

OVERVIEW

Operational results year-to date for September 2008 reflect a start to the financial year consistent with previous years, where expenditure activity is typically slower than other quarters.

Evident is under expenditure against budget targets (notwithstanding capital “phasing” issues) in most areas that will be picked up particularly in Q2 and Q3 as works and planning programmes progress. The realism of year to date budget figures is questionable in some areas – especially those which include capital expenditure, where actual expenditure may vary from the budget shown.

However, that aside, the reports do focus attention on our ability to achieve works programs.

Of concern is a number of significant negative variations that will carry through the year unless corrective action is taken. Potential expenditure over-runs and income shortfalls are apparent in some service activities and the forecast year-end position contained in the 2008-9 management plan of \$16k could be affected materially if not addressed now.

Income (as opposed to capital works funding) from rates is behind target as a result of lower than anticipated growth. This has been more than offset by the increase in the untied Financial Assistance Grant.

Increases in motor vehicle and heavy plant running costs and reduction in resale values driven by higher fuel prices, are likely to impact the Shire by raising the cost of delivering services and, in some areas, reducing the level of service being delivered. Staff contribution to passenger vehicles will be increased to partially offset this increase.

Environmental management increased costs for tip closures are due to contractual and legislative requirements however these can be met from reserve funds established for the purposes of tip closures – known as Tip remediation Reserves. Reserve accounts may provide cash management assistance in the short term but replacement income will be required over an acceptable period.

Toukley Stockpile Site has been traditionally used to hold materials for reprocessing and reuse. As ordered by the Department of Environment and Climate Change (DECC), this practice has ceased and all materials have been removed and the site made clean. The cost to clean up the site and disposal of materials will be shared Roads (40%), Drainage (30%) and Water & Sewer (30%).

The main issues (and possible solutions) facing the year-end projections are:-

	<i>Estimated Impact on Year-End Projection (Favourable) / Unfavourable</i>
Reduced costs Tuggerah Straight Stage 1 (RTA works) –Through extended negotiations with the Roads & Traffic Authority from the time the original budget for this work was developed, Council has been able to reduce the agreed value of work attributed to Council, thus achieving significant savings.	(\$770,000)
Reduced secondary roads rehabilitation to offset Toukley Stockpile cleanup costs. Deferred works include The Corso \$500K, Mataram Rd \$280k and Lakedge Rd \$350K. Alternative stockpiling options are being progressively implemented to offset the lost benefits that the Toukley site provided.	(\$1,130,000)
Currently the Buttonderry waste management site is the only permanent stockpiling and reprocessing site. Whilst this site has appropriate management controls in place, it is not optimal as it is some distance from actual sites of work. The establishment of an additional permanent site could take up to 12 months to establish, provided a suitable site is found.	
Motor Vehicle fleet – light vehicles. A projected annual operating cost increase of \$3,000 per vehicle driven by a significant reduction in the resale value of vehicles and increased in fuel prices. Offset by an increased contribution from staff with passenger vehicles, approx \$250K per annum. This increased contribution will commence 1st January 2009 and therefore only half of the savings will be achieved this financial year.	\$678,000
Estimated increased site surveillance at Cabbage Tree Harbour. Surveillance up to 31 December 2008. Necessary public safety in response to landslip after June 2007 storms. Timing is dependant on toewall construction and landowners carrying out remedial works. Delays by owners have extended the surveillance period and required Council to commence legal proceedings.	\$115,000
Waste management costs Gwandalan landfill \$700k and Shelly Beach \$60k – this cost represents the final position of remediation work within known requirements. However potential exists for further risk from future environmental imperatives.	\$760,000
Tip Reserve Funds will be used to accommodate these costs however the reserve will then be empty and Council will need to rebuild the funds to meet future tip remediation costs.	(\$760,000)
Environmental management costs – (General Fund component only) Toukley Stockpile Site has been traditionally used to hold materials for reprocessing and reuse. This practice has ceased and all materials have been removed and the site made clean. The clean up of the site and disposal of materials has cost in total \$3,044,000. This cost will be shared by the most significant beneficiaries of the site being Roads (40%), Drainage (30%) and Water & Sewer (30%).	\$1,218,000
Financial Assistance Grant - Increase in annual untied grant. Paid by the Federal Government.	(\$385,000)
Rates Levies – Rates revenue is less than original budget. Includes General rates and Special rates levied.	\$300,000
Various other minor adjustments.	\$101,000
Total Forecast Unfavourable Position for 2008/09	\$75,000

