranteed
AA	<u>COMMONWEALTH BANK</u>	16/12/2008	16/12/2011	1095	350	6.03	1,000,000	1,000,000	
AT CALL:									
AA	<u>COMMONWEALTH BANK</u>					4.50	4,504,390	4,504,390	1st \$1m Gteed
AAA*	<u>AMP BANK</u>	11/06/2009				4.75	999,995	999,995	Guaranteed
Total WMC Direct Investments							27,504,385	27,504,385	
Weighted Average Days to Maturity of WMC Direct Investments					111.73				
Weighted Average Return of WMC Direct Investments					6.26				
% Government Guarantee of WMC Direct Investments							75%		
PORTFOLIO TOTALS							48,420,043	37,981,445	

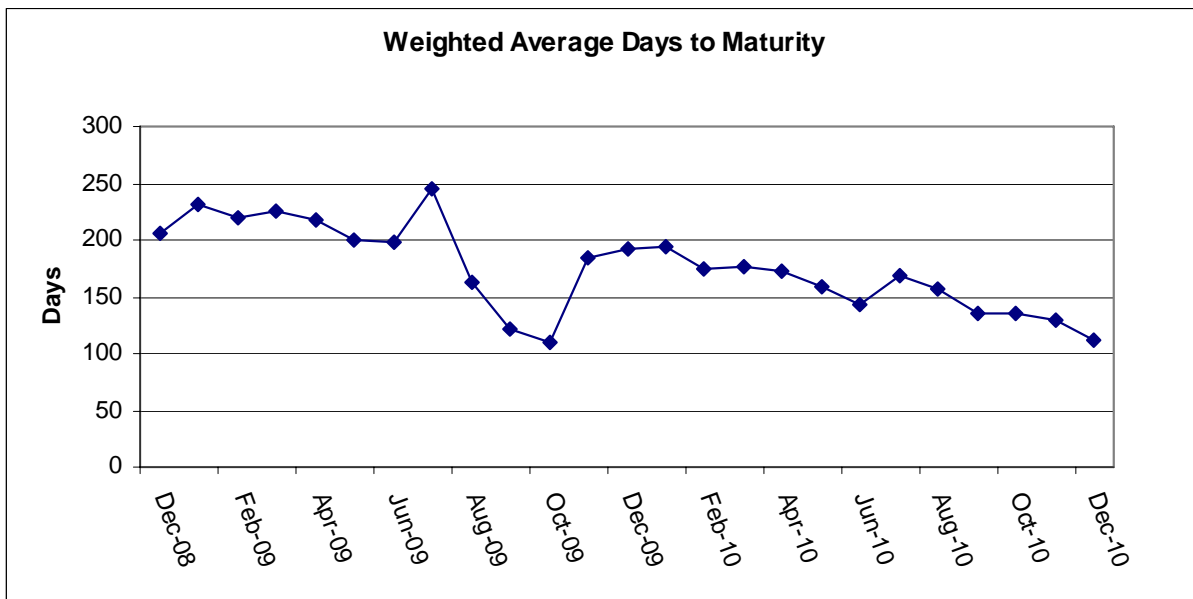
* Government Guaranteed deposits have been rated AAA

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

D. Johnston
MANAGER FINANCE

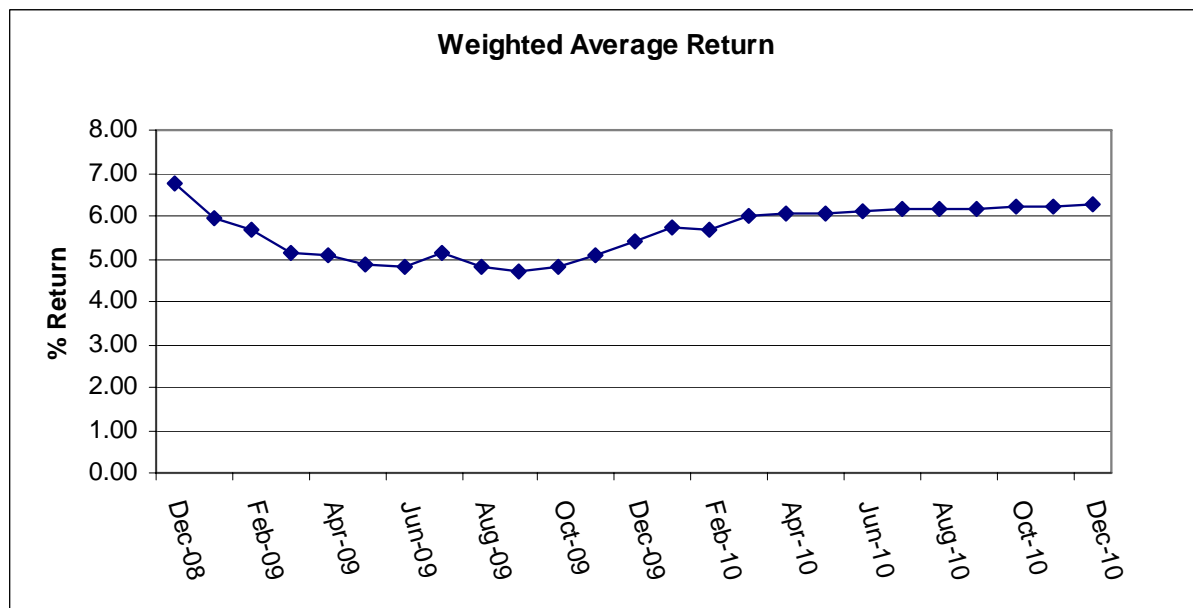
INVESTMENTS PORTFOLIO AS AT 31 DECEMBER 2010								
Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes	
1. LEHMAN BROTHERS (formerly GRANGE SECURITIES)								
Issued by non-ADIs								
Lehman Global Property Note	Other	13/06/2007	15/06/2009	60,000	60,000	0	1	
Magnolia (Flinders AA)	CDO	08/06/2007	20/03/2012	500,000	513,670	0	1	
Helium (Esperance AA+)	CDO	04/07/2007	20/03/2013	500,000	501,565	0	1	
Zircon (Merimbula AA)	CDO	06/06/2007	20/06/2013	250,000	250,000	175,000	1	
Corsair (Torquay AA)	CDO	04/07/2007	20/06/2013	500,000	501,860	0	1	
Start (Blue Gum AA-)	CDO	08/01/2007	22/06/2013	400,000	402,768	0	1	
Corsair (Kakadu AA)	CDO	22/01/2007	20/03/2014	500,000	503,300	0	1	
Helium (Scarborough AA)	CDO	17/01/2007	23/06/2014	400,000	402,620	0	1	
Helium (Scarborough AA)	CDO	04/07/2007	23/06/2014	500,000	502,270	0	1	
Helium (Scarborough AA)	CDO	23/07/2007	23/06/2014	500,000	503,810	0	1	
Zircon (Coolangatta AA)	CDO	20/03/2007	20/09/2014	500,000	500,000	350,000	1	
Beryl (AAA Global Bank Note)	Other	03/04/2007	20/09/2014	100,000	100,000	70,000	1	
Zircon (Coolangatta AA)	CDO	04/07/2007	20/09/2014	500,000	501,430	350,000	1	
Beryl (AAA Global Bank Note)	Other	04/07/2007	20/09/2014	350,000	350,917	245,000	1	
Aphex (Glenelg AA-)	CDO	10/01/2007	22/12/2014	500,000	501,960	0	1	
Aphex (Glenelg AA-)	CDO	04/07/2007	22/12/2014	500,000	501,405	0	1	
MAS6-7 (Parkes IIA 'AA-')	CDO	13/06/2007	20/06/2015	450,000	461,687	0	1	
MAS6-7 (Parkes IIA 'AA-')	CDO	04/07/2007	20/06/2015	500,000	504,315	0	1	
Zircon (Miami AA)	CDO	16/04/2007	20/03/2017	50,000	50,137	35,000	1	
				7,560,000	7,613,714	1,225,000		
Issued by ADIs								
			Call Date					
Royal Bank of Scotland (AA)	FRN	04/07/2007	28/10/2009	500,000	508,290	424,965	2	
HSBC Sub Debt (AA-)	FRN	04/07/2007	20/05/2011	500,000	503,915	493,465	2	
Suncorp Metway Sub Debt (A)	FRN	19/01/2007	22/06/2011	500,000	503,285	493,480	2	
St George Bank Sub Debt (A+)	FRN	10/01/2007	26/07/2011	1,000,000	1,014,990	994,600	2	
HSBC FRN (AA-)	FRN	07/02/2007	22/09/2011	500,000	505,470	496,025	2	
CBA FRN (AA)	FRN	19/01/2007	28/09/2011	500,000	503,640	496,685	2	
CBA FRN (AA)	FRN	31/01/2007	28/09/2011	500,000	504,785	496,685	2	
CBA FRN (AA)	FRN	04/07/2007	28/09/2011	500,000	502,360	496,685	2	
Westpac FR Sub Debt (AA)	FRN	07/02/2007	24/01/2012	500,000	501,590	494,515	2	
Royal Bank of Scotland (AA)	FRN	31/01/2007	17/02/2012	1,000,000	1,014,560	791,030	2	
Adelaide Bank FRN (BBB+)	FRN	04/07/2007	28/03/2012	500,000	501,445	495,825	2	
				6,500,000	6,564,330	6,173,960		
Macquarie Cash Trust (AAA)	Cash			2,094	2,094	2,094	5	
UBS Cash Management Trust	Cash			606,450	606,450	606,450	5	
				608,544	608,544	608,544		
Total Lehman Brothers				14,668,544	14,786,588	8,007,504		
2. OAKVALE CAPITAL								
Emeral Reverse Mortgage Series 2007-1 Class B	Mortgage Backed	06/07/2007	06/07/2011	1,000,000	1,000,000	930,000	1	
Momentum (Calyon Nickel) Credit Linked Note	CDO	15/05/2007	30/06/2012	1,000,000	1,000,000	0	3	
Aramis (Merrill Lynch) Clear 40 - ABS	CDO	02/04/2007	20/12/2012	1,000,000	1,000,000	0	3	
Blackrock (Merrill Lynch) Diversified Credit Fund	Managed Fund	05/01/2007		3,247,114	3,247,114	1,539,556	4	
Total Oakvale Capital				6,247,114	6,247,114	2,469,556		

