

ITEM NO: 1

SUBJECT: SCHEDULE OF INVESTED MONIES AND STATUS OF INVESTMENTS WITHIN THE PORTFOLIO

FILE NO: C00694

Recommendations:

- 1. That the Schedule of Invested Monies as at 31 December 2007 be received.*
 - 2. That the status of investments within the portfolio be noted.*
-

Report by Acting Group Manager, Community & Corporate:

This report is submitted for the purpose of financial accountability and in satisfaction of the investment reporting requirements of the Local Government (General) Regulation 2005 and the Local Government Act, 1993 (Section 625). The report also certifies that the Council investments comply with the forms of investment made by order of the Minister under section 625(2) of the Local Government Act 1993. The current Ministerial Order was issued under the Council Circular 05-53 on 23 September 2005.

The Schedule of the Council Invested Monies as at 31 December 2007 is attached for information.

The increased returns, above budget, on the Council investments are due to a greater than anticipated rise in interest rates and increased cash position for the financial year.

At its ordinary meeting of 29 January 2008 the Council resolved:

- 1. "That the Schedule of Invested Monies as at 30 November 2007 be received."*
- 2. "That a report be received on the status of investments within the portfolio, eg: Ratings and current status, along with the December Schedule of Invested Monies report."*

(Minute 372, 29/01/2008)

Therefore in addition to the monthly investment reporting requirements this report also responds to the resolution of the Council and outlines the current status of the Council investments and its potential financial exposure. This information expands on the investment portfolio briefings, since August 2007 to Councillors, on the impacts of the CDO and sub-prime mortgage issues in the USA.

Issues raised at the Ordinary Meeting of 29 January 2008

In relation to Grange Securities involvement in Council's investment portfolio:

At its ordinary meeting of 26 September 2006 the Council resolved in a report on the expression of interest for advice on the Property Disposal and Investment Program (PDIP):

“That the Council invites Grange Securities Limited to provide investment advice to the Council for the period 27 September 2006 to 30 June 2008.”

(Minute 723 26/09/2006)

This advice was specifically in relation to investment of proceeds from the PDIP and no such advice has been solicited thus far. Grange Securities is not the Council investment portfolio advisor however they provide management advice on \$9.7m of our \$23m portfolio (as per 31 December 2007 Schedule of Invested Monies).

In relation to Federation CDOs having a value now of 16 cents in the dollar (per Sydney Morning Herald article):

Based on an article in the Sydney Morning Herald (26 January 2008) Wingecarribee Shire Council appear to have chosen to crystallise a portion of their loss by selling their Federation CDO holding of \$3m for \$500,000 (ie. 16 cents in the dollar). Wingecarribee has also apparently brought legal action against Lehman Brothers Australia over its loss. BMCC has a \$250,000 investment face value in the same Federation CDO and as at December 2007 the mark to market valuation is \$41,000. Hence it is correct to state that our Federation CDO holding has currently been valued at 16 cents in the dollar but Council is by no means exposed to the Federation CDO to the same degree as Wingecarribee Shire Council.

Global investment crisis

Global investment markets have experienced high levels of volatility over recent months (and continue to do so) as a result of the fallout from the US financial crisis. The significant downturn has impacted Australian superannuation funds, Australian ‘mum and dad’ investors and the Council invested monies have not been exempted from this impact.

This volatility is mainly being experienced in the “credit” cash and fixed interest financial markets and impacted on a mark to market basis on virtually all of these types of securities - from short dated bank bills and term deposits to plain vanilla longer dated bank floating rate notes and “structured securities”.

Status of the Council Investment Portfolio

Council has an investment portfolio of \$23m as at December 2007. Council invested monies are diversified across structured bank notes, managed funds, cash at call funds, collateralised debt obligations (CDOs) and floating rate notes (FRN). BMCC, as with all NSW Councils, must comply with investment guidelines made by order of the Minister under section 625(2) of the Local Government Act 1993. CDO instruments currently comply with the existing ministerial orders.