Other Impacts on work programs

Tipping fees for all operational areas have increased significantly as all excess material from projects has to now be disposed of at Buttonderry Landfill this will increase total operational costs between \$1million to \$2million. Combined with the (\$900k) increase in internal heavy plant hire charges, there are significant unbudgeted operational cost increases that have to borne for the remainder of the 2008-09 financial year. This will potentially decrease the level of service available in some areas and/or cause projects to be delayed.

Several areas of opportunity have been identified where cost savings can be made including: Improvements to project design, increased recycling of materials, reduction in non urgent maintenance, reduction in fuel usage and general improvements to waste management.

Corrective actions, as identified above to reduce the negative impact will continue to be sought. Some reduction in service levels, reduced contractor costs and direct overheads, are the principal means of recovery action.

A year-end projection nine months out is, by definition, a broad forecast. It is expected that the remaining estimated shortfall above is within an acceptable range and will be managed out of the equation by year-end. Alternate options for reducing expenditure (e.g. reduced employment levels) have a longer lead-times and are unlikely to deliver gains in the current year.

The proposed new monthly reporting suite will lift the level of financial control to enhance senior management's ability to identify areas of potential issue, detail specific responsive actions and pro-actively plan avoidance of pitfalls.

As part of Council's standard annual process, works in progress are identified and funding is approved to be "carried-over" to the next financial year. These funds and projects have been incorporated into the revised budget for 2008-09 with an overall net impact of NIL. However this does result in an increase on both expenditure and source of funds of \$11.655m. This includes grants, Section 94, contributions and revenue funded works.

BUDGET RISKS –

As Council's Management become aware of any risks to meeting the agreed budget or service level, it will investigate all options available before seeking additional funding from Council.

Table 1: Budget Risks

Directorate	Issue Description
Shire Plan.	Floodplain Management Program – Council commits an annual amount of \$137K on the basis of receiving \$274K grant funding. The current funding program closed in June 2008. Council has been advised that funding will be provided in 2008/09 however confirmation is not anticipated until June 09.
Shire Serv.	Mardi to Mangrove Link Project - The pipeline link design is still being developed. The agreed route and detailed project design will impact the final budget estimates for this project.
ALL	Potential loss of the Water and Sewer Operations from Council's control. Internal estimates and an External Audit Report have indicated that the impact on Council's bottom line, due to reduced economies of scale, would be in the order of \$5M per annum.
Shire Serv.	DECC related issues including: fines associated with the unauthorised disposal of waste materials at closed landfill sites and previous DECC Audit issues.
ALL	There is a potential risk that Council will incur additional tipping costs from normal operations as a result of implementing revised operational practices over the management of waste following recent audits by DECC.
Shire Serv./ Shire Plan.	Dispute with Land Owner adjacent to the closed Bateau Bay Landfill Site. Council is in dispute with an adjacent landowner in relation to drainage from the site. This is currently the subject of legal action.
Shire Serv.	Potential additional costs associated with contractual obligations Fishermans Wharf the Entrance.
Corp Serv.	Natural Disaster Funding – Council is working with the Dept. of Commerce to finalise the funding of the June 2007 storm event. There are discussions as to the eligibility of Council's claim for a component of salary and wages costs which represent approximately \$500K.
ALL	Plant costs are currently being reviewed in light of continuing trends in unfavourable auction results, high fuel prices and the impact of exchange rate movements. The review is flagging a significant increase in plant hire rates which will need to be addressed in the 2008/09 and future year budgets. This is likely to impact on the rolling works program.
ALL	The economy has a major influence on Council's revenues and expenses. With the current global economic crisis, Council may experience a flow on effect, which may impact various areas of Council's operations. Effects maybe felt from interest rate movements, downturn in business activity / development, short term inflation, business insolvencies, exchange rates and property market declines. At risk are Council's investment returns, development fee income, external tipping fees, land sales, fleet sales, fuel prices, contract rates / availability and the ability of residents to pay annual rates and charges.

