

BUDGET OVERVIEW

In the 2007-08 Management Plan, Council adopted an Original Budget position that was balanced. The forecast result adopted by Council for the December Quarter Review was a deficit of \$360K. This forecast result was improved to a deficit position of \$75K in the March Quarter Review.

Whilst the Annual Financial Statements are currently being completed, this Interim June Review has been undertaken to indicate expected performance against budget lines in the Management Plan.

Until the Statements are completed, including all accruals, finalisation of provisions, adjustments, and movements to/from reserves it is not possible at this at this time to identify Council's final result. Accordingly, all details enclosed should be treated at this time as preliminary figures, with final reports to be reported to Council as part of the presentation of the Annual Financial Statements in October.

The interim funding result for General Fund is a surplus of \$40K. Subject to a review of Council's land reserve and employee leave entitlements reserve.

The major contributors to this position are identified below.

Based on the interim Financial Results the Council's Responsible Accounting Officer reports that Council is in a sound financial position as at the 30 June 2008.

The June Quarter Review aims to provide Council with an update on the financial result taking into account the following:

1 Key Assumptions:

- * Reports reflect the Management Plan Budgets and Actuals, ie, not on full profit and loss and balance sheet and not full accrual accounting.
- * On the Basis of funding source, ie grants and contributions have been reported net of transfers from reserves, not accrued income, excluding RTA and Council Business units
- * Including Accruals up to 21 June 2008, interim trial balance as at 21 June 2008
- * Excluding final movements in Employee Leave Entitlements
- * Excluding final allocation.

2 Budget Carry-Over Requests – Grant Restrictions / Conditions

Each year Council is required to identify all grants and contributions where the full obligations have not yet been achieved and to restrict these funds and to carry the related expenditure budgets into the future year when the works are to be completed. In some cases where the allocated budgets include matching Council funds, these monies also need to be carried forward allowing Council to fulfil contractual obligations.

3 Budget Carry-Over Requests – Works in Progress / Yet to be commenced

Budget Carry-overs are a normal part of Council's operations given that the finalisation of the financial year ends results in timing issues between the year in which the funds had been budgeted and the actual receipt of goods and services, and completion of projects. There is always something in progress as at the 30 June 2008. The Requests for Carry-Overs do not include minor recurrent expenditures but are the result of a significant budget allocation where a project remains incomplete as at the 30 June 2008. Water and Sewer Carry-overs are subject to finalisation of the joint water equalisation accounts.

4 Restricted Assets

Council is required to process restrictions for funds according to Grant Agreements, Council Policies, external agreements, legislative requirements, and restricted asset class or fund.

Financial Management

Council conducts monthly performance reviews of financial performance against budgets, programs and services which are reported to Council in the Quarterly Reviews.

A number of improvements have been implemented in the Budget review process in the 2007-08 financial year. The most significant of these changes was the implementation of the Power Budget reporting and enquiry tool for Finance and Budget Managers. The Power Budget system has provided a number of benefits including:

- * Intuitive transaction drill-down
- * Flexible and automated reporting
- * Budget entry and dissection tool
- * Source of Funds reporting

Other improvements include:

- * The introduction of a formal budget variation documentation and approval process through Council's document management system (TRIM),
- * Continued development of work plans for key budget areas.

The above improvements, together with the continued efforts of budget managers and Directors, has seen an improvement in the quality of budgetary control.

GENERAL FUND - Significant items impacting final result.

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
EXT	Open Space Maintenance over spent by \$226K. Increased rain has impacted vegetation growth increasing the amount of general maintenance necessary, together with, increased removal of hazardous trees.	(\$226K)	Expense	1.07.02	Open Space Maintenance
INT	Over expenditure on Corporate Services Salaries predominantly as a result of low vacancy rates across the Directorate. The budget for Corporate Services salaries budget contained an estimated vacancy rate of 6.9% for 2007-08. The actual vacancy rate, in dollar terms, was approximately 3%, explaining the 4% over-expenditure.	(\$260K)	Expense	5.01.05	Corporate Services Salaries
EXT	Savings achieved as a result of public liability claims being lower than original estimates. There is a high degree of variability associated with the frequency and magnitude of such claims.	\$233K	Expense	5.01.03	Risk Management
EXT	Reduced expenditure as a result of delays in the construction of roads due to periods of wet weather. This equates to a 2.5% variance against a budget of \$11,040K. The delayed projects were Bush St, Pollock Ave, Ridgeway St, and McLaughlin Ave.	\$277K	Expense	4.01.04	Secondary Roads Rehabilitation
INT	Additional expenditure on Secondary Roads construction, primarily Leewood Ave(\$21K), and Louisiana Rd (\$230K) which were not included in the March Budget.	(\$245K)	Expense	4.01.03	Secondary Roads Construction
INT	Increased maintenance costs as a direct result of damage caused by ongoing wet weather conditions. These include \$204K for expenditure on roads directly resulting from the 2008 April long weekend storm damage.	(\$653K)	Expense	4.01.05	Secondary Roads Maintenance
INT	Staff Training costs for 2007-08 were over budget due to the on-going delivery of essential training to meet staff training obligations.	(\$122K)	Expense	5.01.01	Training And Development
INT	Employee Leave Entitlements over budget due to higher than budgeted leave taking and paid with significant reductions in overall leave balances. This reflects Council's ongoing policy to manage outstanding leave balances. The interim result assumes reserve funding of \$781K net. The ELE Reserve and Restricted Asset is currently being reviewed by our Actuary as part of the financial year end process and is yet to be finalised.	(\$309K)	Expense	5.01.01	Training And Development