The funds most significantly impacted, by the global downturn, in the Council portfolio are CDO and FRN securities. The Council holds \$11.9m in these securities at current fair value. The Council investments market valuations have been re-valued downwards by \$1.7m indicatively since July 2007 (ie. 88 cents in the dollar for CDO and FRN securities).

It is important to recognise that the Council entered into these transactions for their steady income stream on a buy and hold basis rather than for their possible trading gains (and losses) as the markets normally fluctuate. At their respective maturity dates, the Council will redeem the full face value of the security, provided there are no defaults in the underlying securities. The Council's cash flow has not been affected as the Council continues to receive interest coupons based on the face value of the security.

The financial impact on the Council's investment portfolio is that the mark to market valuation of the Council's investment securities, classified as fair value through profit and loss, has been reduced by \$1.7m between balance date and 31 December 2007. If the Council were forced to sell these securities for liquidity reasons it could potentially realise a loss based on current market conditions. However, the Council's investment portfolio is structured with adequate diversification to provide sufficient liquidity until the impaired investments mature.

Financial Management Initiatives

It is important to recognise that a portion of our investments are long term in nature which, as history shows, out perform over the long term despite short term volatility. Periods of volatility are an inevitable part of investing regardless of the asset type. In periods such as this it becomes extremely important to keep in mind the long term strategies and objectives for the investment portfolio and not respond on a daily basis to the movements of the markets.

The Council is in regular consultation with its independent investment advisor (Oakvale Capital) and continues to closely monitor the portfolio in the current investment environment to ensure continued compliance and minimal exposure to risk.

To lessen the impact of the market volatility the Council has seized every viable opportunity to redirect investment funds towards bank bills and term deposits and/or primarily bank issue floating rate notes. For example, the Council transferred surplus funds into Adelaide Bank Managed Funds in November 2007.

The Council has submitted investment portfolio information to the Department of Local Government (DLG) in October 2007 and is waiting for the outcomes of an inquiry by Mr Michael Cole into NSW council exposure to investments. The report is expected to be finalised in the coming months.

The Council is also monitoring other council's legal activity (notably Wingecarribee and Manly Councils) to determine whether it is in the Council's interest to bring a case against Lehman Brothers Australia (formerly Grange Securities) over the fair value loss in Council investments marketed by Grange Securities.

Changes in investment strategy, policy and investment portfolios have already been raised in Councillor briefings and staff will proactively recommend further changes as required.

Blue Mountains City Council is in the process of reviewing our Investment Policy, completing our Investment Strategy and Portfolio Review and will continue to update the Council as to any further developments.

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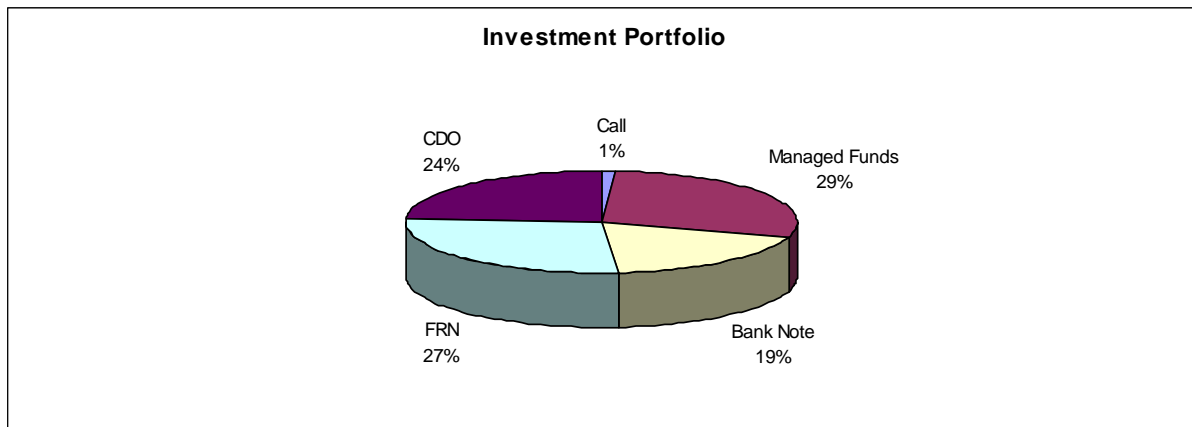
**Attachment
SCHEDULE OF INVESTED MONIES - 31 December 2007**