TABLE 2 : PROPOSED SIGNIFICANT GENERAL FUND ADJUSTMENTS INCORPORATED INTO BUDGET FORECASTS – September Quarter

Key – Reason for Adjustment

EXT External Factors – outside Council's control
 INT Council / Management / Operational Decisions
 OBC Original Budget Correction

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
INT	Reduced contribution to RTA for Tuggerah Straight Stage 1	770	770	Expense	4.01.02	Main Roads
EXT	Toukley Environmental Remediation	(88)	(3,044)	Expense	4.01.04	Secondary Roads Rehabilitation - environmental remediation works at Toukley
			1,130	Expense	4.01.04	Secondary Roads Rehabilitation - environmental remediation works at Toukley
			1,826	Expense	6.09.32	Contribution to Toukley Remediation works (Water \$913K, Drainage \$913K)
INT	Additional costs associated with contractual obligations Fishermans Wharf the Entrance.	(50)	(50)	Expense	2.01.01	Town Centre Maintenance
INT	Appointment of permanent Landcare Officer position.	(89)	(55)	Expense	5.01.06	Shire Services Salaries
			(20)	Expense	5.01.04	Employee Overheads
			(14)	Expense	5.03.04	Shire Services Operations
INT	Maintaining Public Safety at Cabbage Tree Harbour.(see overview)	(115)	(115)	Expense	3.02.09	Cabbage Tree Harbour Works

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
EXT	Increased Motor Vehicle running costs, partially offset by increased staff contributions	(464)	(15)	Expense	5.04.02b	GM's Unit
			(\$3)	Expense	5.04.03	Internal Audit
			(3)	Expense	2.01.10	Contributions to Economic Development
			(6)	Expense	1.01.18	Library & Customer Services
			(12)	Expense	1.01.06a	Community Buildings Maintenance
			(57)	Expense	1.07.02	Open Space Maintenance
			(6)	Expense	1.07.03	Noxious Weeds
			(3)	Expense	1.07.07	Beach Operations
			(6)	Expense	1.01.08	Community Services
			(3)	Expense	4.01.09	Road Safety
			(6)	Expense	5.03.04d	Shire Services Operations - Contracts
			(6)	Expense	5.03.04e	Shire Services Operations - Business Units
			(15)	Expense	4.01.04	Secondary Roads Rehabilitation
			(24)	Expense	4.01.05	Secondary Roads Maintenance
			(90)	Expense	5.03.04b	Shire Services Operations - Roads & Drainage
			(30)	Expense	5.03.04a	Shire Services Operations - General
			(36)	Expense	5.03.04c	Shire Services Operations - Cust & Community Services
			(129)	Expense	5.03.04f	Shire Services Operations - Water & Waste
			(51)	Expense	5.03.05c	Future Planning - Future Planning Admin
			(132)	Expense	1.08.01	Development Control
			(12)	Expense	3.02.12	Legal - Planning & Policy
			(24)	Expense	5.04.01b	By Laws
			(21)	Expense	3.02.10	Pollution Monitoring & Health
			(3)	Expense	5.05.05a	Future Planning - Shire Planning Admin
(21)	Expense	5.05.05e	Future Planning - Natural Resources Admin			
(6)	Expense	5.03.03a	Information Systems - General			
(6)	Expense	5.03.03b	Information Systems - Bus Analysts			