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
INT	Shire Services Administration over spent by \$238K. The most significant over expenditure was related to motor vehicles running costs due to an increase of 4 departmental vehicles resulting from changes to the motor vehicle policy and recruitment of staff into vacant positions.	(\$238K)	Expense	5.03.04	Shire Services Operations
INT	Over expenditure in Admin Services resulting from unbudgeted items including: annual licence fee \$20K for Council's E-tendering system; \$40K for office re-fitting on levels 5 and 1, \$35K for external advice on The Entrance Town Centre Management, .	(\$153K)	Expense	5.04.02	Administrative Services
INT	Rental income for the full year is \$184K better than the revised budgets. This is due to increase in rental agreements – predominantly associated with communications towers.	\$184K	Income	6.03.13	Property Rentals & Other Admin Charges
EXT	Continued Downturn in Development activity has resulted in a reduction of Development related income including: tree application fees, development application fees, DA advertising, construction certificates, building inspection certificates, complying development fees, subdivision application fees, and subdivision/construction fees.	(\$156K)	Income	6.04	Various Lines Development income lines
INT	Increased income received from the RTA resulting from an increased level of allocated works in the final quarter of 2007-08.	\$1,408K	Income	6.08.14	Main Roads Engineering Fees
EXT	Higher prices for scrap metals has resulted in the public directly recycling metal materials. This has driven a significant reduction in volumes of scrap metal recovered from Buttonderry tip and therefore a reduction in associated income.	(\$152K)	Income	6.06.11	Sundry Engineering Income
EXT	Interest Income is over budget due to the original budget being based on lower than actual cash balances through-out the year in General Fund. No budget variation was proposed in 2007-08 due to the on-going volatility in credit markets and the resulting impact on returns. In the interim result this has been treated as Restricted Asset.	\$500K	Income	6.05.03	Interest Banks & Securities (General Fund)
	Other Variations	(\$48K)			Various
	TOTAL	\$40K			

WATER & SEWER FUND - Significant items impacting final result.

The following table summaries key variations in the Water & Sewer funds. Calculation of the final funds and loans to be carried forward are yet to be finalised based on final accruals and calculation of the Joint Water Equalisation account.

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
INT	Surplus to budget by \$1,194K. Delays in the delivery of significant components of three projects. Turner Close and Villa Close were redesigned to improve outcomes and George Evans Drive was delayed due to land purchase & easement issues. As a result 21% of the 2007-08 program was not expended.	\$1,194K	Expense	4.02.02	Drainage Capital Works
INT	Additional costs were incurred as a result of repairing lightning damage at Mardi Water Treatment Plant.	(\$126K)	Expense	4.03.05	Water Treatment Plant Maintenance
INT	Deferral of Supply and scheme analysis projects together with vacancies in staffing structure and savings in communications expenditure.	\$501K	Expense	4.03.07	Joint Water Supply
INT	Water Loan Repayments - Revised Budget exceeded by \$1,522K (18%) due to the December Schedule of Loan Repayments not including the June loan repayment on the new borrowings.	(\$1,522)	Expense	4.03.09	Water Loan Repayments
INT	There are outstanding payments in relation to the contribution to the Balikera Works. These works are funded through loans and contributions and will be carried forward if not spent in this financial year	\$3,964K	Expense	4.03.12	Drought Management Works
INT	Delays in the delivery of significant water capital projects. These works are funded through loans, contributions, and grants and will be carried forward if not spent in this financial year.	\$10,815K	Expense	4.03.10	Water Capital
INT	Significant increase in operational costs associated with an increase in chemical costs and supply of liquid oxygen.	(\$232K)	Expense	4.04.02	Sewer Pump Station Operations