<i>Institution and Fund</i>	<i>Rating (Original)</i>	<i>Rating (current)</i>	<i>Return for Month</i>	<i>Face Value</i>	<i>Investment Valuations</i>	<i>Investment Valuations Previous Month</i>	<i>Comments</i>
Adelaide Bank Managed Funds	AAA	AAA	7.1%	6,697,923	6,697,923	8,448,487	Withdrawal /re-investment
Bendigo Bank FRN	BBB	BBB	8.5%	1,000,000	1,000,000	1,000,000	Capital protected
CBA – Palladin Portfolio Note	AA	AA	8.2983%	500,000	414,915	365,000	Market revaluation
Generator Income Notes (managed by Rim Securities Ltd)	AAA	AAA	8.9067%	1,000,000	905,606	905,606	Valuation 30/6/07
CDO –“Federation” (Managed by Grange Securities)	AAA	AA	8.0933%	250,000	42,888	41,165	Market revaluation
FRN and CDO Investment Managed Portfolio (managed by Grange Securities)	BBB to AA-	BBB to AA-	8.1%	11,025,000	9,662,192	9,813,847	Market revaluation
Macquarie Cash Management (managed by Grange Securities)	n/a	n/a	5.69%	236,580	236,580	78,246	Coupon returns
Averon Series AF7 Floating Rate Note (managed by ANZ Bank)	AAA	AAA	0%	500,000	444,500	444,500	Valuation 30/9/07
CBA – Equity Linked Note	AA	AA	7.5%	1,000,000	954,650	963,250	Market revaluation
CBA – Callable CPI Linked Note	AA	AA	9.0%	1,000,000	1,022,200	978,700	Market revaluation
Athena Series 1 Camelot Notes (managed by ICAP)	AA-	AA-	7.6%	500,000	516,563	511,607	Market revaluation
Aphex Pacific Capital Phoenix Notes (managed by ABN-AMRO Morgans)	AA1	AA1	9.39%	500,000	536,950	536,950	Valuation 30/11/07
CBA – Range Accrual Note	AA	AA	7.55%	1,000,000	972,000	966,200	Market revaluation
Total				25,209,503	23,406,967	25,053,558	