Security	Classification	Purchase Date	Final Maturity Date	Face Value (FV)	Total Purchase Price	Current Book Value	Notes
3. WMC INVESTMENTS							
Territory Insurance Office (5.78% 33d)	TD	02/12/2010	04/01/2011	1,000,000	1,000,000	1,000,000	5
Members Equity Bank Pty Ltd (6.2% 152d)	TD	11/08/2010	10/01/2011	1,000,000	1,000,000	1,000,000	5
Bankwest (6.20% 182d)	TD	12/07/2010	10/01/2011	1,000,000	1,000,000	1,000,000	5
Credit Union Aust (6.15% 168d)	TD	02/08/2010	17/01/2011	1,000,000	1,000,000	1,000,000	5
Community CPS CU (6.31% 183d)	TD	26/07/2010	25/01/2011	1,000,000	1,000,000	1,000,000	5
SGE CU (6.29% 180d)	TD	18/08/2010	14/02/2011	1,000,000	1,000,000	1,000,000	5
Sutherland CU Ltd (6.2% 180d)	TD	18/08/2010	14/02/2011	1,000,000	1,000,000	1,000,000	5
ING Direct (6.36% 180d)	TD	19/08/2010	15/02/2011	1,000,000	1,000,000	1,000,000	5
Defence Force CU (6.22% 91d)	TD	29/11/2010	28/02/2011	1,000,000	1,000,000	1,000,000	5
Hunter United Employees CU (6.25% 91d)	TD	29/11/2010	28/02/2011	1,000,000	1,000,000	1,000,000	5
Wide Bay Australia Ltd (6.15% 181d)	TD	31/08/2010	28/02/2011	1,000,000	1,000,000	1,000,000	5
Bank of Queensland (6.00% 150d)	TD	25/10/2010	24/03/2011	1,000,000	1,000,000	1,000,000	5
Bananacoast Comm CU (7.0% 12mths)	TD	26/03/2010	26/03/2011	1,000,000	1,000,000	1,000,000	5
Suncorp Metway Ltd (5.96% 151d)	TD	04/11/2010	04/04/2011	1,000,000	1,000,000	1,000,000	5
Bank of Cyprus (6.25% 184d)	TD	25/10/2010	27/04/2011	1,000,000	1,000,000	1,000,000	5
Heritage Blg Society (6.11% 180d)	TD	04/11/2010	03/05/2011	1,000,000	1,000,000	1,000,000	5
Queensland Police CU (6.38% 181d)	TD	23/11/2010	23/05/2011	1,000,000	1,000,000	1,000,000	5
IMB (6.35% 365d)	TD	11/08/2010	11/08/2011	1,000,000	1,000,000	1,000,000	5
Laiki Bank (6.30% 367d)	TD	03/09/2010	05/09/2011	1,000,000	1,000,000	1,000,000	5
Investec Bank (6.61% 685d)	TD	26/11/2009	12/10/2011	1,000,000	1,000,000	1,000,000	5
Elders Rural Bank (6.6% 730d)	TD	24/11/2009	24/11/2011	1,000,000	1,000,000	1,000,000	5
CBA TCD (90day BBSW + 1.6% - 3yrs)	TD	16/12/2008	16/12/2011	1,000,000	1,000,000	1,000,000	5
AMP Cash Management Account	Cash	16/06/2009		999,995	999,995	999,995	5
CBA Online Saver	Cash			4,504,390	4,504,390	4,504,390	5
Total Direct Investments				27,504,385	27,504,385	27,504,385	
Total Portfolio				48,420,043	48,538,086	37,981,445	
PORTFOLIO SUMMARISED BY CLASSIFICATION							
CDO				9,050,000	9,102,797	910,000	
FRN				6,500,000	6,564,330	6,173,960	
Mortgage Backed				1,000,000	1,000,000	930,000	
Managed Fund				3,247,114	3,247,114	1,539,556	
TD				22,000,000	22,000,000	22,000,000	
Cash				6,112,929	6,112,929	6,112,929	
Other				510,000	510,917	315,000	
				48,420,043	48,538,086	37,981,445	
1. Book Value (Fair Value) as at 30 June 2010							
2. Mark-to-Market Valuation 30 September 2010							
3. Defaulted							
4. Current Value. Fund Closed - Assets being sold and repaid							
5. Face value of deposit / bank bill							
CDO - Collateralised Debt Obligation	CDOs are constructed from a portfolio of assets. These assets are divided by the issuer into different tranches: senior tranches (rated AAA), mezzanine tranches (AA to BB), and equity tranches (unrated). Losses are applied in reverse order of seniority and so junior tranches offer higher coupons (interest rates) to compensate for the added default risk.						
FRN - Floating Rate Note	Floating rate notes (FRNs) are bonds that have a variable coupon, equal to a money market reference rate, plus a spread. The spread is a rate that remains constant. Almost all FRNs have quarterly coupons, i.e. they pay out interest every three months.						
Managed Fund	Managed Funds are a way of investing money with other people to participate in a wider range of investments than those feasible for most individual investors, and to share the costs of doing so.						
Mortgage Backed Security	A mortgage-backed security is an asset-backed security whose cash flows are backed by the principal and interest payments of a set of mortgage loans. Payments are typically made monthly over the lifetime of the underlying loans.						
Term Deposit	Term Deposit is a money deposit at an approved deposit taking (ADI) institution for a fixed term at a fixed interest rate. When the term is over it can be withdrawn or it can be held for another term.						