ADJ TYPE	COMMENT	IMPACT \$ 000s (unfav)/fav	LINE TYPE	LINE #	LINE DESCRIPTION
EXT	Sewer Treatment Plants were over spent by \$241K, or 9%, due to cost increases at the sewer treatment plants as a result of increased flows from the wetter weather and increases in maintenance requirements.	(\$241K)	Expense	4.04.06	Sewer Treatment Plants
INT	Delays in the delivery of significant sewer capital projects. These works are funded through loans, contributions, and grants and will be carried forward if not spent in this financial year.	\$4,495K	Expense	4.04.09	Sewer Capital
EXT	Water usage income has not achieved targets due to ongoing lower than anticipated water usage due to the wetter weather. Water consumption patterns have been extremely difficult to predict in the environment of relaxing water restrictions and seasonal conditions. Overall, this represents a 4% variance to budget.	(\$627K)	Income	6.03.05	Water Usage Income
EXT	Interest Income is over budget due to the 2007-08 Budget due to the original budget being based on lower than actual cash balances through-out the year in General Fund. No budget variation was proposed in 2007-08 due to the on-going volatility in credit markets and the resulting impact on returns.	\$542K	Income	6.05.03	Interest Banks & Securities (WSA)
INT	\$36M in Water and Sewer Loan proceeds were drawn down in December 2007 to fund the Water & Sewer 2007-08 Capital Programs. In the March Budget Review \$7,351K was identified as the estimated Unexpended Loans Component which was to be a Transfer to Un-expended Loans. This estimate is now subject to finalisation of the accounts and joint water equalisation accounts.	\$7,351K	Income	6.10.01 6.10.02	Water Loan Funds Sewer Loan Funds

EMERGING BUDGET ISSUES - 2008-09 and beyond

The following table summarises key issues which are emerging which are likely to have an impact on the 2008-09 budget and beyond:

Directorate	Issue Description
Shire Plan.	Floodplain Management Study – Council commits an annual amount of \$137K to its Floodplain Management program on the basis of grant funding of \$274K being provided. The current funding program closed in June 2008. Council has been advised that funding will be provided in 2008-09 however at this stage the level of funding has not been confirmed. Final funding confirmation is not anticipated until June 2009.
Shire Serv.	Mardi to Mangrove Link Project - The Mardi to Mangrove pipeline link design is still being developed. The final agreed pipeline 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.	EPA fines associated with the unauthorised disposal of waste materials at closed landfill sites. The cost of any fines levied is dependant on the position taken by DECC.
Shire Serv.	Remediation Works at closed landfill sites. It is estimated that up to \$3M of works will need to be undertaken earlier than was anticipated and likely to be accelerated due to political nature of the context and works involved to meet DECC timeframes. The premium for this acceleration is preliminarily estimated to be up to \$1M.
Shire Serv.	Additional contract costs for Rehabilitation at the Bateau Bay closed landfill site. Council is in dispute with the contractor over contract payments. This is currently the subject of legal action.
Shire Serv.	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.

FINANCIAL PERFORMANCE TO MARCH ADOPTED BUDGET

The following analysis provides an overview of the significant variations of the full year actual results to the March Quarter budget, representing the last budget adopted by Council.

EXPENDITURE ANALYSIS :

Principal Activity 1 – Society

INTERIM- JUNE, 2008	ANNUAL BUDGET				YTD ACTUALS		INTERIM REVIEW
	Original Budget	SEP Review	DEC Review	MAR Review	YTD Actual	YTD Actual	Mar Bud. v's Jun Act.
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000
PA 1 - SOCIETY							
1.1 Community Support & Development	17,862	18,281	18,468	14,339	12,092	84%	2,247
1.2 Education	0	0	0	0	0	0%	0
1.3 Health	56	56	73	73	61	83%	12
1.4 Housing for Disadvantaged	0	0	0	0	0	0%	0
1.5 Community Safety	0	0	0	0	0	0%	0
1.6 Public Transport	0	0	0	0	0	0%	0
1.7 Leisure, Recreation and Open Space	7,745	11,956	12,540	12,723	12,299	97%	424
1.8 Urban Quality	2,094	2,094	2,144	2,144	2,119	99%	25
1.9 Noise	0	0	0	0	0	0%	0
1.10 Heritage	10	10	10	16	16	97%	0
1.11.01 Allocation of Salaries & Overheads	15,960	15,960	15,960	15,960	15,960	100%	0
TOTAL ACTIVITY	43,727	48,358	49,195	45,255	42,547	94%	2,708

Principal Activity 1 – Society was under-expended by \$2,708K or 6% against the March Budget.

Key areas of interest include:

1.1 Community Support & Development

1.01.07 Community Building Construction – underspent by \$1,486K (82%). This was primarily due to deferral of Hamlyn Terrace Community Centre land purchase & works included in the original Management Plan budget totalling \$1,150K. This is funded by s.94 contributions and has nil impact on the general fund result. The balance of the unspent budget relates to the carry over of other construction projects into 2008-09.

1.01.08 Community Services - underspent by \$266K (22%). This is a result of unexpended grant funding needing to be held as a restricted asset, amounting to \$333K, additional grant income received post March amounted to \$137K. Budget carry-overs in this line reflect the normal continuation of funded programs across financial years.

1.01.27 Childcare Services - underspent by \$306K (5%). Overall expenditure is under budget by \$223K. The saving is directly related to a saving in staff costs. Ensuring that staff to child utilisations are matched and not filling staff vacancies until required have been contributing factors.