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
	Increased Motor Vehicle running costs, partially offset by increased staff contributions (cont..)		(3)	Expense	5.03.06	Organisational Development
		(3)	Expense	5.04.02c	Corporate information & LIS	
		(3)	Expense	5.01.03	Risk Management	
		(9)	Expense	5.02.02	Supply	
		(9)	Expense	5.04.02a	Administrative Services	
		(6)	Expense	5.04.04	Councillor Support	
		(6)	Expense	1.01.17	Community Liaison	
		(15)	Expense	5.01.02a	Personnel & Payroll	
		(6)	Expense	5.02.01	Revenue Collection	
		(3)	Expense	5.02.03	Finance Operations	
		(3)	Expense	5.01.01a	Training & Development	
		(6)	Expense	5.04.02e	Corporate Admin - Corp Services Executive	
		124	Expense	6.03.12	Vehicle Salary Sacrifice (Increased Contributions from Staff)	
		85	Expense	6.13.04	Transfer From Reserves - Contribution from Water Overhead Recoveries	
		25	Expense	6.13.04	Transfer From Reserves - Contribution from Drainage Overhead Recoveries	
	93	Expense	6.13.04	Transfer From Reserves - Contribution from Sewer Overhead Recoveries		
	7	Expense	6.13.04	Transfer From Reserves - Contribution from Waste Overhead Recoveries		
OBC	Increased Costs associated with the Shire Services operations budget (predominantly motor vehicle operating costs associated with filling long term vacant positions)	(198)	(198)	Expense	3.02.09	Cabbage Tree Harbour Works
OBC	Rates Levy Amendment to original budget	(300)	(300)	Income	3.02.09	Rates Levy General

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
EXT	Savings identified across Corporate Services Directorate to offset increased Motor Vehicle costs.	70	6	Expense	5.03.03a	Information Systems - General
			6	Expense	5.03.03b	Information Systems - Business Analysts
			3	Expense	5.03.06	Organisational Development
			3	Expense	5.04.02c	Corporate information & LIS
			4	Expense	5.02.02	Supply
			6	Expense	5.04.04	Councillor Support
			6	Expense	1.01.17	Community Liaison
			3	Expense	5.01.03	Risk Management
			6	Expense	1.01.17	Community Liaison
			15	Expense	5.01.02a	Personnel & Payroll
			3	Expense	5.02.03	Finance Operations
			3	Expense	5.01.01a	Training & Development
			6	Expense	5.04.02e	Corporate Admin - Corp Services Executive
OBC	Increased Costs associated with the Shire Planning operations budget – this change includes the alignment of admin budget reporting responsibilities (increased costs are predominantly associated with motor vehicle operating costs associated with filling long term vacant positions)	(98)	(56)	Expense	5.04.01b	Legal - Planning & Policy
			151	Expense	1.08.01	Development Control
			(238)	Expense	5.03.05	Shire Planning Administration
			45	Expense	3.02.10	Regulation and Compliance
EXT	Financial Assistance Grant – Increase.	385	287	Income	6.07.01	Financial Assistance Grant General
			98	Income	6.08.18	Financial Assistance Grant Roads
INT	Other Minor Adjustments	\$118	118	Expense		
TOTAL Adjustments		(\$59)				
Original Management Plan Funding Result		(\$16)				
TOTAL		(\$75)				

TABLE 3 : PROPOSED GENERAL FUND (Waste) ADJUSTMENTS INCORPORATED INTO BUDGET FORECASTS – September Quarter

Key – Reason for Adjustment

EXT External Factors – outside Council's control
 INT Council / Management / Operational Decisions
 OBC Original Budget Correction

WASTE

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	IMPACT \$ 000s (unfav)/fav	LINE TYPE	Mplan Line #	LINE DESCRIPTION
EXT	The overall Waste program has been reviewed and adjusted to allow for unscheduled clean up works in response to DECC notices at Gwandalan and Shelley Beach. Finalise remediation of Bateau Bay closed landfill. <i>Note: clean up of Toukley Stockpile Site, works will be funded from Secondary Roads Rehab, Water and Waste.</i>	(7,542)	(524)	Expense	4.05.03	Domestic Waste Tip Rehabilitation
			(49)	Expense	4.05.08	Commercial Waste Tip Rehabilitation
			100	Expense	4.05.11	Tip Operations
			(1,357)	Expense	4.05.12	Tip EPA Levy
			(5,021)	Expense	4.05.16	Tip Rehabilitation
			(691)	Expense	4.05.17	Tip Capital Works
EXT	Increased Revenue (Internal)	3,869	3,869	Income	6.12.06	Internal Tipping Fees
INT	Funding of additional works from reserves	3,673	3,673	Income	6.13.06	Transfer from Waste Reserve
TOTAL	Impact on General Purpose Revenue	Nil				