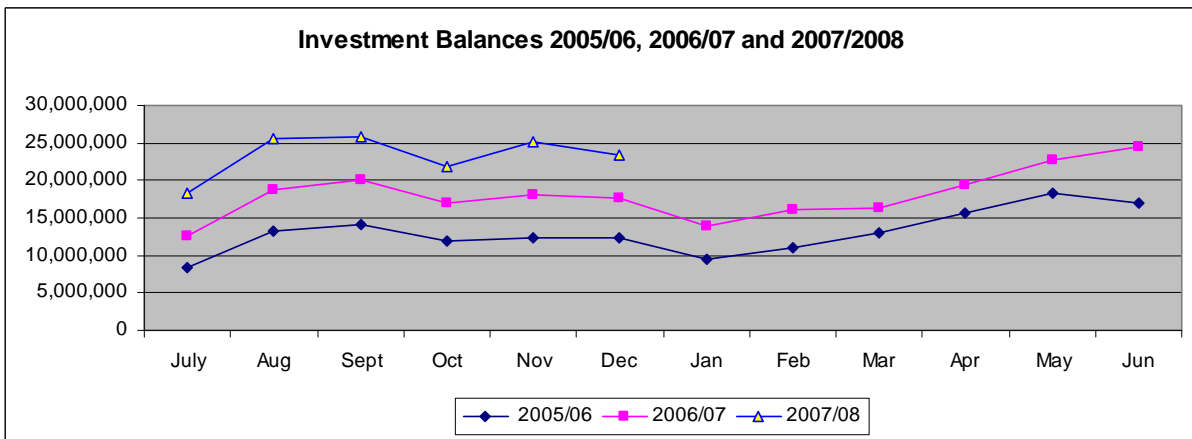
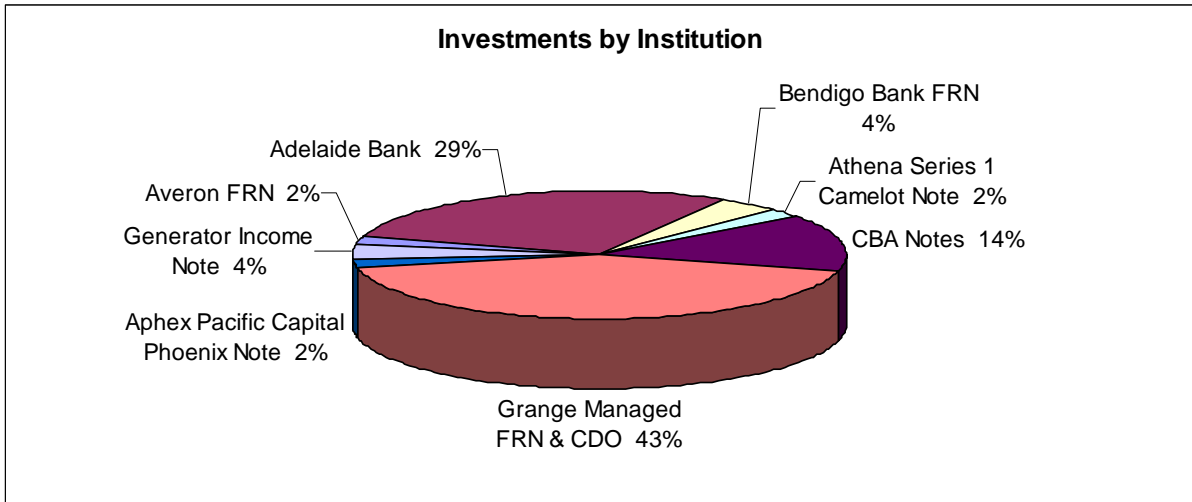
Balance of investments 1 December 2007 (Market Value)	25,053,558
Funds withdrawn during month	(1,800,000)
Interest Re-invested during month	207,770
Revaluation of investments during month. Favourable + Unfavourable ()	(54,361)
Balance of investments 31 December 2007 (Market Value)	23,406,967

BBSW 30 Days 6.97%
Average Rate of Return for Month 7.80%

The valuations are as at 31 December 2007 unless otherwise advised. The valuations are indicative with no assurance that trades could be completed at such values.



Call – Cash at Call
 Managed Funds – Managed Funds
 Bank Note – Structured Notes
 FRN – Floating Rate Note
 CDO – Collateralised Debt Obligation



Interest Income - Budget vs Actual

	Year to Date	Full Year
Original Budgeted Return	\$548,750	\$1,097,500
Revised Budgeted Return	\$898,750	\$1,797,500
Council's Actual Return	\$878,338	\$1,797,500 (estimated)

I certify and report that the Schedule of Invested Monies listed above describes all Council's funds invested by virtue of Section 625 of the Local Government Act, 1993. The monies referred to in this Schedule are invested in accordance with the Local Government Act, 1993 (Section 625 and Order of the Minister dated 23/09/2005), and Local Government Regulation 1999 (Clause 16) and Council's Policy.

Neil Farquharson
Responsible Accounting Officer

ITEM NO: 2

SUBJECT: SECOND QUARTER 2007-2008 REPORT - MANAGEMENT PLAN (INCLUDING CAPITAL WORKS PROGRAM) AND OPERATING BUDGET

FILE NO: F02977

Recommendations:

1. *That the General Manager’s report, together with the accompanying documents titled “Quarterly Review Management Plan including Capital Works December 2007 – 2007/2008” and “Quarterly Review Budget December 2007 – 2007/2008” (both separately enclosed), be noted and endorsed.*

2. *That the variations of income and expenditure as identified in the accompanying documents be noted and endorsed.*

Report by General Manager:

This is the second quarterly progress report on this year’s performance targets and represents the second quarter of Year 4 of the Council four-year Management Plan. This is the final year of the Council’s 2004-2008 Management Plan.