Children's Services as a whole (including expenditure, income, employee on-costs) has recorded a year to date surplus of \$37K against an original year to date budgeted loss of \$130K. This is better than budget by \$167K.

Surplus funds of \$37K have been requested to roll-over to 2008-09 to fund the completion of the marketing/re-branding project. Overall savings are more than offset by over expenditure in other Council costs, for example buildings maintenance at the childcare centres.

1.7 Leisure, Recreation and Open Space

1.07.02 Open Space Maintenance – overspent by \$247K (7%) Increased rain has impacted vegetation growth increasing the amount of general maintenance necessary, together with, increased removal of hazardous trees.

1.07.05 Cycleway Improvements – overspent by \$410K (132%) against the March review. There was significant increase in RTA funded grant works undertaken in the last quarter of the year. The three cycleway projects undertaken were at The Entrance/Norah Head; Trelawney Street to Ferndale Ave, Killarney Vale; Ferndale Avenue to Moorlan Ave, Killarney Vale.

1.07.06 Open Space Improvements / Acquisitions – underspent \$1,078K (8%). There are a number of projects which have works which cross financial years and are scheduled for final completion during the 2008-09 financial year. The funds for these projects are from contributions and will be carried forward to the next financial year without impact on Council's bottom line. Significant projects include \$270K for facilities at Woongarah Waters Estate, \$320K Spring Creek Reserve at Blue Haven, \$115K Peppercorn Ave Woongarah, \$87K Saltwater Creek Park Long Jetty.

Principal Activity 2 – Economy

INTERIM- JUNE, 2008	ANNUAL BUDGET				YTD ACTUALS		INTERIM REVIEW
	Original Budget	SEP Review	DEC Review	MAR Review	YTD Actual	YTD Actual	Mar Bud. v's Jun Act.
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000
PA 2 - ECONOMY							
2.1 & 2.2 Emp., Wage Structure & Labour Force	3,030	3,268	3,268	3,451	3,274	95%	177
2.02.01 Allocation of Salaries & Overheads	1,110	1,110	1,110	1,110	1,110	100%	0
TOTAL ACTIVITY	4,140	4,378	4,378	4,561	4,384	96%	177

Principal Activity 2 – Economy was under-expended by \$177K or 4% against the March Budget.

Areas of interest include:

2.1 & 2.2 Emp, Wage Structure & labour Force

2.01.06 Urban Improvements Programme – underspent by \$174K (87%). The variation to budget of \$174K relates to the landscaping of Sparkes Road project. Minor delays in letting the contract and weather resulted in the project not being completed until July 2008. The remaining funds on this project have been requested to be carried forward to cover expenditure in 2008-09.

Principal Activity 3 – Natural Environment

INTERIM- JUNE, 2008	ANNUAL BUDGET				YTD ACTUALS		INTERIM REVIEW
	Original Budget \$'000	SEP Review \$'000	DEC Review \$'000	MAR Review \$'000	YTD Actual \$'000	YTD Actual %	Mar Bud. v's Jun Act. \$'000
PA 3 - NATURAL ENVIRONMENT							
3.1 Land	112	122	122	149	153	103%	(4)
3.2 Water	7,636	7,636	7,679	7,834	4,692	60%	3,142
3.3 Terrestrial Biodiversity	498	498	448	448	172	38%	276
3.3.3 Bush Regeneration	0	0	0	0	0	0%	0
3.3.4 Retrofitting urban areas	0	0	0	0	0	0%	0
3.04.01 Allocation of Salaries & Overheads	3,610	3,610	3,610	3,610	3,610	100%	0
TOTAL ACTIVITY	11,856	11,866	11,859	12,041	8,626	72%	3,414

Principal Activity 3 – Natural Environment was under-expended by \$3,414K or 28% against the March Budget..

Areas of interest include:

3.2 Water

3.02.04 Creek Dredging - underspent by \$292K (19%). This program covers dredging works undertaken at Tumbi Creek. These works are now 98% complete with some foreshore re-instatement and salt-marsh rehabilitation works to be completed in 2008-09. Funding for these works are restricted and will be carried forward.

3.02.08 Coastal Management & Hazard Plan - This line reflects both the continuing production of the Coastline Management Plan and the works on Cabbage Tree Harbour. Expenditure on the Coastline Management Plan has been suspended for the last three years due to DECC's 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 08-09 financial year. Current expenditure is less than the original contract amount and all continuing works will be covered by the variation.

Cabbage Tree Harbour - 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 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 constructions.