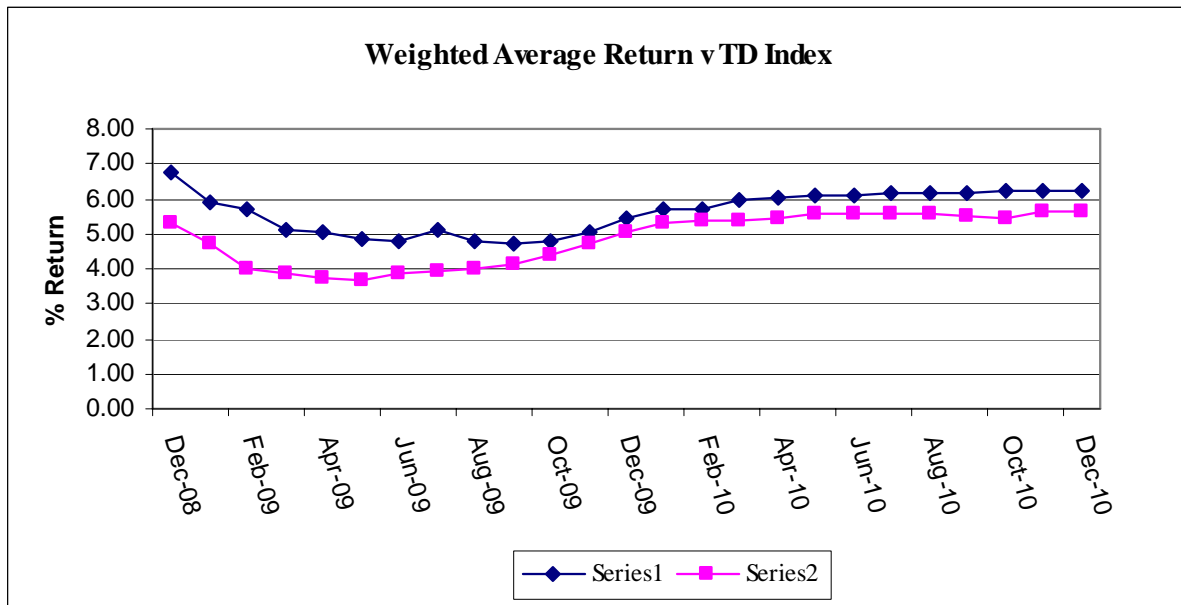
Commentary:

The weighted average is continuing its trend downward as the term deposits progress toward maturity.



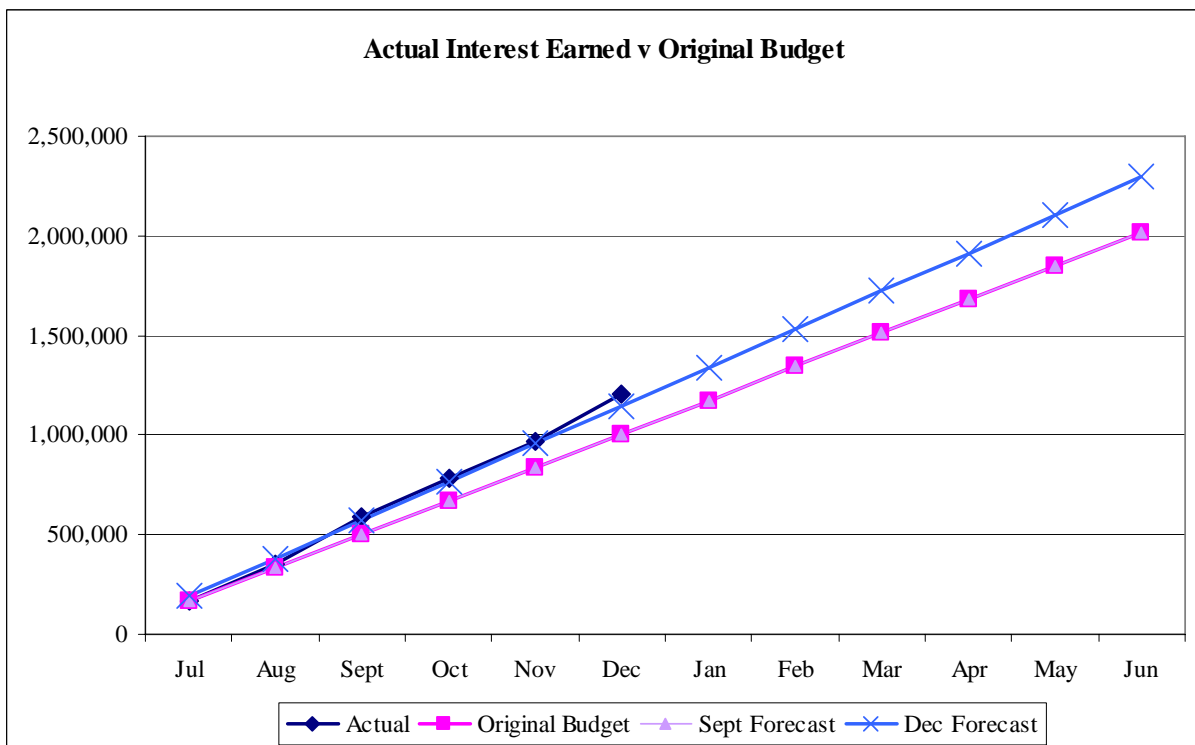
Commentary:

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



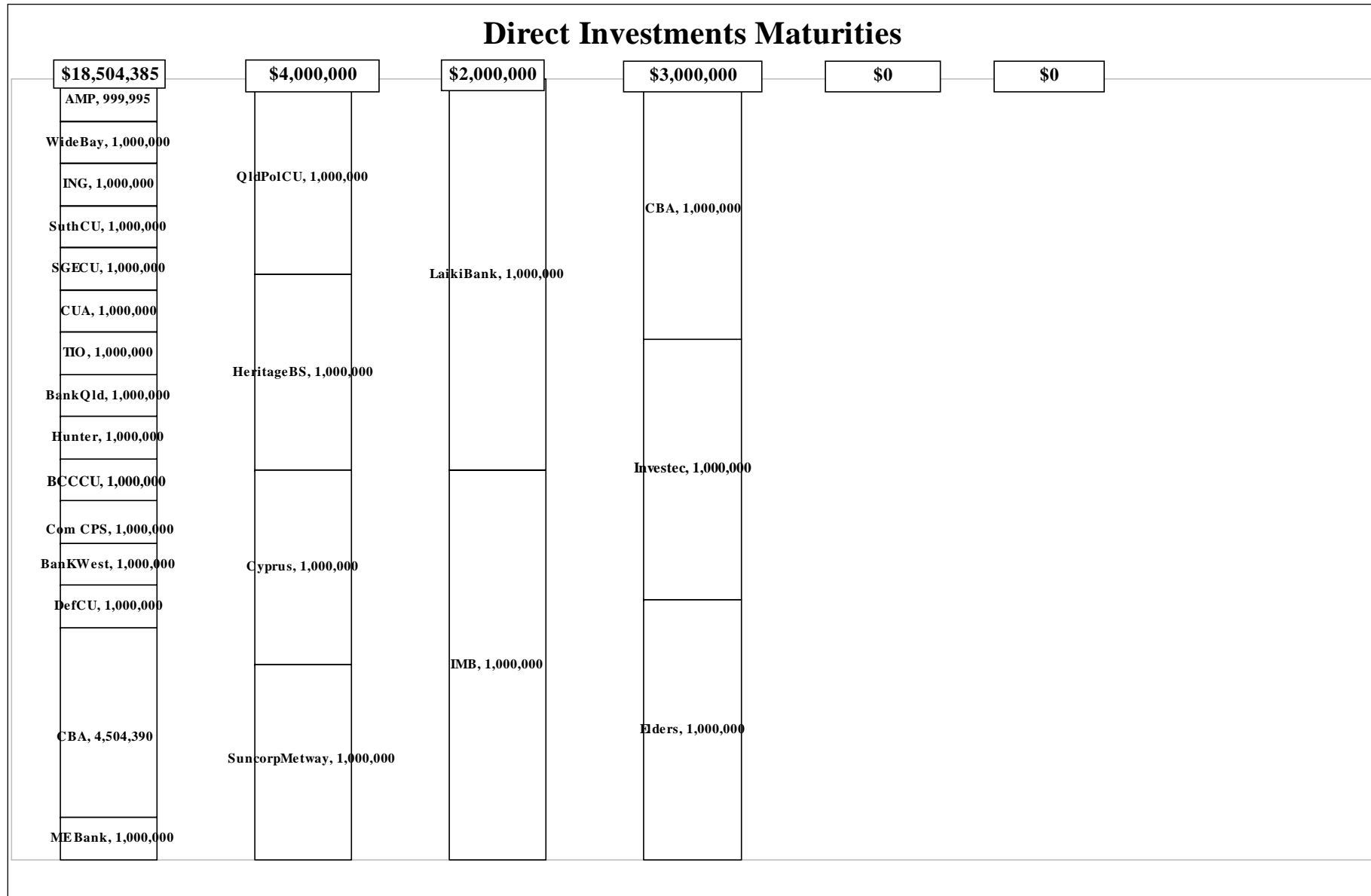
Commentary:

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



Commentary:

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



Commentary:

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

Movements in Book Value of Investments

Formerly managed by Lehman Brothers

Date	Description	Securities	Cash (Macq Trust)	Grove Portfolio Online/UBS Cash Management Trust	Total Book Value
01/07/2010		8,774,880.00	1,988.94	151,240.08	8,928,109.02
01/07/2010	Interest - GPO Cash Account			243.52	8,928,352.54
12/07/2010	GPO Fee			(653.55)	8,927,698.99
Various	July Coupons			24,649.32	8,952,348.31
02/08/2010	Interest - GPO Cash Account			599.71	8,952,948.02
10/08/2010	Redemption of NM Rothschild FRNs	(1,000,000.00)		1,000,000.00	8,952,948.02
	FV Adjustment (BV @ maturity \$996,290)	3,710.00			8,956,658.02
11/08/2010	GPO Fee			(676.63)	8,955,981.39
30/08/2010	GPO Fee			(666.61)	8,955,314.78
Various	August Coupons			41,399.51	8,996,714.29
01/09/2010	GPO Fee 30/08/2010 reversed			666.61	8,997,380.90
30/09/2010	Redemption of BELO Kalgoorlie	(486,500.00)		486,500.00	8,997,380.90
	FV Adjustment (BV @ maturity \$480,000)	6,500.00			9,003,880.90
30/09/2010	Interest - UBS Cash Account			3,652.48	9,007,533.38
30/09/2010	Mark-to-Market Valuation adjustment	78,905.00			9,086,438.38
Various	September Coupons			124,197.37	9,210,635.75
Various	October Coupons			26,446.44	9,237,082.19
Various	Macquarie Cash Management Account - interest (net)		89.20		9,237,171.39
02/11/2010	Withdrawal - UBS Cash Management Account			(1,800,000.00)	7,437,171.39
03/11/2010	UBS Fee - Sept'10 qtr management fee			(394.53)	7,436,776.86
17/11/2010	UBS Fee - Dec'10 qtr management fee			(681.73)	7,436,095.13
25/11/2010	Redemption of Omega (Henley) CDO	(38,750.00)			7,397,345.13
25/11/2010	FV Adjustment (BV @ maturity \$0)	38,750.00			7,436,095.13
Various	November Coupons			19,005.62	7,455,100.75
14/12/2010	UBS Fee - Dec'10 qtr management fee			(604.34)	7,454,496.41
20/12/2010	Maturity of Herald FRN	(400,000.00)		400,000.00	7,454,496.41
20/12/2010	FV Adjustment (BV @ maturity \$0)	400,000.00			7,854,496.41
31/12/2010	Interest - UBS Cash Account			6,901.07	7,861,397.48
31/12/2010	Mark-to-Market Valuation adjustment	21,465.00			7,882,862.48
Various	December Coupons			124,625.89	8,007,488.37
Various	Macquarie Cash Management Account - interest (net)		16.03		8,007,504.40
		7,398,960.00	2,094.17	606,450.23	

Formerly managed by Oakvale Capital

Date	Description	Securities	Blackrock Managed Fund	Total Book Value
01/07/2010		930,000.00	1,539,556.44	2,469,556.44
		930,000.00	1,539,556.44	

Commentary:

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

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

Arrears of Rents and Fees

The table below summarises the arrears (greater than 30 days) of rents and fees as at 31 December 2010.

Type	Total Collectible (10/11 Revenue + Arrears)	ARREARS		
		> 30 days	> 60 days	> 90 days
General	3,811,416	80,872	5,640	79,630
% of Total Collectible		2.1%	0.1%	2.1%
Environmental Health	94,120	16,270	2,480	13,312
% of Total Collectible		17.3%	2.6%	14.1%
Preschool	476,710	0	840	9,932
% of Total Collectible		0.0%	0.2%	2.1%
Trade Waste	1,234,210	44,510	26,270	72,475
% of Total Collectible		3.6%	2.1%	5.9%
Total	5,616,457	141,652	35,230	175,350
% of Total Collectible		2.5%	0.6%	3.1%

Outstanding Debts greater than \$50,000

There are no debts greater than \$50,000 outstanding.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

ANNEXURES:

1. Mark-to-market valuation of Council's Floating Rate Notes as at 31 December 2010.

Security	Holding	Call Date	Final Maturity Date	Yield / Margin 30 Sept 10	Yield / Margin 31 Dec 10	Valuation 30 Sept 10	Valuation 31 Dec 10	Movement in Value Current Quarter	Movement in Value Year to Date
<i>Current Investments:</i>									
Royal Bank of Scotland (AA)	500,000	28/10/2009	28/10/2014	+5.15%	+5.78%	430,355	424,965	-5,390	4,080
HSBC Sub Debt (AA-)	500,000	20/05/2011	20/05/2016	+3.75%	+3.75%	489,085	493,465	4,380	8,885
Suncorp Metway Sub Debt (A)	500,000	22/06/2011	22/06/2016	+4.00%	+3.30%	487,385	493,480	6,095	11,840
St George/Westpac Bank Sub Debt (A+)	1,000,000	26/07/2011	26/07/2016	+1.55%	+1.30%	990,130	994,600	4,470	8,410
HSBC FRN (AA-)	500,000	22/09/2011	22/09/2016	+4.50%	+4.40%	480,535	496,025	15,490	21,875
CBA FRN (AA)	1,500,000	28/09/2011	28/09/2016	+1.60%	+1.30%	1,481,400	1,490,055	8,655	12,750
Westpac FR Sub Debt (AA)	500,000	24/01/2012	24/01/2017	+1.70%	+1.35%	491,045	494,515	3,470	5,100
Royal Bank of Scotland (AA)	1,000,000	17/02/2012	17/02/2017	+16.52%	+22.39%	810,320	791,030	-19,290	22,760
Adelaide Bank FRN (BBB+)	500,000	28/03/2012	28/03/2017	+1.45%	+1.10%	492,240	495,825	3,585	4,670
	6,500,000					6,152,495	6,173,960	21,465	100,370
<i>Maturities:</i>									
NM Rothschild FRSD (unrated) ¹	1,000,000	10/08/2010							3,710
Total FRNs	7,500,000					6,152,495	6,173,960	21,465	104,080

1. Matured on 10 August at full face value of \$1,000,000

Item No: D3 Delegated to Committee
Subject: **Disclosure of Interest Returns submitted by Designated Employees during the period October to December 2010**
Author: Les Windle – Manager Governance
File No: 169.G
Reason for Report: To table the disclosure of interest returns that have been lodged by new designated employees during the period October to December 2010

Recommendation:

- A. That the Disclosure of Interest Return of the new designated person who was required to submit a Primary Return during the period October to December 2010 be tabled.
- B. That Council notes that the Primary Disclosure of Interest Return has been submitted in accordance with the requirements of the Local Government Act 1993.
-

Background:

Designated persons are required to lodge a disclosure of interest return:

- (1) within three months of becoming a designated person, (Primary Return) and
- (2) for each July 1 to June 30 period (Ordinary Return).

A designated person is described in Section 441 of the Local Government Act as:

S441 Who are 'designated persons'

For the purposes of this chapter, "designated persons" are:

- *the general manager*
- *other senior staff of the council*
- *a person (other than a member of the senior staff of the council) who is a member of staff of the council or a delegate of the council and who holds a position identified by the council as the position of a designated person because it involves the exercise of functions under this or any other Act (such as regulatory functions or contractual functions) that, in their exercise, could give rise to a conflict of interest between the person's duty as a member of staff or delegate and the person's private interest*
- *a person (other than a member of the senior staff of the council) who is a member of a committee of the council identified by the council as a committee whose members are designated persons because the functions of the committee involve the exercise of the Council's functions under this or any other Act (such as regulatory functions or contractual functions) that, in their exercise, could give rise to a conflict between the member's duty as a member of the committee and the member's private interest.*

The occupants of the following Council positions have been determined to be designated persons for the purpose of Section 441 of the Local Government Act:

General Manager	Determined by Local Government Act
Directors	Senior staff of Council
Managers	Deemed to exercise designated persons functions
Executive Planner	Exercises designated persons functions
Team Leaders – Development Control	Exercises designated persons functions
Senior Assessment Officers	Exercises designated persons functions
Assessment Officers	Exercises designated persons functions
Team Leader – Compliance	Exercises designated persons functions
Blg/DA/Hoarding Compliance Officers	Exercises designated persons functions
Senior Building and Compliance Officers	Exercises designated persons functions
Building and Compliance Officers	Exercises designated persons functions
Team Leader – Urban Design	Exercises designated persons functions
Urban Design Planner	Exercises designated persons functions
Team Leader – Strategic Planning	Exercises designated persons functions
Development Engineers	Exercises designated persons functions
Environmental Health Officers	Exercises designated persons functions
Environmental Protection Co-ordinator	Exercises designated persons functions
Fire Safety Officers	Exercises designated persons functions
Strategic Heritage Officer	Exercises designated persons functions
Heritage Officers	Exercises designated persons functions
Coordinator Trees Maintenance	Exercises designated persons functions
Coordinator Parks Maintenance	Exercises designated persons functions
Team Leader – Development Assessment	Exercises designated persons functions
Team Leader – Tree Management	Exercises designated persons functions
Tree Officers	Exercises designated persons functions
Admin Assistant – Printing & Purchasing	Exercises designated persons functions
Resource Management Team Leader	Exercises designated persons functions
Customer and Outreach Library Team Leader	Exercises designated persons functions
Resource Management Team Leader	Exercises designated persons functions
Plant and Fleet Co-ordinator	Exercises designated persons functions
Purchasing Co-ordinator	Exercises designated persons functions
Trades Supervisor	Exercises designated persons functions
Co-ordinator Civil Works	Exercises designated persons functions
Project Manager – Open Space	Exercises designated persons functions
Business Centres & Street Cleaning Co-ordinator	Exercises designated persons functions
Consultant Planners	Exercises designated persons functions
Duty Planners	Exercises designated persons functions
Team Leader – Infrastructure Asset Management	Exercises designated persons functions
Landscape Development/Tree Officers	Exercises designated persons functions
Project Manager – Strategic Projects	Exercises designated persons functions
Property Services Co-ordinator	Exercises designated persons functions
Asset Maintenance Officers	Exercises designated persons functions
Property Officers	Exercises designated persons functions
Co-ordinator Regulatory Services	Exercises designated persons functions
Traffic and Development Assessment Engineer	Exercises designated persons functions

The Local Government Act requires, at Section 450A(1), the General Manager to keep a register of returns disclosing the interests of Councillors and designated persons.

Section 450A(2)(a) requires the returns lodged with the General Manager be tabled at the first meeting held after the last day for lodgement. The purpose of this report is to table the Primary Disclosure of Interest Returns of designated persons who were required to lodge a return during the period October 1 to December 31, 2010.

Tabling of Returns:

Three new designated persons were required to submit a Primary Disclosure of Interest Return during the period and those designated person submitted their return in accordance with the legislative requirements.

Conclusion:

The designated persons required to complete a Primary Disclosure of Interest Return during the quarter ended 31 December 2010 completed their declaration in accordance with the legislative requirements.

The Returns are tabled in accordance with the requirements of the Local Government Act and it is recommended that the information be noted.

Les Windle
Manager - Governance

Stephen Dunshea
Director Corporate Services

Annexures:

Nil

Item No: R1 Recommendation to Council
Subject: **Budget Strategy for 2011/2012 and Special Rate Variation Application for 2011/2012**
Author: Don Johnston, Manager Finance
Stephen Dunshea, Director Corporate Services
File No: 331.G 2011/12 and 87.G SRV
Reason for Report: To report back to the Committee following consideration of the 2011/12 Budget discussion paper in December 2010

Recommendation:

That Council:

- A. Note the principal strategy for the preparation of the draft 2011/12 Operational Plan (which supports the four year adopted Delivery Program) is to provide sufficient funding for all continuing services, essential service expansions, infrastructure renewal and capital improvements at similar budget levels and ratios, and maintenance of an adequate working capital balance, subject to the completion of management's comprehensive budget review process.
- B. Endorse the following economic parameters around which the draft 2011/12 Budget will be prepared:
 1. That Council adopt a balanced budget for 2011/12.
 2. That the Draft 2011/12 Budget be prepared on the basis of no new loan borrowings apart from, subject to timing.
 3. That no transfers from the Property Reserve, other than for the Kiaora Lands project, be proposed in the Draft 2011/12 Budget and any transfers to and from other Reserves be clearly shown.
 4. Retention of Council's Environmental & Infrastructure Renewal Levy through a successful S508A Special Rate Variation Application submitted under the new IPART assessment and approval process.
 5. That fees and charges be increased by at least CPI where practical unless it would have an adverse impact on forecast revenue or users' capacity to pay.
 6. That the 2011/2012 draft Budget be prepared on the basis of a 5% vacancy rate.
 7. That the 2011/2012 budget be prepared on the basis of the continuation of higher employer contributions to the defined benefits superannuation scheme as notified by the scheme.
- C. Note that in respect of Recommendation 'B (4)' above, Council is required to prepare a budget scenario and rating structure for 2011/12 that does not include the Special Rate Variation.
- D. Note the *Review Today* recommendation that Council's Special Rate Variation Application for 2011/12 comprise retention of the Environmental & Infrastructure Renewal Works Levy and recovery of recent years extraordinary increases in EMC.

- E. Note that having regard to the Council's Resolution of 22 March 2010 to advise of its intention to apply for a Section 508A SRV for 2011/12, and further noting IPART's requirement to be notified of Council's intention to apply for a Special Rate Variation by 28 January 2011, IPART was notified of Council's intention following the Corporate & Works Committee meeting on 24 January 2011.
- F. The advice to IPART in respect of 'E' above was of Council's intention to apply for a Section 508A Special Rate Variation for 2011/12 in the following terms:
1. in 2011/12, retention of \$1.8m (6.1%) to continue the Environmental & Infrastructure Renewal Levy expiring that year on a permanent basis and an additional \$350k pa (1.1%) to recover an initial proportion of recent years extraordinary annual increases in the State Government imposed Emergency Management Levy); and
 2. in 2012/13, retention of \$1.9m (6.1%) to continue the Environmental & Infrastructure Renewal Levy expiring in that year on a permanent basis and an additional \$350k (1.1%) to recover the balance of recent years extraordinary annual increases in the State Government imposed Emergency Management Levy).
- G. Note the requirement for Council's to formally lodge its Special Rate Variation Application with IPART by 25 March 2011.
- H. Note that in lodging the Application by 25 March 2011, Council must also supply a copy of the Council resolution to adopt the draft Community Strategic Plan, the Draft Delivery Program and the Draft Operational Plan.
- I. Note the stringent timetable for the preparation of Council's draft Delivery Program 2009 to 2013 and Operational Plan 2011/12 resulting from the requirement to supply a copy of the resolution referred to in 'H' above with Council's Special Rate Variation Application.
- J. Note that the results of the detailed analysis of Council's Long Term Financial Plan and Asset Management Plans being undertaken by *Review Today Pty Ltd* will be presented to the Corporate & Works Committee for review prior to the lodgement of Council's Special Rate Variation Application by 25 March 2011.
- K. Immediately commence the community consultation program in relation to the Special Rate Variation as outlined in the Report.
- L. Receives further progress reports in relation to the preparation of Council's 2011/12 Operational Plan and Budget at future Corporate & Works Committee Meetings in order to meet the 25 March 2011 deadline.
-

Background:

The Corporate & Works Committee considered a discussion paper on the 2011/2012 Budget at its meeting in December 2010 (Item D3 – 6 December 2010). The Committee resolved:

That the Committee:

- A. *Note the indicative timetable in the report for preparing the draft 2011/12 Budget.*
- B. *Note the economic & fiscal constraints on the budget for 2011/12 discussed in the report.*
- C. *Note the transfer of responsibility for setting the rate pegging limit and the determination of special rate variations to IPART.*
- D. *Note the Division of Local Government's recently released Guidelines for the preparation of an application for a special variation to general income in 2011/12, details of which are outlined in the Late Correspondence tabled from the Manager Finance.*
- E. *Receive a further report on the Budget Strategy for 2011/12 at the January 2011 Corporate & Works Committee Meeting, including options for Council to seek a Section 508A Special Rate Variation for 2011/12 that would ensure Council's financial capacity to meet rising infrastructure costs and State Government charges over the period of a new four year Delivery Program.*
- F. *The further report to also include a programme and timetable for community consultation in respect of the Special Rate Variation.*

This report revisits the economic and fiscal constraints Council faces in preparing the 2011/12 Budget and seeks the adoption of a series of economic parameters to guide the preparation of the draft budget.

The report responds to Parts E and F of the Committee's December resolution. In doing so, the reports presents a revised timetable for the preparation of Council's draft Delivery Program 2009 to 2013 & Operational Plan 2011/12 to enable submission of Council's proposed Special Rate Variation for 2011/12 to IPART by the 25 March 2011 deadline.

