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15 April 2009

Dear Councillor/Sir/Madam

You are invited to attend an **BUDGET AND OPERATIONS REVIEW COMMITTEE MEETING** held in workshop format, to be held in the Ashfield Civic Centre, Level 3, 260 Liverpool Road, Ashfield on **TUESDAY 21 APRIL 2009** at **6:30 PM**.

Yours faithfully

KEN GAINGER
General Manager

SEE ATTACHED AGENDA

**BUDGET AND OPERATIONS REVIEW COMMITTEE MEETING
21 APRIL 2009**

AGENDA

- 1. OPENING**
- 2. ACKNOWLEDGEMENT OF LOCAL INDIGENOUS COMMUNITY**
- 3. APOLOGIES/REQUEST FOR LEAVE OF ABSENCE**
- 4. CONDOLENCE AND SYMPATHY MOTIONS**
- 5. MOMENT OF PRIVATE CONTEMPLATION**
- 6. DISCLOSURES OF INTEREST**

Disclosures to be made by any Councillors who have a pecuniary / non-pecuniary interest in respect of matters that are before Council at this meeting.
(21/04/2009)

- 7. CONFIRMATION OF MINUTES OF COUNCIL/COMMITTEES**
BUDGET AND OPERATIONS REVIEW COMMITTEE MEETING - 17/03/2009
- 8. STAFF REPORTS**
8.1 MANAGEMENT PLAN AND BUDGET 2009/13
- 9. CLOSE**

ASHFIELD COUNCIL

BUDGET AND OPERATIONS REVIEW COMMITTEE MEETING 21 APRIL 2009

8 SUMMARY OF STAFF REPORTS

- 8.1 MANAGEMENT PLAN AND BUDGET 2009/13 . Ken Gainger - General Manager.
Report submitted with attachments 1 to 5.
(08/04/09)

Budget 2009-10

h:\reports.bp\Committees\Reports\BOR210409SR_1.doc

BOR 8.1 Attached

RECOMMENDATION

That the draft Management Plan and Budget for the period 2009/13, incorporating the changes and initiatives outlined within this report, be adopted for the purposes of public exhibition.

Subject	MANAGEMENT PLAN AND BUDGET 2009/13
File Name	Budget 2009-10
Prepared by	Ken Gainger - General Manager
Reasons	To further report on issues raised by councillors at the B&ORC meeting held on 17 March 2009
Objective	To progress towards the adoption of the Management Plan and Budget for 2009/13 for the purposes of public exhibition
Strategic Plan Link	ORG 1.1, 1.2, 1.3, & 1.5
Management Plan Activity	2.3 Financial Services

Overview of Report

At the B&ORC (budget) meeting held on 17 March 2009 a number of issues were identified by councillors that required further staff research and the presentation of additional information as a precursor to the adoption of the Management Plan and Budget for the 2009/13 financial period.

Background

On 17 March 2009 the B&ORC met in workshop format to consider the key budget parameters for the 2009/10 financial year and to hear presentations on the financial and economic context prevailing and the impact that this will have on the Council's capacity to deliver and fund on-going services to the community.

As a result the councillors minuted their expectations in terms of the process to be followed, the time frame and key deliverables, and additional information required to be submitted to the next budget workshop to be conducted on 21 April 2009. These expectations were minuted as follows:

- 1/11 That officers proceed to develop the Draft Management Plan 2009/13 in accordance with budget parameters proposed in this report, the principles of integrated planning and the strategic priorities determined by Council at the workshop
- 2/11 That Council apply to the Minister for a 4% Special Rate Variation (SRV) above the permissible increase

MANAGEMENT PLAN AND BUDGET 2009/13

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| 3/11 | That a report be prepared on increasing fees and charges over time to meet the level of other category 2 Councils |
| 4/11 | That a report be prepared on a business case for additional Parking Patrol Officers and/or Community Enforcement Officers |
| 5/11 | That a report be prepared on outdoor dining, including policing, fees, a moratorium on DA's and other phased introduction options |
| 6/11 | That a preliminary report be prepared on the future introduction of paid parking meters and other options including timed parking |
| 7/11 | That a report be prepared on employee costs including future trends, comparative figures and overtime expenditure |
| 8/11 | That a report be prepared on fleet requirements including costs, comparisons, salary options, leasing options and possibility of car-share options |
| 9/11 | That a report be prepared on cost reduction opportunities |
| 10/11 | That the upcoming BOR workshops include budget estimates and each budget line item be considered |
| 11/11 | That the Budget and Operations Review Committee resolves that existing services be maintained and an emphasis be placed on increased expenditure on civil infrastructure works |

Information received since the Budget Workshop:

Since the B&ORC workshop on 17 March 2009 the Council has been informed of the following changes which impact on the draft budget:

- The Australian Energy Regulator has rejected Energy Australia's proposed hike in street lighting charges – this reduces Council's expected outlays in 2009/10 by \$93K
- The Local Government Superannuation Scheme (LGSS) has reviewed its position on how it will apply contribution rates for employees on the "defined benefit" scheme and has now agreed to apply amended (lower) rates over a 10 year period rather applying higher rates over a 5 year period. This will reduce Council's expected outlays in 2009/10 by \$95K
- Council's Workers' Compensation Insurer has informed Council that the insurance premium for 2009/10 will increase by \$200K above the preliminary budget estimate. This reflects a general trend of substantial increases in premiums across all SSROC councils.
- The 2009/10 rate pegging limit was announced as 3.5% whereas Council had anticipated a 3% limit. This has increased available revenues by \$89K.