3.02.12 Estuary Mgt Plan & Other Stormwater Works – underspent by \$2,332K (53%). The majority of the first year's works programme projects are close to completion. Implementation of the first year's works programme only commenced late in the second quarter and therefore a restricted time period was available for approvals to be obtained and works to be undertaken. As a consequence, the focus to date has been on completing smaller projects costing less than \$150K, therefore not requiring a lengthy tender process. The difficulty of procuring appropriate technical resources has also been an issue whereby there are a limited number of experienced consultants available with adequate expertise to undertake the design and supervision of the more sensitive environmental projects. The positive outcome of the focus on design and specification has meant that the 2008-09 works programme can now focus on the implementation of works. Unspent stormwater levy, cluster fund and grant fund money will carry over to the 2008-09 financial year.

3.3 Terrestrial Biodiversity

3.03.01 Community Environmental Works - underspent by \$276K (62%). This Management Plan Line reflects work undertaken over a three year grant program from the HCR CMA. The Grant, paid in full in June 08, is for bush regeneration work being carried out on Council land in the Glenning Valley. Approximately 38% of the grant was spent in 07-08 with the remainder being carried over for expenditure during the 08-09 and 09-10 financial years.

Principal Activity 4 – Infrastructure

INTERIM- JUNE, 2008	ANNUAL BUDGET				YTD ACTUALS		INTERIM REVIEW
	Original Budget	SEP Review	DEC Review	MAR Review	YTD Actual	YTD Actual	Mar Bud. v's Jun Act.
	\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000
PA 4 - INFRASTRUCTURE							
4.1 Roads	46,968	48,210	49,773	34,883	30,595	88%	4,288
4.2 Drainage	8,356	8,847	8,847	6,828	5,340	78%	1,488
4.3 Water	100,665	100,672	86,610	57,606	44,766	78%	12,840
4.4 Sewer	40,808	40,908	40,990	22,855	18,819	82%	4,036
4.5 Waste	31,264	32,014	32,034	37,649	32,126	85%	5,523
4.06.01 Allocation of Salaries & Overheads	23,971	23,971	23,971	23,971	23,971	100%	0
TOTAL ACTIVITY	252,032	254,622	242,225	183,792	155,616	85%	28,175

Principal Activity 4 – Infrastructure was under-expended by \$28,175K or 15% against the March Budget.

Areas of interest include:

4.1 Roads

4.01.02 Main Roads - underspent by \$1,357K (21%). Since the March review there has been a significant increase in the amount of RTA funded works undertaken through the SIMC (single invitation maintenance contract) with an offsetting increase in income identified in line 6.08.14.

\$1.431M has been identified for carry over into 08-09. and thus excluded from the above surplus calculation (\$1.4M is for payment to RTA for Pacific Highway Tuggerah which RTA is yet to invoice Council).

4.01.03 Secondary Roads Construction - underspent by \$697K (18%). Since the March review there has been an increase in S94 funded projects to the value of \$1.78M. The net impact of this line is a deficit of \$256K. These primarily are: Leewood Ave(\$21K), and Louisiana Rd (\$230K). There are several budget carry over projects impacting this line which total \$2.73M and include Link Road (\$334K), Ocean/Fairport (\$341K) Nirvana/Pacific (\$191K) and Nirvana/Toowoan Street (\$341K) and Minnesota Road/Warnervale Road (\$762K), Warrigal/Taylor (\$233K), Warnervale Road land acquisition (\$379K), and Mataram Road half road construction (\$142K).

4.01.04 Secondary Roads Rehabilitation - underspent by \$506K (44%). Reduced expenditure on the construction of roads in the current financial year due to wet weather. The delayed projects were Bush St, Pollock Ave, Ridgeway St, and McLaughlin Ave.

4.01.05 Secondary Roads Maintenance - overspent by \$660K (17%). Since the March review \$76K additional funding has been received for road reinstatement and grant funded projects.

Roads incurred substantial damage during the year due to ongoing wet weather conditions. These include \$204K for expenditure on roads directly resulting from the 2008 April long weekend storm damage.

Urban and Rural roads have continued to suffer damage from ongoing wet conditions. As a result of this damage, the current service levels required to maintain the roads is placing the 2008-09 budget at risk of over expenditure. There is a potential offset to the effects of the prolonged wet weather through the reduction in completed capital expenditure

The budget incorporates a carry-over of \$18K for road reinstatement works relating to Railcorp works.

4.01.06 Bridge Maintenance & Construction - underspent by \$379K (54%). Within this budget line \$332K has been identified for carry over into 2008-09 being for the Bluehaven shared pathway project (previously known as Goorama overhead bridge) and Boyds Lane Bridge which has been deferred pending obtaining planning approvals.

The final minor over expenditure relates to increased costs incurred in the emergency provision of a Bailleys Bridge at Kidmans Lane in December 2007.

4.01.09 Road Safety - underspent by \$220K (73%). The variation to budget is primarily due to no funding received for the Black Spot program works and consequently no works being completed (budget \$210K). This under expenditure in 2007-08 corresponds with an equal reduction of income in line 6.08.18.

The remainder of savings in this line has come from Road Safety Officer Projects (achieved 95% of budget) and the Road Safety Officer's position which was vacant for a number of months.