WATER & SEWER

TABLE 4 : PROPOSED WATER & SEWER FUND ADJUSTMENTS – September Quarter

Key – Reason for Adjustment

EXT External Factors – outside Council’s control
 INT Council / Management / Operational Decisions
 OBC Original Budget Correction

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
INT	Water Contribution towards environment works at the Toukley site.	(913)	(913)	Expense	4.03.08	Water Administration
INT	Drainage Contribution towards environment works at the Toukley site.	(913)	(913)	Expense	4.02.01	Drainage Maintenance
INT	Reduced Drainage capital works – * Anzac Rd Wyong (Designs not anticipated to be completed in 2008/09. Defer full project to 2009/10.) * Brisbane St Noraville (Designs not anticipated to be completed in 2008/09. Defer full project to 2009/10.)	1,050	1,050	Expense	4.02.02	Drainage Capital Works
INT	Transfer to Drainage reserves	(137)	(137)	Reserves	6.13.05	Transfer to Water/Drainage reserves
INT	Deferral of Water capital works program – Mardi to Warnervale trunk main project is subject to bridge construction which is not anticipated for completion this financial year	913	913	Expense	4.03.10	Water Capital Works
TOTAL Impact on General Purpose Revenue		NIL				

EXPENDITURE ANALYSIS :

Principal Activity 1 – Society

SEPTEMBER, 2008	ANNUAL BUDGET		YTD ACTUALS		YTD BUDGET			ENCUMB.
	Original Budget	Revised Budget	YTD Actual	YTD Actual	YTD Budget	YTD VAR	YTD VAR	YTD COMMIT
	\$'000	\$'000	\$'000	%	\$'000	\$'000	%	\$'000
PA 1 - SOCIETY								
1.1 Community Support & Development	14,906	15,100	2,732	18%	2,946	214	7%	2,601
1.2 Education	0	0	0	0%	0	0	0%	0
1.3 Health	70	70	15	21%	17	3	16%	0
1.4 Housing for Disadvantaged	0	0	0	0%	0	0	0%	0
1.5 Community Safety	0	0	0	0%	0	0	0%	0
1.6 Public Transport	0	0	0	0%	0	0	0%	0
1.7 Leisure, Recreation and Open Space	14,694	15,556	2,319	15%	2,098	(221)	-11%	762
1.8 Urban Quality	2,340	2,345	464	20%	564	100	18%	33
1.9 Noise	0	0	0	0%	0	0	0%	0
1.10 Heritage	10	10	1	13%	6	5	79%	0
1.11.01 Allocation of Salaries & Overheads	20,007	20,007	5,003	25%	5,000	(3)	0%	0
TOTAL ACTIVITY	52,027	53,088	10,534	20%	10,632	98	1%	3,397

Areas of interest include:

Community Building Construction

This budget line is made up of the following primary projects:

- * The Entrance Multipurpose Centre Stage 2 - Progress has been significantly behind expectations. Building work is close to schedule, but civil works, site services and landscaping are significantly behind programme.
- * Hamlyn Terrace Playing Fields and Community Centre – The compulsory acquisition of the land has been approved by the Dept of LG. Completion of acquisition is anticipated in December 2008. An initial concept plan and project description for the site have been completed. The focus for the December 2008 quarter will be the preparation of a consultant brief and tender.
- * Ourimbah Community Facility – Site survey work is scheduled to be completed by December 2008. The background planning work involving discussions with the community and potential users leading to the preparation of the design brief are due to commence in the first quarter of 2009.
- * Warnervale Knowledge Centre Library – Scoping of the knowledge centre has commenced. Finalising a design brief is partly dependent upon staging of the town centre and the release of the DoP guidelines governing the use of Section 94 funds.
- * Wyong Performing Arts Centre Design and Approval – Report on suitable site to be considered by Council in December 2008.