The report also advises of the appointment of specialist consultants *Review Today Pty Ltd* to provide an independent assessment of Councils Long Term Financial Plan and Asset Management Plans, along with a review of our preparedness to lodge a Special Rate Variation to IPART by the due day of the 25 March 2011. *Review Today's* initial assessment report is provided as **ANNEXURE 2** to this report. It is important that *Review Today's* report be read in conjunction with the discussion contained in this report.

2011/12 Budget – Economic Parameters:

Economic and fiscal constraints

The *2011/12 Budget – Discussion Paper* report submitted to the Committee on 6 December 2010 covered the economic and fiscal constraints Council faces in prepared the 2011/12 Budget. This report is attached as **ANNEXURE 1**.

To briefly recap, factors that Council should continue to take into account in preparing the 2011/12 operating budget include:

- Council's most recent forecast financial position and Working Funds balance as at 30 June 2011;
- Maintaining an adequate Working Funds balance;
- Loan repayments and debt servicing capacity;
- Anticipated future commitments against Council's reserve funds;
- External impacts on the budget including:
 - Constraints on revenue;
 - Economic climate and the income forecasts;
 - Inflationary pressures on expenditure and additional expenditure requirements;

Financial Position and Working Funds

Council's overall financial position at 30 June 2010 continued to be satisfactory and the most recent forecasts to 30 June 2011 indicate that it will remain satisfactory.

Prudent use of debt and Reserves, as discussed later in the report, will see Council's financial position remain satisfactory. Fundamental to retaining Council's currently adequate working funds position, is the continuing adoption of a balanced budget.

Recommendation - Economic Parameter 1

That Council adopt a balanced budget for 2011/12.

Loan repayments and debt servicing

As discussed in the earlier report, while Council's current debt servicing costs and ratio remain well within sustainable benchmarks, proposed borrowings in future years associated with the Kiaora Lands redevelopment project will see these indicators increase but still remain within the sustainable benchmarks.

It is suggested however that the initial draft budget for 2011/12 be prepared on the basis of no new borrowings.

Recommendation – Economic Parameter 2

That the Draft 2011/12 Budget be prepared on the basis of no new loan borrowings.

Anticipated future commitments against council's Reserve funds

Council has agreed in-principle to the redevelopment of Kiaora Lands. In addition to the potential borrowings discussed above, Council will also potentially need to make a cash contribution. It is planned that this contribution will be made from the Property Reserve. If Council is to meet this potential commitment, there is no further capacity in the Property Reserve to fund other capital projects.

As is usual practice, transfers to and from other reserves will be made clear when the budget is presented to Council.

Recommendation – Economic Parameter 3

That no transfers from the Property Reserve, other than for the Kiaora Lands project to meet ongoing project costs, be proposed in the Draft 2011/12 Budget and any other transfers to and from Reserves be clearly shown.

Constraints on revenue

The Budget Discussion Paper attached discusses Council's revenue base in some detail. As a result of rate pegging and statutory limitations on fees and charges, Council has limited capacity to raise additional revenue.

Rate pegging

Fundamental to Council's ongoing commitment to infrastructure renewal is its Environmental & Infrastructure Renewal Levy (E&IRL). As has been reported previously, the E&IRL expires progressively in June 2011 and June 2012. Consistent with Council's 4 year Delivery Program, the budget for 2011/12 will need to be prepared on the basis of retention of the E&IRL.

Council's proposed special rate variation is discussed in detail later in the report in response to parts E and F of the 6 December resolution.

Recommendation – Economic Parameter 4

That the Draft 2011/12 Budget be prepared based on the retention of Council's Environmental & Infrastructure Renewal Levy through a successful S508A Special Rate Variation Application submitted under the new IPART assessment and approval process.

Fees & charges

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 2011/12 it is recommended that these issues be recognised in the budget parameters.

As indicated in the earlier report, CPI is currently 2.8% (September 2009 – the December figures are planned for release on 25 January) while the latest RBA forecast for June 2010 (November) is 2.75%.

Recommendation – Economic Parameter 5

That fees and charges be increased by at least CPI 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 major cost pressures, Award increases, increased superannuation contributions and other general inflationary pressures were discussed in the earlier report.

It has been past practice in preparing the budget to allow a "vacancy factor" in forecasting salaries and wages. This is to acknowledge that positions vacated as a result of staff turnover remain unfilled for a period of time. To date, a vacancy factor of 6% has been used.

There is increasing evidence that this level of vacancy factor may be too high. To date this financial year the rate has been between 4% and 5% and Council made again need to rely on its fully funded transfer to the ELE Reserve to fund any shortfall in achieving the 6% rate forecast in the current year's budget.

Recommendation – Economic Parameter 6

That the Draft 2011/12 Budget be prepared on the basis of a 5% vacancy rate.

In regard to the increased superannuation contributions, Council has been advised of a change to the basis of calculating the additional contribution, being:

“... in simple terms the actuary considered that a fairer way of determining the extra contributions an employer has to make is to base it on the sum of the accrued benefit of each employee for that employer as at 30 June 2009.

The basis for this is that as a lot of our defined benefits members will be retiring in the next 5 – 10 years it would be unfair for an individual employer to continue to pay extra contributions when another employer no longer has to, simply because the latter employer's members all recently ceased employment.....

.... The employer will continue to pay contributions based on the 'long term' or 'notional' rate to finance new benefits, plus a fixed amount to finance the deficit”

Initial calculations anticipate that this revised methodology may result in a reduction in the additional amount payable by Council but this will be determined following a reviewing the staff membership of the superannuation scheme. This exercise is yet to be completed.

Recommendation – Economic Parameter 7

That the Draft 2011/12 Budget be prepared on the basis of the continuation of higher employer contributions to the defined benefits superannuation scheme as notified by the scheme.

In summary, in the context of all of the pressures on the Draft 2011/12 Budget outlined in the earlier report and recapped above, achieving a balanced budget that maintains services and services levels and continues Council's commitment to infrastructure renewal presents an enormous challenge.

Delivery Program 2009 to 2013:

Part “E” of the Committee's December resolution requested that a further report to the Committee in January 2011 include options for Council to seek a Section 508A Special Rate Variation (SRV) for 2011/12 that would ensure Council's financial capacity to meet rising infrastructure costs and State Government charges over the period of a new four year Delivery Program.

This resolution arose from detailed discussion at the meeting regarding the suggestion in the report that a conservative and prudent approach to making any SRV application in 2011 would be to limit that application to the renewal of the Environmental & Infrastructure Renewal Levy. It was further suggested in the report that this approach may well provide the best opportunity for the application to be supported by IPART as it will align with the remaining 2 years of Council's current Delivery Program.

The following comments are provided in response to the Committee's resolution in respect of Council preparing a new four year Delivery Program at this time:

1. Section 404 (3) of the Local Government Act states:

"The council must establish a new delivery program after each ordinary election of councillors to cover the principal activities of the council for the 4-year period commencing on 1 July following the election."

2. Essential Element 3.1 from the Division of Local Government's Integrated Planning & Reporting Guidelines and Manual released January 2010 states:

"Each Council must prepare and adopt its Delivery Program by 30 June in the year following a local government ordinary election."

3. The Integrated Planning & Reporting Guidelines explain that:

"The Delivery Program is designed as a fixed-term four year plan to align with the electoral cycle.

Each new council is responsible for preparing a new Delivery Program, in response to the Community Strategic Plan

There is a nine month overlap period to allow the new council to undertake community engagement and preparation for the Delivery Program. In this period the council should continue to implement the final nine months of the previous Council's program.

The new framework differs from the previous Management Plan requirements in that the Management Plan was a minimum three year rolling plan.

The Delivery Program is a fixed-term plan because each council will be held accountable for implementing the Program within its term. The outgoing council will report to the community on what it has achieved in this regard."

It is clear from the above that preparation of a new four year Delivery Program at this time is not in keeping with the intent of the legislation or the Division's Integrated Planning & Reporting Guidelines. A new Delivery Program is not necessary at this time given there is no intention to significantly alter Council's current Delivery Program and the proposed SRV for 2011/12 is indeed flagged in the current Delivery Program. Consequently a new Delivery Program at this time is not recommended as it would not enhance Council's current SRV proposal.