4.2 Drainage

4.02.02 Drainage Capital Works – underspent by \$1,194K (21%). Delays in the delivery of significant components of three projects. Turner Close and Villa Close were redesigned to improve outcomes and George Evans Drive was delayed due to land purchase & easement issues. As a result 21% of the 2007-08 program was not expended. This has no general fund impact on Council bottom line.

4.02.03 Flood Studies – underspent by \$296K (72%) on the March estimated budget. Final payments to consultants for flood studies are pending final sign-off. Consultants have forwarded a draft report of Porters Creek Flood Study to Council. This is currently being reviewed. Consultants made a presentation to the Estuary, Coastal and Floodplain Management Committee in April as required in the Floodplain Management Manual. Wyong River Floodplain Risk Management Plan draft report has been reviewed by Council and DECC and is now being finalised by consultants. This has no general fund impact on Council bottom line.

4.3 Water

4.03.05 Water Treatment Plant Maintenance – overspent by \$126K (37%). Additional costs were incurred as a result of repairing lightning damage at Mardi Water Treatment Plant.

4.03.07 Joint Water Supply – underspent by \$501K (47%). This under expenditure is predominantly due to the deferral of Supply and Scheme analysis projects to the 2008-09 financial year. There were some budget savings achieved in the salaries area of this budget due to staff vacancies as well as some savings in the communications and water activity costs with service levels being maintained.

4.03.09 Water Loan Repayments - Revised Budget exceeded by \$1,522K (18%) due to the December Schedule of Loan Repayments not including the June loan repayment on the new borrowings.

4.03.10 Water Capital Works – underspent by \$10,815K (38%). Project delivery and expenditure schedules have been prepared for all major projects. Budget performance has not met estimates provided by project manager due to unavoidable reasons mainly

environmental issues. Projects will proceed but are delayed. Projects are funded in 2007-08 mostly by loans and will roll over to 2008-09. The Capital Works Program 2008-09 and Model is currently under review.

The end of year budget review has been completed in consultation with Joint Water Authority and Contract section/DOC. The project cost for 2008-09 has been re-estimated. It is anticipated to have approximately \$11M unspent money from ongoing projects which need to be carried forward for financial year 2008-2009.

4.03.12 Drought Management Works – underspent by \$3,964K (37%). There are outstanding payments in relation to the contribution to the Balikera Works. These works are funded through loans and contributions and will be carried forward if not spent in this financial year.

4.4 Sewer

4.04.02 Sewer Pump Station Operations – overspent by \$232K (14%). The over expenditure is associated with an increase in chemical costs associated with the recent adoption of ferric chloride and calcium nitrate injection at a number of sewer pump stations and price increases for the supply of liquid oxygen.

4.04.06 Sewer Treatment Plant Operations – overspent by \$241K (9%). Expenditure is within normal allowable levels of fluctuation for this type of expense program.

4.04.09 Sewer Capital – underspent by \$4,495K (62%) Project delivery and expenditure schedules have been prepared for all major projects. Budget performance has not met estimates provided by project manager due to unavoidable reasons mainly environmental issues.

The end of year budget review has been completed in consultation with Contract section/DOC. The project cost for 2008-2009 has been recalculated. It is anticipated to have approximately 5 M unspent money from ongoing projects which need to be carried forward for financial year 2008-2009. The estimate for unspent budgets have been requested for carry-over.

4.5 Waste

4.05.12 Tip EPA Levy – overspent by \$256K (7%). This line item consists of levy payments to the EPA for all waste received at Buttonderry Waste Facility by commercial customers and Council for waste. Expenditure is \$230K above budget despite an adjustment of \$750K in the Sept Qtr. Clean fill and other Council waste was received at greater than anticipated quantities. This increase in expenditure however, is directly off-set by higher than expected internal revenue. This has no impact on Council's bottom line.

4.05.13 Tip Cell Works – underspent by \$2,000K (100%). This line item represents an allocation to a sinking fund for future cell works. Cell construction will not be required until 09/10. This has no impact on Council's bottom line.

4.05.17 Tip Capital Works – underspent by \$1,231 (92%). The construction of a new transfer area and widening of the entry at Buttonderry Waste Facility is scheduled for completion by October 2008. Civil and hydrological designs and the landscaping plan have been completed and DA approval obtained. Preliminary earthworks have commenced. Tenders for the construction of the site roof, site sheds, storage areas will be called in August 2008 and construction of the transfer area is scheduled for completion by December 2008. Investigations are being undertaken for the installation of a wheel wash system, and designs are being developed for the realignment of the internal road systems.