Childcare Operations

Overall Children's Services has recorded a year to date surplus of \$170K against a budgeted year to date surplus of \$82K. This is a better than budgeted result of \$88K. Reduction in expenditure is partially offset by reduction in income due to lower utilisations. Additional regulatory requirements combined with the downturn in economy potentially affecting attendance averages may have a negative impact on the full year's income. Notwithstanding this it is anticipated that, due to the continual close management of these operations, budget targets will be achieved for the 2008- 2009 period.

1.07.02 Open Space Maintenance

Year to date expenditure is on track in comparison to the full year budget.

1.07.06 Open Space Improvements/Acquisitions

Year to date budget requires adjustment as a number of projects are yet to be let.

Principal Activity 2 – Economy

SEPTEMBER, 2008	ANNUAL BUDGET		YTD ACTUALS		YTD BUDGET			ENCUMB.
	Original Budget \$'000	Revised Budget \$'000	YTD Actual \$'000	YTD Actual %	YTD Budget \$'000	YTD VAR \$'000	YTD VAR %	YTD COMMIT \$'000
PA 2 - ECONOMY								
2.1 & 2.2 Emp., Wage Structure & Labour Force	3,293	3,390	685	20%	765	80	10%	50
2.02.01 Allocation of Salaries & Overheads	1,400	1,400	350	25%	350	(0)	0%	0
TOTAL ACTIVITY	4,693	4,790	1,035	22%	1,115	79	7%	50

Areas of interest include:

All service levels remain on track and within allocated budgets.

Principal Activity 3 – Natural Environment

		ANNUAL BUDGET		YTD ACTUALS		YTD BUDGET			ENCUMB.
SEPTEMBER, 2008		Original Budget \$'000	Revised Budget \$'000	YTD Actual \$'000	YTD Actual %	YTD Budget \$'000	YTD VAR \$'000	YTD VAR %	YTD COMMIT \$'000
PA 3 - NATURAL ENVIRONMENT									
3.1 Land		139	155	9	6%	16	7	43%	1
3.2 Water		9,870	13,299	845	6%	1,513	668	44%	681
3.3 Terrestrial Biodiversity		103	386	80	21%	26	(54)	-210%	165
3.4 Air & Climate		85	85	0	0%	21	21	100%	0
3.05.01 Allocation of Salaries & Overheads		4,580	4,580	1,145	25%	1,145	(0)	0%	0
TOTAL ACTIVITY		14,777	18,504	2,079	11%	2,720	641	24%	847

Areas of interest include:

Coastal Hazard and Management Plan

Expenditure on the Coastline Management Plan has been suspended for the last three years due to Department of Environment and Climate Change's (DECC) requirements. A new contract variation to complete the program has been negotiated with consultants and needs to be approved by Council before proceeding in the 2008/09 financial year. Negotiations are currently proceeding with DECC regarding whether a variation to the existing contract or development of a new contract by way of a new tender process is the most appropriate way forward. Current expenditure is less than the original contract amount and all continuing works will be covered by the variation.

Cabbage Tree Harbour Works

Construction - The initial \$90K budget (50% grant and 50% revenue) was used to fund the geotechnical investigations following the landslips in June 07 as well as the concept design of the proposed Toe-Drainage structure. Additional grants from DECC for \$565K have been awarded with a preliminary payment of \$400K last financial year. This and Council's 50% contribution of \$565K are to be used to cover detailed design work (already undertaken as variations on the initial investigations and concept design contract) and construction. The review of environmental factors required for the Toe-Drainage structure has been completed. A public consultation process is intended to be undertaken in October, followed by the submission of a Part 5 application. Once the application is approved the tender process will commence.

Surveillance - to continue until 31 December 2008 to ensure public safety. End date dependent on timing of toewall construction and landowners carrying out remedial works. Delays by some owners have led to extension of surveillance period and commencement of legal proceedings.

Estuary Management Plan & Other Storm Water Works

In addition to the works being continued from the 2007/08 financial year, a further \$6,707K worth of works are planned for completion in the current financial year. The further works are funded through \$4,000K from Federal funds, \$1,710K from Stormwater Levy, and \$997K from Holiday Park cluster plan funds. The Stormwater Levy funded works to be constructed this year will be reported to Council for approval at its October meeting. Council has submitted supporting documentation to 'Caring For Our Country', the federal administrative body, and is awaiting a draft contract to receive the \$20M federal funding. Upon signing the contract, \$1.25M of stream bank rehabilitation works along Tumbi Creek will go to tender for construction this year.