The document “*Quarterly Review Management Plan including Capital Works December 2007 – 2007/2008*” (separately enclosed) provides more detailed information on overall progress and performance in a concise and readable format.

Summary of Second Quarter 2007/2008 Progress

Item	No.	Not Started	On-Target	Behind Target	Complete	Will Not Complete	% On-Target***
<i>Management Plan Sustainability Priorities</i>	18	2	12	4	0	0	78%
<i>Management Plan Milestones*</i>	28	0	24	3	1	0	89%
<i>Capital Works Projects & Programs**</i>	56	2	37	7	8	2	84%
<i>Environmental Levy Actions</i>	19	0	18	1	0	0	95%
TOTAL	121	4	91	15	9	2	86%

**Excluding Capital Works Program projects and programs*

***Equates to 219 individual projects – refer to table in section below “Summary of Second Quarter 2007/2008 Capital Works Program (excluding Lawson Town Centre and Cultural Centre)”*

****Includes projects not scheduled to have commenced and completed projects*

Key achievements for the Second Quarter***Providing Good Government***

- Grant application submitted to undertake a Climate Change Risk Assessment for the Blue Mountains.
- Council adopted the purchase of 10% Green Power for its 10 largest power-consuming properties at the 11 December 2007 Council Meeting.
- Successful Code of Conduct Training Program implemented.

Looking after Environment

- Bushcare held a number of events including volunteer barbeques, biodiversity workshops and a spotlighting evening.
- A new backhoe was received with a swivelling bucket which will enable much improved shaping of drainage easements and minimisation of erosion on future drainage works.

Looking after People

- The Koori Playgroup commenced in October utilising the Lawson Family Day Care playroom.
- Risk management of trees in Glenbrook Park undertaken.
- The Council completed the grant-funded Mental Illness and Substance Abuse Project (MISA) focusing on addressing the needs of young people at risk from drugs and alcohol. The project included the launch of the Aboriginal Wellbeing Mural created by the indigenous students at Katoomba High School and the holding of a community forum for parents and carers "Talking About Teenagers".
- Childrens Week 2007 was successfully implemented with a range of events and activities celebrating and honouring excellence in early childhood and family services in the Blue Mountains. Events included an Awards Dinner and a children's art exhibition.

Using Land for Living

- Refurbishment and upgrade to the Glenbrook village centre was implemented with the removal of dying trees, renewal of planting in kerbside planters and the relocation of the community noticeboard.
- The Council, in partnership with the Cittaslow Katoomba, Blue Mountains Working Party and the Katoomba Chamber of Commerce, installed wine barrel planters in Katoomba Street, Katoomba.

Moving Around

- Major work was progressed on the restoration of roads in the Blackheath and Medlow Bath areas as part of the Sydney Water Priority Sewerage Program.

Working and Learning

- Library events held Quarter 2 included Drumming Workshops, Instrument Making, Youth Movie Night, Aerosol Art Workshop, Halloween Party and Timelines History Seminar.
- The Council won the 2007 Local Government Managers Association Gold Award for Excellence in Sustainability in Local Government for the Blue Mountains Business Advantage Program. This program provides local businesses with accreditation in sustainable business practices.

- The Council partnered with a range of community organisations to deliver the 2007 Artstart Program (a state-wide arts and skills program for young people) including workshops and performances for young people across the Mountains. This culminated in a performance and exhibition showcase at the Mid Mountains Community Centre on 23 November 2007. Project partners included the Aboriginal Culture and Resource Centre, Springwood and Winmalee Youth Project, Blue Mountains Womens Health Centre and Katoomba Dance Theatre.

Projects behind target at the Second Quarter

Sustainability Priorities

Project: Complete Sustainable Asset Management Plans (SAMPs) for the following Assets classes/components:

- Stormwater Drainage - Drainage Channels, Pipelines, Kerb and Gutter and Quality Improvement Devices;
- Building Operational and Commercial - Council Administration and Depot Buildings and Commercial Buildings; and
- Natural Assets (vegetation).