Principal Activity 5 – Organisation

INTERIM- JUNE, 2008	ANNUAL BUDGET				YTD ACTUALS		INTERIM REVIEW
	Original Budget \$'000	SEP Review \$'000	DEC Review \$'000	MAR Review \$'000	YTD Actual \$'000	YTD Actual %	Mar Bud. v's Jun Act. \$'000
PA 5 - ORGANISATION							
5.1 Workforce	39,142	39,087	38,737	40,810	42,129	103%	(1,319)
5.2 Finance	13,254	13,254	13,254	13,317	11,465	86%	1,852
5.3 Support Systems & Equipment	21,930	22,384	21,153	21,763	21,866	100%	(103)
5.4 Governance	2,112	2,173	2,173	2,201	2,192	100%	9
5.05.01 Allocation of Salaries & Overheads	(44,651)	(44,651)	(44,651)	(44,651)	(44,651)	100%	0
TOTAL ACTIVITY	31,787	32,247	30,666	33,440	33,002	99%	438

Principal Activity 5 – Organisation was under-expended by \$438K or 1% against the March Budget.

Areas of interest include:

5.1 Workforce

5.01.03 Risk Management – underspent \$233K (13%). The significant contributor to this was a better than estimated result in payments for public liability insurance claims. These claims are difficult to estimate precisely due to their fluctuating nature.

5.01.04 Employee Overheads – overspent \$1,090K of which Employee Leave Entitlements were \$1,163K over expended funded by Reserves. This variation was due to higher than budgeted leave taking and paid with significant reductions in overall leave balances. This reflects Council's ongoing policy to manage outstanding leave balances.

5.01.05 Corporate Services Salaries – overspent \$260K (4%) Over expenditure on Corporate Services Salaries predominantly as a result of low vacancy rates across the Directorate. The budget for Corporate Services salaries budget contained an estimated vacancy rate of 6.9% for 2007-08. The actual vacancy rate, in dollar terms, was approximately 3%, thus explaining the 4% over-expenditure.

5.02.05 Holiday Park Operations – underspent \$907K (13%). The Holiday Parks had originally budgeted for an overall operating surplus of \$2,252K before transfers to Crown Reserves, loan principal repayments, and overheads. The actual result was an operating surplus of \$2,471K. This is favourable result to the original budget of \$219K.

The actual year to date expenditure for June 2008 of \$5.839M shows a positive variance of \$907K when compared to the year to date budget of \$6.746M. This variance comprises 2 components (Operations & Crown reserve contributions), Operations is \$235K favourable due to general cost savings over a number of maintenance activities, however, the maintenance standards have been maintained. Crown reserves contributions are currently \$672K favourable.

5.02.05 Holiday Park Capital Works – underspent \$914K (53%) The budgeted amount of \$1.733M for capital works as identified in the Business Strategy for 2007-08 commenced with the tender process which took several months. The work commenced in the low season after the Easter Holiday period. The current expenditure is \$819K. The under expenditure is attributable to having to schedule works during the low and shoulder seasons to minimise the impact on tourists. Low and shoulder seasons span 2 financial years and are mainly between Easter and Christmas. These funds have been rolled over to complete the capital

works. The scheduled works will be completed prior to the commencement of the Christmas holiday period.

5.03.01 Plant and Fleet Running Costs – overspent \$436K (6%) The overall plant program covers several lines of the Management Plan including income and expenditure. This program is self-funded, in that costs are recovered through internal charges. The program has incurred \$436K costs above the original budget. This cost increase is predominantly related to the rise in fuel costs. The cost increase is partially offset by a \$319K favourable variance to budgeted income. The net negative position against budget of \$117K is offset by a reduction in the 2007-08 transfer to the plant embellishment fund.

5.03.04 Shire Services Operations – overspent \$200K (9%). This budget covers the operations of the Council Chambers, Council Depots and administration costs associated with Shire Services. The most significant over expenditure was related to motor vehicles running costs due to an increase of 4 departmental vehicles resulting from changes to the motor vehicle policy and recruitment of staff to previously vacant positions.

5.04.01 Legal – General – underspent \$166K (17%) against a budget of \$950K. While legal costs were lower than budget in 2007-08, it is more than offset by the reduction in legal costs being recovered under the income line 6.06.14 Professional costs recovered. This income line fell short of budget by \$228K leaving an overall unfavourable result of \$62K. Whilst the overall number of legal cases has not dropped (noting that the number had substantially reduced during the previous 2-3 years), the cost per case has been minimised due to the increasing use of mediation.

SOURCE OF FUNDS ANALYSIS

The Source of Funds (SOF) area of the Management Plan is presently showing a \$20,174K variance or 6% variance when comparing Full Year results to the March Budget.