Principal Activity 4 – Infrastructure

		ANNUAL BUDGET		YTD ACTUALS		YTD BUDGET			ENCUMB.
SEPTEMBER, 2008		Original Budget \$'000	Revised Budget \$'000	YTD Actual \$'000	YTD Actual %	YTD Budget \$'000	YTD VAR \$'000	YTD VAR %	YTD COMMIT \$'000
PA 4 - INFRASTRUCTURE									
4.1 Roads		50,902	57,211	6,939	12%	5,327	(1,612)	-30%	953
4.2 Drainage		10,549	11,890	1,350	11%	1,450	99	7%	208
4.3 Water		113,390	113,390	6,312	6%	10,149	3,837	38%	9,208
4.4 Sewer		27,774	27,774	3,653	13%	4,255	602	14%	2,388
4.5 Waste		33,022	40,564	8,718	21%	9,857	1,139	12%	2,636
4.06.01 Allocation of Salaries & Overheads		25,099	25,099	6,275	25%	6,272	(3)	0%	0
TOTAL ACTIVITY		260,736	275,928	33,248	12%	37,310	4,062	11%	15,393

Areas of interest include:

Main Roads

Main roads maintenance program is running to schedule. There are major expenditure items relating to Council's contribution to works on the Pacific Hwy Tuggerah Stage 2 is not expected to be incurred until the 4th quarter of 2008/09.

Secondary Roads Construction

Current budget includes an allocation of \$26.8M for works on the Link Rd Warnervale. This project will only incur minimal expenditure this year. A further report will be submitted to Council on Warnervale and the Link Rd for Council's consideration on proceeding with the project, the associated timing involved and the implications for the current budget.

Secondary Roads Rehabilitation

Additional expenditure has been incurred in the 1st quarter of 08/09 including works on the cleanup of Toukley Stockpile Site, cleanup of asbestos at Hutton Rd, landslip works at Dog Trap Rd. Capital works projects have been identified to be deferred to offset these additional expenditures.

Secondary Roads Maintenance

Current expenditure indicates a minor overrun, however actions have been implemented to ensure full year budget is achieved.

Drainage Maintenance

Current expenditure indicates a minor overrun, however actions have been implemented to ensure full year budget is achieved.

Drainage Capital Works

Annual budget won't be achieved due to design work not completed for Anzac Rd Wyong and Brisbane St Noraville. These projects have been identified to be deferred to offset Toukley Stockpile cleanup costs.

Principal Activity 5 – Organisation

		ANNUAL BUDGET		YTD ACTUALS		YTD BUDGET			ENCUMB.
SEPTEMBER, 2008		Original Budget \$'000	Revised Budget \$'000	YTD Actual \$'000	YTD Actual %	YTD Budget \$'000	YTD VAR \$'000	YTD VAR %	YTD COMMIT \$'000
PA 5 - ORGANISATION									
5.1 Workforce		44,079	44,297	11,116	25%	11,453	337	3%	116
5.2 Finance		13,184	12,945	2,752	21%	3,536	784	22%	3,515
5.3 Support Systems & Equipment		22,662	23,792	6,382	27%	6,881	499	7%	16,226
5.4 Governance		2,574	2,653	959	36%	1,067	108	10%	184
5.05.01 Allocation of Salaries & Overheads		(51,086)	(51,086)	(12,773)	25%	(12,766)	7	0%	0
TOTAL ACTIVITY		31,413	32,601	8,437	26%	10,170	1,733	17%	20,041

Areas of interest include:

Employee Overheads

The annual budget of \$18,519K for employee overheads represents payments for items including employee leave entitlements, workers compensation, and superannuation. This budget is subject to, among other things, the timing and level of leave being taken by employees across Council. Significant entitlement payments are covered by leave Reserves. With 26% expended of the Full Year Budget to date, and Christmas and the summer holiday period to come, this requires close monitoring. Note, whilst leave taken is usually off-set by lower salary payments this is only so once the budgeted vacancy rate has been achieved. Effectively, this means where there is no real vacant positions there will not necessarily be any off-set to fund the leave payment nor funding for back-filling of positions.