Further, a new Delivery Program prepared for 2011/12 would have a maximum life of two years and would be replaced with a further new Delivery Program following the 2012 local government elections. This new Delivery Program would apply to the four year period commencing 2013/14. This approach would result in Council having presented the community with three four (4) year Delivery Programs between 2009/10 & 2013/14. In addition to being inconsistent with the intent of the Integrated Planning & Reporting framework, it is suggested that it would also appear confusing to the community.

As such, the Committee is advised against proceeding with the proposal for a new Delivery Program at this time. Council's current Delivery Program should remain in place for the duration of the current electoral cycle. This advice has also been confirmed with IPART.

Special Rate Variation 2011/12:

The Committee's concerns about ensuring Council's financial capacity to meet rising infrastructure costs and State Government charges are valid and must be addressed through prudent financial strategies incorporated into Council's Long Term Financial Plan. Options in this regard have previously been considered by the Committee through reports on Council's Long Term Financial Plan and the consideration of the proposal to lodge a SRV for 2011 under the new IPART approval process.

Integral to ensuring Council's financial capacity to meet rising infrastructure costs is to retain in Council's rating base on a permanent basis, the value of the existing E&IR levy which expires progressively on 30 June 2011 and 30 June 2012. While the original staged approvals of the E&IRL were limited to a 5 year period, the applications at the time noted that this was the first 5 years of a 20 year program.

The importance of retaining the E&IRL in Council's rating base cannot be overstated. The E&IRL has allowed council to invest an additional \$14.5 million in infrastructure and environmental renewal works over the past 5 years, including 2010/11, resulting in the completion of major projects across the LGA, not the least of which is the recently completed Watsons Bay Baths refurbishment. By comparison, retention of the levy will enable a further \$18 million injection into upgraded and renewed road, footpath, stormwater and other infrastructure works over the next 5 years.

In considering options for the SRV for 2011, the draft LTFP previously reported to Council in June 2010 as a component of Council's Resourcing Strategy, included three scenarios:

Scenario 1: Do-Nothing Model

This scenario models the impact on Council's long term financial sustainability if we "do nothing" in respect of the cessation of the current Environmental Infrastructure Levy. Specifically in this scenario:

- The Environmental & Infrastructure Renewal Levy is not renewed. Specifically, \$1.782 million is removed from Council's rate revenue at the end of 2010/11 with a further \$1.830 million removed at the end of 2011/12.
- Council's capital expenditure on infrastructure renewal is reduced by the loss of the Environmental & Infrastructure Renewal Levy
- Other capital expenditure continues at current levels;
- Council continues to provide its current services at the current levels of service;
- Council only takes up the forecast permissible increase in rates.

Scenario 2 – Status Quo Model

This scenario models the impact on Council's financial position if:

- In years 1 and 2 (now) Council seeks to renew the current Environmental & Infrastructure Renewal Levy resulting in a net increase in rates consistent with the permissible rate increase.
- Council's capital expenditure on infrastructure renewal is maintained at current levels through the renewal of the Environmental & Infrastructure Renewal Levy
- Other capital expenditure continues at current levels
- For years 2 (now) and beyond, Council only takes up the forecast permissible increase in rates.

Whilst maintaining capital expenditure at the current levels, this scenario does not address any increased funding requirements that may be identified in Council's Asset Management Plans when finalised.

Scenario 3: Sustainability Model:

Council's long term financial plan needs to ensure financial sustainability for the Council and demonstrate our long term capacity to deliver the strategic objectives outlined in the Community Strategic Plan, Delivery Program and the Operational Plan. Equally, it is important to note that the LTFP model is developed in the context of the State Government's Rate Pegging legislation and must have regard to restrictions on Council's revenue raising capacity.

Therefore the preferred LTFP model may be one that extends beyond the Status Quo model described above to one that represents an acceptable balance in the context of meeting community expectations, sound financial management, and the achievement of strategic objectives within supportable and justifiable rating increases, the outcomes of which should be clearly measurable, and have both community and Council support.

Independent Review:

As referred to earlier in this report, the December 2010 discussion paper suggested that whilst Council would continue to work towards finalisation of the "Sustainability Model" LTFP, in conjunction with preparing the draft 2011/12 budget, that a conservative and prudent approach to making any SRV application in 2011 would be to limit that application to the renewal of the E&IRL.

Given the detailed discussion on this suggestion at the December meeting, and the resulting Committee resolution to consider options for an SRV over the period of a new four year Delivery Program, it was considered beneficial, having regard to the significance of the SRV Application, to seek expert advice in respect of the structure of Council's SRV.

For this purpose, specialist consultants, *Review Today Pty Ltd* were commissioned to provide an independent assessment of Council's Long Term Financial Plan and Asset Management Plans, along with a review of our preparedness to lodge a Special Rate Variation to IPART by the due date of 25 March 2011.

Review Today Pty Ltd are a specialist consultancy organisation that investigates and reports on the financial sustainability of local government councils in the context of the growing infrastructure crisis highlighted by the independent Allan Inquiry into the financial sustainability of local government in NSW. The Chairman of *Review Today* is Professor Percy Allan who chaired the 2005/06 independent inquiry titled "Are Councils Sustainable?" which examined the sustainability of NSW local government.

Professor Allan is a former Secretary of NSW Treasury and in that role proposed the establishment of IPART to Nick Greiner when he was Premier and Treasurer. This followed a research paper Professor Allan wrote with Jim Cox (now CEO of IPART) into the irrational pricing structures of NSW utilities. Professor Allen knows many of the key IPART staff, including those responsible for IPART's new role in relation to Local Government. Professor Allan had a major input into IPART's 2009 Revenue Framework for Local Government review in his *Review Today* capacity, and was consulted by IPART staff during and after this review regarding various aspects of the review's findings.

Professor Allan is supported in this engagement with Council by his colleagues at *Review Today*, Bob Gausson (Managing Director) and Alan Tregilgas (Principal Consultant).

Alan Tregilgas undertook the IPART role (Utilities Commission) in the Northern Territory for ten years and worked closely with IPART during the Utilities Commission's establishment phase. IPART will also recognize Alan's credentials to assess Council's debt and debt servicing capacity given his five years as a Director (Public Sector) with Standard & Poor's. Alan has also been a Senior Associate with Access Economics Pty Ltd since 1999.

Specifically in respect of a proposed SRV, *Review Today's* assignment with Council is to prepare a comprehensive business case for either:

1. the retention of the existing E&IRL that expires progressively on 30 June 2011 and 30 June 2012, or;
2. other rate variations needed in the future for Council to achieve sustainable operations, infrastructure and finances while remaining affordable to residents.

The *Review Today Pty Ltd* engagement also extends to assisting Council with the preparation of a comprehensive business case to support our SRV application and Professor Allan and the *Review Today* team will participate in any meetings with or presentations to IPART that may be required to assist IPART with their assessment of Council's application for the SRV.

The *Review Today* engagement for this project will provide Council the strongest opportunity to achieve a successful outcome from its proposed SRV.

Review Today – Initial Assessment:

Work is well progress with *Review Today*, with an initial assessment of our Asset Management Plans and Long Term Financial Plan having already been completed. The results of this initial assessment are provided in the *Review Today* report provided as Annexure 2 to this report.

It is important to note that this initial assessment is based on existing LTFP data and is presented to guide Councillors in their consideration of options for the quantum of the increase to be sought under an SRV application for 2011. This initial assessment is necessary given the requirement in the new Special Rate Variation Guidelines that IPART be notified of Council's intention to apply for a Sections 508A SRV for 2011/12 by Friday 28 January 2011. This notification must include details of the proposed increase, both in percentage terms and dollar terms, for each year of the variation. The Guidelines also note that if the details of the proposed increase are not finalised by 28 January, then estimates may be provided.