INTERIM- JUNE, 2008	ANNUAL BUDGET				YTD ACTUALS		INTERIM REVIEW
	Original Budget \$'000	SEP Review \$'000	DEC Review \$'000	MAR Review \$'000	YTD Actual \$'000	YTD Actual %	Mar Bud. v's Jun Act. \$'000
PA 6 - SOURCE OF FUNDS							
Revenue							
6.1 General Rates & Levies	(52,785)	(52,785)	(52,785)	(52,766)	(52,742)	100%	(24)
6.2 Annual Charges	(46,228)	(46,228)	(46,228)	(46,228)	(46,103)	100%	(125)
6.3 User Charges	(40,905)	(41,126)	(38,153)	(38,450)	(37,459)	97%	(991)
6.4 Fees	(5,229)	(5,229)	(4,536)	(4,293)	(4,213)	98%	(80)
6.5 Interest On Investments	(5,122)	(5,122)	(4,122)	(4,122)	(5,389)	131%	1,267
6.6 Other Revenue	(2,516)	(2,516)	(2,586)	(3,039)	(2,633)	87%	(406)
Total Revenue	(152,785)	(153,006)	(148,410)	(148,898)	(148,540)	100%	(358)
Grants							
6.7 General Purpose Grants	(10,927)	(10,714)	(10,714)	(10,613)	(10,543)	99%	(70)
6.8 Specific Purpose Grants	(26,008)	(26,021)	(24,419)	(21,582)	(16,921)	78%	(9,330)
Total Grants	(36,935)	(36,735)	(35,133)	(32,195)	(27,464)	85%	(9,401)
Contributions							
6.9 Contributions and Donations	(63,746)	(69,191)	(66,358)	(30,948)	(5,624)	18%	(25,324)
Total Contributions	(63,746)	(69,191)	(66,358)	(30,948)	(5,624)	18%	(25,324)
Other Income							
6.10 Loan Funds	(51,960)	(51,960)	(46,361)	(30,409)	(37,752)	124%	7,343
6.11 Sale Of Assets	(7,122)	(7,122)	(3,392)	(3,392)	(2,430)	72%	(962)
6.12 Internal Charges	(15,082)	(16,282)	(16,447)	(16,447)	(17,182)	104%	735
6.13 Transfer From / (To) Restricted Assets	(15,912)	(16,974)	(21,850)	(12,277)	(20,097)	164%	7,819
Total Other Income	(90,076)	(92,338)	(88,050)	(62,525)	(77,461)	124%	14,936
TOTAL ACTIVITY	(343,542)	(351,270)	(337,952)	(274,566)	(259,089)	94%	(20,147)

REVENUE:

6.2 Annual Charges

6.02.07 Garbage Charges Commercial – under achieved by \$150K (9%). This does not impact on Council's bottom line, but will contribute to a reduction in the budgeted Waste reserve.

6.3 User Charges

6.03.04 Childcare Charges - under achieved by \$211K (6%). Refer to comments on over-all results for Childcare at expense line 1.01.27 Child Care Operations.

6.03.05 Water Usage - under achieved by \$542K (3%). Water usage income has not achieved targets due to ongoing lower than anticipated water usage due to the wetter weather. This income reduction does not impact on Council's General Fund Bottom line.

6.4 Fees

Development Fees – under achieved by \$156K (7%) This reflects a continued downturn in Development Activity.

6.5 Interest On Investments

6.05.02 Interest Banks & Securities (General) - Overall general fund interest was \$2.86M against a Budget of \$2.25M, favourable by \$614K. Of this interest \$1.17M relates to the Section 94 Restricted Assets. The Interest earned attributable to General Fund Unrestricted is \$1.69M against an original budget of \$1.11M, generating a favourable variation in General Fund of \$580K. Whilst interest returns for the year were lower than budgeted the higher than budgeted General Fund interest is the result of actual cash balances for 2007-08 being approximately \$13M above the original estimate of running cash balances. No budget variation was proposed in 2007-08 due to the on-going volatility in credit markets and the resulting impact on returns.

6.05.03 Interest Banks & Securities (WSA) – Favourable variance to budget of \$542K due to higher than forecast cash balances due to timing of expenditure, however interest returns have been difficult to predict in a volatile credit market.

6.6 Other Revenue

6.06.11 Sundry Engineering Income – under achieved by \$152K (29%). This was due to a decline in the volumes of scrap metal being recovered from the tip site. This downturn in volumes has been driven by better scrap metal prices resulting in a reduction of scrap being taken to the tip.

6.10 Loan Funds

6.10.01 Water Operations – \$5.257M in Loan funds prior to transfer to Unexpended Loans Reserve

6.10.02 Sewer Operations – \$2.094M in Loan funds prior to transfer to Unexpended Loans Reserve

6.11 Sale of Assets

6.11.01 Mobile Plant and Equipment - under achieved \$298K (14%)

6.12 Internal Charges

6.12.04 Road Opening Fees – under achieved \$149K (57%). Less road opening works were undertaken in 2007-08 which resulted in a reduction in expense and income.

6.12.06 Tipping Fees – over achieved \$534 (21%) – greater volumes of Council waste continue to be processed through the Buttonderry Waste facility. This reflects a continuing trend, but has no impact on Council's general fund bottom.

6.12.09 Mobile Plant Hire – over achieved \$372K (3%) – refer to previous comments on plant program performance.