The net result for the Council is that we have started the budget review needing to identify expenditure savings/revenue generation opportunities to convert a \$1.35M projected operating deficit for 2009/10 into a modest (\$52K) surplus in accordance with Council's policy.

What have staff done in response to the B&ORC's directions?

1. Staff have prepared a draft Management Plan and Budget for the period 2009/13 in accordance with resolution 1/11.
2. Staff have prepared brief reports (briefing papers) on six (6) matters listed in the B&ORC resolutions 3/11 to 8/11. Reference to these reports and summary recommendations from each are included within this over-arching report for ease of reference.
3. Senior staff have met for five budget review sessions totalling the equivalent of 3 full days working through the budget in detail in an effort to identify cost savings and additional revenue sources equivalent to \$1.35M. Major savings/revenues identified through this exhaustive process are listed in this summary report in accordance with resolution 9/11. The draft budget, as presented, provides for a modest operating surplus in accordance with Council's policy.
4. Staff have prepared a draft submission/application to the Department of Local Government for a Special Rate Variation (SRV) of 4% in accordance with resolution 2/11.
5. The draft Management Plan and Budget, as presented, preserves existing Council services at current levels in accordance with resolution 11/11.
6. The draft budget, as presented, provides for the additional \$651K in rate revenue derived from a 4% SRV to be applied to (a) the three (3) infrastructure projects deferred from the 2008/9 financial year to be undertaken in 2009/10 at a cost of \$305K (i.e. Yeo Park Toilets rebuild, Pratten Park Change-rooms, and Stage 3 works at Cecily Herman Reserve); and (b) **additional spending** on the renewal of Council's civil infrastructure, i.e. roads and footpaths, to the value of \$346K. This meets Council's expectations with respect to resolution 11/11.

Principal savings and revenues identified through the budget review process:

The following is a brief explanation of the principal cost savings and additional revenue sources identified through the budget review process. Each of the following has been incorporated in the draft budget and supports the bottom line operating surplus proposed. Should any of these inclusions be unacceptable to the Council and/or amended, this will impact on the bottom line outcome and will require compensating changes.

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| • Deferring the replacement of plant items until 2010/11 | Value \$317K |
| • Savings to Salaries and Wages budget by deferring recruitment of replacements for any staff that leave | Value \$140K |
| • Reduction in staff overtime | Value \$28K |
| • Review and refinement of staff performance review/reward outcomes (inc consequent superannuation savings) | Value \$292K |
| • Closure of 33M pool at Aquatic Centre for 2009/10 | Value \$60K |

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• Defraying portion of employer LGSS defined benefit scheme superannuation contribution	Value \$50K
• Additional revenue from staff who have Council vehicle	Value \$15K
• Sale of surplus “bob-cat” plant item	Value \$40K
• Additional revenue from review of fees & charges	Value \$156K
• Reduction in DA assessment consultants	Value \$15K
• Increase in fines and penalties revenue	Value \$35K
• Reduction in value of staff vehicles to be purchased	Value \$65K
• Abandon contribution to staff Christmas Party	Value \$10K
• Deferral of annual community survey to 2010/11	Value \$30K
• Line by Line review of operating budget	Value \$104K
 TOTAL VALUE	 \$1,357,000

Briefing Papers:

1. Review of fees and charges:

Council's Revenue Coordinator has prepared a report on fees and charges as requested by the B&ORC. The review was predicated upon (a) moving progressively over 3 years to a fees and charges regime comparable with other Category 2 councils; (b) is based upon increases of CPI plus 3.5%; and (c) has been informed by examining other inner west councils' fees and charges.

Status:

Incorporated into draft budget.

Budget Impact:

Additional \$156K revenue

Recommendation:

1.1 That the draft fees and charges schedule be adopted for inclusion in the draft Management Plan and Budget for the 2009/10 financial year.

2. Cost reduction and revenue raising

An overview of cost reduction and revenue raising outcomes 2006/09; Council strategic financial/infrastructure initiatives and key cost savings and revenue initiatives built into the draft 2009/10 budget

Status

Incorporated into Draft Budget

Budget Impact

\$1.357m (as indicated above)

3 Outdoor Dining:

The Director – Planning and Environment has prepared a report for the consideration of the Council on 14 April 2009. The report recommends that a review of the Council's Outdoor Dining & Footpath Trading Policy be undertaken in consultation with stakeholders and the community.