The final date for lodging Council's application is 25 March 2011. Councils that have implemented the Integrated Planning & Reporting framework, which Woollahra has done, must also supply a copy of the resolution to adopt the draft Community Strategic Plan, the draft Delivery Program and the draft Operational Plan, which incorporates the proposed special variation. This presents Council with a very tight timeframe to have its draft 2011/12 Delivery Program and Operational Plan adopted for public exhibition prior to 25 March 2011. A proposed timetable to achieve this deadline is presented below:

Month	Date	Progress
Jan	24	2011/12 Budget Strategy Report to Corporate & Works Committee
Jan	28	Notification of intention to apply for s508A SRV to IPART
Jan	31	Corporate & Works Committee Recommendations on 2011/12 Budget Strategy to Council
Feb	1	Commence community consultation on SRV
Feb	7	Progress Report to Corporate & Works Committee
Feb	21	Progress report to Corporate & Works Committee
Feb	25	Conclude community consultation on SRV
Mar	7	Corporate & Works Committee to consider: results of community consultation; Draft 2011/12 Budget; LTFP; Draft DPOP & <i>Review Today</i> analysis.
Mar	14	Corporate & Works Committee recommendations on community consultation results to Council
Mar	21	Corporate & Works Committee to consider Delivery Program 2009 to 2013 & Operational Plan 2011/12 for public exhibition
Mar	22/23 (TBC)	Potential Strategic & Corporate Committee Meeting to consider Delivery Program 2009 to 2013 & Operational Plan 2011/12 for public exhibition
Mar	25	Lodge SRV Application with IPART

Councillors will note from *Review Today's* initial assessment report that Council can lodge a strong case for justifying continuation of its existing E&IRL and for seeking recovery of recent years extraordinary increases in annual Emergency Management Contributions. However Council would have difficulty at this time in meeting IPART's tough tests if it was to seek an increase greater than this to provide for enhancements to service provision.

Specifically, *Review Today's* assessment of Council's Operating Balance Ratio is within the sustainability benchmarks set by IPART and so an SRV application for an amount that exceeds renewal of the E&IRL plus the EMC is not recommended. *Review Today's* conclusion is that an SRV to retain the E&IRL, expanded to include recovery of recent years extraordinary increases in the State Government imposed Emergency Management Contribution provides a much stronger case at this time. In other words, it is recommended that the SRV for 2011 be based on the *Status Quo Model* (Scenario 2 referred to earlier) extended to include additional income to cover extraordinary increases in Council's Emergency Management Contributions.

Achieving a favourable outcome from an SRV in these terms will allow Council to proceed with delivering on the Priorities already determined in its current Delivery Program. This would also align with the legislative requirements for a four year Delivery Program and DLG Guidelines regarding alignment of the SRV with councils' Delivery Program. This would also enable the *Sustainability Model* LTFP to be developed in consultation with the community during preparation of the next 4 year Delivery Program, i.e., for adoption in June 2013.

Whilst *Review Today* do not support IPART's conclusions in regard to the Operating Balance Ratio benchmark, most notably the 10% operating result (deficit) ratio as being sustainable, and will question this benchmarks in a submission to support Council's SRV application, the prudent approach should be to limit the SRV to the renewal of the E&IRL and the EMC as recommended to present the strongest possible case to IPART for a favourable determination of Council's application.

In respect of Council's Long Term Financial Plan scenarios previously outlined, the approach recommended by *Review Today* represents an extension of Council's Status Quo model to include recovery of recent years' extraordinary increases in the Emergency Management Contribution.

In quantifying this recommendation, the estimate of the proposed s508A Special Rate Variation to be advised to IPART by 28 January 2011 would be:

- in 2011/12, an additional \$2.2m in general income (comprising \$1.8m (6.1%) to renew the E&IRL expiring that year and \$350k pa (1.1%) to recover an initial proportion of extraordinary annual EMC increases); and
- in 2012/13, a further additional \$2.2m in general income (comprising \$1.9m (6.1%) to renew the E&IRL expiring in that year and \$350k (1.1%) to recover the balance of extraordinary annual EMC increases).

It is important to note that the SRV primarily relates to the renewal of an existing Levy which significantly reduces the net effect on ratepayers. The net effect on ratepayers of the proposed SRV will be a 1.1% increase above the permitted increase of 2.8%, or a 3.9% total increase in the average rates bill in 2011/12 compared with the average bill paid this year (2010/11), and a similar 3.9% increase in the average rates bill in 2012/13 compared with the proposed average in 2011/12.¹

In relation to pensioners, the Committee is reminded that to mitigate the impact of the introduction of the E&IRL a decision was taken to provide a rebate of 100% of the E&IRL to all eligible pensioners on top of the \$250 Government rebate. Modelling of the renewal of the E&IRL assumes that this additional Council rebate will continue. If Council chooses to continue with the additional rebate the impact on pensioners will be limited to the 3.9% total increase discussed above.

It is also important to note that further work is required to finalise the LTFP that will accompany the SRV. This will include finalising Council's draft 2011/12 budget as a new Year 1 of the revised ten year financial plan. For this reason, Council's notification to IPART will include reference to the proposed increase as an estimate with the final quantum of the proposed increase to be confirmed in the final application forwarded to IPART by 25 March 2011. It is not expected however that the final SRV will vary.

Community Consultation:

Importantly, the Committee's resolution from December requested that this report also include a programme and timetable for proposed community consultation in respect of the Special Rate Variation.

The Division of Local Government's special rate variation application guidelines state that applications must demonstrate extensive community consultation and support for the proposed program of expenditure and the resulting special rate variation. Specifically, councils must include in their application:

- details of the range of methods used by the council to inform the community on the special variation proposal and to obtain community feedback on the proposal
- a summary of the outcomes from the community consultations and engagement, including details of the level of community support for the proposal.

Council's application will be supported by the details of and outcomes from the extensive community engagement undertaken during 2009/2010 for the preparation of Council's Community Strategic Plan. As Councillors will recall, this included:

- an Intercept Survey administered across the five Council wards

¹ This assumes a 2.8% rates cap in 2012/13 as well as in 2011/12.

- an Online Survey hosted on Council's website
- a Photo Survey for school children at local schools
- two Community Group Workshops, hosted by Council
- a community satisfaction telephone survey of 800 residents

The following further consultation is planned to inform the community on the proposed program of expenditure to be funded by the special rate variation and to obtain feedback on the level of rate increase proposed:

- a specifically targeted telephone opinion survey to be undertaken by a specialist research organisation.
- comprehensive information regarding the proposal to be placed on Council's website
- public notice of the proposal to be placed in the Wentworth Courier and details included in the Mayoral Column
- focus group workshops to be hosted by Council

Preparation for this community engagement is already underway with surveying proposed to commence within the next 2 weeks. This phase of the consultation will be concluded prior to Council submitting its SRV application.

Further, comprehensive information on the proposal will be included in Council's draft Delivery Program 2009 to 2013 and Operational Plan 2011/12, which in accordance with the timetable presented earlier in this report, will be placed on public exhibition in April. Community feedback on the proposal received during this public exhibition period will also be forwarded to IPART.

The program for community consultation has also been discussed with *Review Today* who have provided comment in their attached initial assessment report of the suggested ways that a council could demonstrate a mandate for a SRV based on IPART's Revenue Frameworks for Local Government Report (2009). These suggestions include a sample opinion survey with at least a 95% confidence level; a comprehensive survey sent to all members of the community; and a voting mandate option where the proposal has been put to the community in the lead-up to a local government election.

Review Today's view is that since the SRV proposal involves the continuation of an existing levy rather than the introduction of a new one, doing a larger and more expensive survey should not be necessary.

It is therefore proposed with the sample opinion survey of a statistically valid sample of residents and ratepayers to achieve the 95% confidence level. A proposal received from the preferred specialist research organisation to undertake the survey advises that this would be achieved from a survey of between 400 & 600 participants. Sample questions are currently being drafted and will be forwarded to the Committee.

Conclusion:

The new Guidelines for the submission of a Section 508A Special Rate Variation Application to IPART for 2011/12 contain a very stringent timeframe. Council is required to notify IPART of its intention to apply for the SRV by 28 January 2011 and lodge the Application by 25 March 2011.

The Application must include a copy of the Council resolution to adopt its Draft Delivery Program 2009 to 2013 & Operational Plan 2011/12 for public exhibition and a timetable is presented in this report that will achieve this deadline.

The report has presented the Committee with specific recommendation that will guide the preparation of the 2011/12 Operational Plan for further review by the Committee and proposes a structure for the composition of Council 2011/12 Special Rate Variation Application.

The report has also provided the Committee with details of the engagement of specialist consultants *Review Today Pty Ltd* to assist with the preparation of Council's SRV Application.

Details of the proposed community consultation program in relation to the SRV are also provided in the report.

Don Johnston
Manager Finance

Stephen Dunshea
Director Corporate Services

Gary James
General Manager

Annexures:

- 1 *2011/12 Budget – Discussion Paper* report submitted to the Committee on 6 December 2010
- 2 Initial Assessment Report prepared by *Review Today Pty Ltd*

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