Comment: Tenders were in the process of being sought for consultants to undertake the Property SAMP. Data gathering for monuments was close to completion and condition based sampling was undertaken for the Drainage SAMP. Overall, SAM Plans are progressing and will be completed in the 2007-2008 financial year.

Project: Use Long Term Financial Strategy and model to guide sustainable resource allocation.

Comment: Draft Strategy was not finalised as planned. Meetings were conducted with the Finance team. Current issues and future trends were outlined in the document. The Draft Strategy is planned to be finalised in the 2007-2008 financial year.

Project: Introduce an on-line computer process for assessing proposed development applications for commercial, industrial, and multi-residential development applications under LEP2005.

Comment: Base line data associated with the online assessment of commercial, industrial and multi residential applications was entered. Work is continuing on assessment questions. It is still expected to complete this initiative in the 2007-2008 financial year.

Project: Complete Blue Mountains Service Provision Framework and commence applying to Council's asset management work and service provision decision making.

Comment: Work was delayed due to the Principal Social Planner being on extended unpaid leave. Service planning work is emerging as an important component of the current organisational business planning process. There is an opportunity to progress work on service provision planning in the context of the Council's financial challenges. It is now intended that the presentation to the Council's Executive Management Team on service planning / provision will occur in Quarter 4 of 2007-2008.

Looking after Environment

Project: Commence implementation of Council's adopted Sewage Strategy including actions that reduce negative impacts of on-site effluent in unsewered areas.

Comment: This project has been delayed due to staff being reallocated to other projects. Final Strategy completed and draft Council report prepared. A Councillor briefing and report to the Council is proposed for Quarter 3.

Looking After People

Project: Improve amenity and reduce environmental impacts by constructing a replacement toilet facility at Mt York (CWP)

Comment: The Land Use Application was not submitted as planned. The Land Use Application (LUA) documents including Statement of Environmental Effects were prepared. The Land Use Application is planned to be submitted in Quarter 3.

Using Land for Living

Project: Continue to develop and implement integrated planning for the Mid Mountains focusing on access to public transport and pedestrian mobility linkages.

Comment: The target of establishing a Mid-Mountains Community Committee was not met. Research and consultation was undertaken to scope options for the role and operation of a Committee. A draft Council Report is being prepared and is scheduled to come to Council in Quarter 3.

Project: Improve existing recreational facilities by creating a dual use court and installing floodlights at Lomatia Park (CWP)

Comment: Quotation process not yet commenced. The Land Use Application was submitted in late December. Awaiting determination of the DA.

Project: Improve resource recovery and improve environmental performance at Blaxland Waste Management Facility by commencing redevelopment of the entry incorporating weighbridge, gatehouse, small vehicle tipping area and upgraded resource recovery facilities as well as creek diversion works (CWP)

Comment: The Contractor is currently finalising design documents for creek works with the Department of Environment and Climate Change. Work will commence in third Quarter (March) – one quarter behind target.

Project: Blaxland Waste Management Facility Leachate Management (CWP)

Comment: The Works have been delayed due to Sydney Water requirements. Thiess has finalised connection and pumping issues. The recent rain has also impacted on timelines and works will commence once the site has dried out sufficiently.

Project: Improve safety of Wentworth Falls Reservoir by completing priority upgrade works (CWP)

Comment: As at end of December the design component of the project was not completed. The design is expected to be completed in Quarter 3.

Moving Around

Project: Ensure safety of road users and pedestrians by undertaking a comprehensive bridge inspection program and completing highest priority remedial works (CWP)

Comment: Preparation of quotation documentation was commenced but not completed. Quotation documentation is planned to be completed in Quarter 3 and the quotation process commenced in Quarter 3.

Working and Learning

Project: Continue implementation of a GIS based Blue Mountains Cultural Atlas and Information Service.

Comment: Work on project is underway but progress has been hampered due to resignation of planning staff and reallocation of cultural planner to other projects. Consultation was not undertaken during Quarter 2 as planned and is now scheduled for Quarter 3.