Status:

To be determined by Council on 14 April 2009

Budget Impact:

Nil

4 Paid Parking Options:

The Manager – Operations has prepared a preliminary report on options for paid parking as requested by the B&ORC. The report indicates that the Council should focus on options for introducing paid parking in the Brown Street and Ashfield Mall car parks in the first instance and that the latter should be considered in conjunction with the proposed re-location of the Council's parking facilities from the roof top car-park to the ground floor level of the Ashfield Mall redevelopment contained in the recently approved (by the L&E Court) DA. Given the process of community consultation required and the infrastructure necessary to initiate such proposals, it is suggested that such initiatives would not impact on the 2009/10 budget and should be the subject of further, more detailed reports.

Status:

Subject to further report/s to Council.

Budget Impact:

Nil in 2009/10

Recommendation:

- 4.1 That further, more detailed reports be provided to the Council on paid parking options with a focus on the introduction of paid parking in Council car parks at Brown Street and the Ashfield Mall.**

5 Employee Costs

The Manager Workplace and Customer Relations has written a brief report on employee costs including future trends, comparative figures and overtime expenditure. This report includes a review conducted by Manager Regulatory Services on the

MANAGEMENT PLAN AND BUDGET 2009/13

feasibility of employing an additional PPO. The report indicates that such an appointment would be revenue positive to the value of at least \$25K per annum.

Status:

Incorporated into draft budget.

Budget Impact:

\$460K expenditure saving in 2009/10.

Additional net revenue in regulatory services of \$25K.

Recommendation:

5.1 That Council note and endorse the proposal for deferred recruitment for vacant, non-critical staff positions occurring within 2009/10;

5.2 That Council note and endorse the reduced staff overtime provision in 2009/10; and

5.3 That Council acknowledge the revised projections for staff performance review remuneration in the 2009/10 financial year

5.4 That Council approve the appointment of an additional PPO

6 Fleet Requirements

The Council's Strategic Purchasing Officer has prepared a report on fleet requirements and options. This is a very complex and detailed issue and involves (a) a strategic policy setting by the Council taking into consideration the environmental imperatives and responsibilities of the Council as well as the significant potential staff retention issues; and (b) appropriate and sensitive consultation with affected staff. The consideration of this matter by the B&ORC at this stage is primarily related to the 2009/10 budget context, and the proposed budget impact in 2009/10 is to change over three of the existing fleet vehicles (two of which are six cylinder vehicles) to three "hybrid" fuel efficient vehicles (to a total of six "hybrids") and to provide for a modest increase in the staff leaseback and TRP rates paid for the use of vehicles. Beyond this it is proposed that a further and more detailed report be provided to the Council within the next two months on future fleet policy including the potential to supplement Council's fleet with "car-share" vehicles. This will provide the opportunity for appropriate levels of consultation with (staff) car users who currently have vehicles included in their employment packages and for this feedback/information to be incorporated into the report.

Status:

Three hybrid vehicles and increases in staff leaseback/TRP charges have been incorporated into the draft budget.

Budget Impact:

Net increase in revenue from staff leaseback/TRP charges of \$15K on 2009/10.

Recommendation:

- 6.1 That the Council note and endorse the acquisition of an additional three “hybrid” fuel efficient vehicles in 2009/10;**
- 6.2 That the Council note and endorse the modest increase in staff leaseback/TRP charges for vehicle use over the next three financial years providing additional revenue of \$15K in 2009/10;**
- 6.3 That a further, more detailed report be provided to Council on revised Motor Vehicle Policy within two months.**

Financial Implications

Included in the body of the report.

Other Staff Comments

Incorporated into the formation of the draft budget and the reports prepared for the B&ORC.

Public Consultation

Once adopted by the Council the draft budget will be placed on public exhibition for 28 days and will be well publicised including features in the next Community Newsletter.

Conclusion

The Council and the staff have been challenged by a number of significant external pressures impacting on the Council's management planning and budgeting for 2009/10 and beyond. Most significant among these are the twin impacts of accelerating government cost shifting and the global economic downturn.

The Council has responded by challenging the General Manager and staff to conduct a rigorous review of the Council's operating costs and revenues and to report on options for change which constitute potential significant restructuring of Council's on-going revenue base.

The draft budget presented to councillors represents a laudable and responsible effort to address the issues raised by the Council at the B&ORC workshop held on 17 March 2009 and provides the opportunity for the Council to adopt a budget with a modest operating surplus while maintaining all services at their current levels.

MANAGEMENT PLAN AND BUDGET 2009/13

ATTACHMENTS

- Attachment 1** Review of Fees & Charges
- Attachment 2** Paid Parking Options
- Attachment 3** Employee Costs (including PPO assessment)
- Attachment 4** Motor Vehicle Policy
- Attachment 5** Cost Saving and Revenue Raising
- Attachment 6** Draft Budget

RECOMMENDATION

That the draft Management Plan and Budget for the period 2009/13, incorporating the changes and initiatives outlined within this report, be adopted for the purposes of public exhibition.