Legal – Planning & Policy

The Legal/Policy expenditure for the end of September 2008 is on track, however legal expenditure is subject to large fluctuations. Closer case management, informed decision making and the mediation/negotiation of cases wherever possible is assisting in minimising expenditure.

Plant & Fleet

Current economic conditions are impacting plant and fleet operations. Running costs are 10% over YTD budget, primarily as a result of higher fuel prices. Of particular note is the lower resale values for light vehicles. These shortfalls are being addressed by revising plant hire rates, private use contributions and reducing light vehicle replacements.

SOURCE OF FUNDS ANALYSIS

Contributions & Donations and Transfer From/(To) Restricted Assets are subject to year end accounting entries.

SEPTEMBER, 2008	ANNUAL BUDGET		YTD ACTUALS		YTD BUDGET		
	Original Budget \$'000	Revised Budget \$'000	YTD Actual \$'000	YTD Actual %	YTD Budget \$'000	YTD VAR \$'000	YTD VAR %
PA 6 - SOURCE OF FUNDS							
Revenue							
6.1 General Rates & Levies	(55,105)	(54,805)	(54,676)	100%	(54,762)	(86)	0%
6.2 Annual Charges	(48,656)	(48,656)	(48,339)	99%	(49,031)	(692)	1%
6.3 User Charges	(45,673)	(45,812)	(10,257)	22%	(10,837)	(580)	5%
6.4 Fees	(4,727)	(4,717)	(1,405)	30%	(1,273)	132	10%
6.5 Interest On Investments	(5,604)	(5,604)	(23)	0%	(1,246)	(1,223)	98%
6.6 Other Revenue	(2,286)	(2,286)	(359)	16%	(306)	52	17%
Total Revenue	(162,051)	(161,880)	(115,058)	71%	(117,456)	(2,397)	2%
Grants							
6.7 General Purpose Grants	(10,694)	(10,982)	(1,925)	18%	(1,925)	0	0%
6.8 Specific Purpose Grants	(23,622)	(24,057)	(1,779)	7%	(1,994)	(215)	11%
Total Grants	(34,316)	(35,039)	(3,704)		(3,919)	(215)	5%
Contributions							
6.9 Contributions and Donations	(77,414)	(83,460)	(329)	0%	(426)	(97)	23%
Total Contributions	(77,414)	(83,460)	(329)		(426)	(97)	23%
Other Income							
6.10 Loan Funds	(51,923)	(51,923)	0	0%	0	0	0%
6.11 Sale Of Assets	(17,380)	(17,380)	(9)	0%	(612)	(603)	99%
6.12 Internal Charges	(17,559)	(21,428)	(6,110)	29%	(4,176)	1,934	46%
6.13 Transfer From / (To) Restricted Assets	(2,986)	(13,726)	0	0%	0	0	0%
Total Other Income	(89,848)	(104,457)	(6,119)	6%	(4,788)	1,331	28%
TOTAL ACTIVITY	(363,629)	(384,835)	(125,210)	33%	(126,588)	(1,378)	1%

Development Application Fees.

A number of large projects have been lodged in the last month which is reflected in the improved position of this budget line. The last few months are showing good trends in DA numbers. This will be monitored closely given the strong linkage between this income stream and activity in the building sector (which is currently depressed).

Interest on Investments

Interest- Banks & Securities

Investment returns for 2008/09 are volatile due to continued issues in the global credit markets, recent moves by governments across the globe may bring some liquidity back into the market, however in the current environment it is difficult to determine what the final earnings in 2008/09 will be. Council is working with our investment advisors to ensure the prudent management of the portfolio, with the current position a hold on selling of discounted securities which have a strong underlying value.

Internal Charges

Internal Tipping Fees

In conjunction with DECC requirements, Council continues to deliver all Council waste materials directly to the Buttonderry Waste Facility. This will continue to generate a significant amount internal tipping income over and above the original budget estimates. Council is investigating options for re-processing and re-using natural waste materials generated predominantly from the Open Space and Roads programs.