Summary of Second Quarter 2007/2008 Capital Works Program

This year’s Capital Works Program (CWP) budget is \$11,288,821 after incorporation of adopted carryovers and Quarter 1 variations. At the end of the second quarter, 84% of the capital projects and programs were on-target.

The table below provides a summary of the Council’s Quarter 2 progress compared to previous financial years.

	Dec Qtr 2003/2004	Dec Qtr 2004/2005	Dec Qtr 2005/2006	Dec Qtr 2006/2007	Dec Qtr 2007/2008
Total Budget*	\$14,506,213	\$11,211,037	\$12,822,925	\$7,364,030	\$7,994,429
Total Dollars Spent plus Committals	\$7,954,000	\$7,403,841	\$5,651,331	\$2,346,412	\$4,793,989
% Spent	54.83	49.67	44.07	31.86%	59.97%
Total Number of Projects**	107	108	181	191	219
Number of Projects Completed	32	48	99	73	121
% Completed	29.91%	44.45%	54.45%	38.21%	55.25%
<i>Lawson Town Centre Total 07-08 Budget</i>					\$2,671,692
<i>Lawson Town Centre Total Dollars Spent plus Committals</i>					\$478,636
<i>Cultural Centre, Library and Mixed Use Precinct CWP Total 07-08 Budget</i>					\$622,700
<i>Cultural Centre, Library and Mixed Use Precinct Total Dollars Spent plus Committal</i>					\$26,480
TOTAL CWP BUDGET					\$11,288,821
TOTAL CWP DOLLARS SPENT inc Committals					\$5,299,105

**Excludes Lawson Town Centre projects and Cultural Centre projects*

***Equates to 56 Projects and Programs - refer to summary table in section above "Summary of First Quarter 2007/2008 Progress"*

As at the end of December 2007, there are two projects that will not be completed by June 2008:

- Constructing a new rural fire brigade station at Valley Heights - Project on hold indefinitely pending resolution of zoning issues.
- Replacement of old concrete sewage effluent tank, pumps and effluent pump-out at Echo Point Tourist Precinct – Investigation into the replacement of the concrete effluent tanks has revealed an option to recycle the water for irrigation. This project now has the potential to receive State grant funding. This project and the budget of \$77,000 is recommended for carryover to 2008-2009.

There are also three smaller projects that will not be completed. These smaller projects are part of larger Programs, which are otherwise on target. The three projects that will not be completed are:

- Pipe renewal at Gardiners Cres / Wentworth St, Blackheath – This project will need to be deferred. A budget shortfall in the Drainage Program has resulted from increased scope of works for the Lawson jobs and other minor budget variations. After re-assessment, this project is considered a lower-risk project and will be re-prioritised for future consideration. *(The other 10 drainage projects are on-target).*

- Construction of kerb and gutter at Gardiner-Parks Ave-Govetts Leap Rd, Blackheath (as part of the additional civil infrastructure works program funded by the Department of Transport and Regional Services) – This project has been re-assessed as a lower priority and is unlikely to be implemented in the near future. (*The other 2 kerb and gutter projects are on target*).
- Installation of guardrail at Cliff Drive, Katoomba (as part of the additional civil infrastructure works program funded by the Department of Transport and Regional Services) – This project has been re-assessed as a lower priority and is unlikely to be completed in the near future. (*The other 4 guardrail projects are completed*).

Councillors are referred to the separately enclosed document titled “*Quarterly Review Management Plan including Capital Works December 2007 – 2007/2008*” for comments on individual capital projects and programs.

Summary of Second Quarter 2007/2008 Major Projects

Councillors will recall the recent progress report on the *Lawson Town Centre* and the *Blue Mountains Cultural Centre, Library & Mixed Use Precinct* projects that was provided as part of the 29 January 2008 Business Paper. It is intended that in the future, progress reports for these projects will be reported as part of the quarterly Management Plan and Budget reporting to Councillors, as included here.

Lawson Town Centre Project Implementation

During 2007-2008 the Council is planning to commence the first year of redevelopment work for Lawson Town Centre civil works.

As at 31 December 2007, the project is behind target. The amended DA application has come off exhibition, local drainage design has been finalised and a brief for Stage 1 Civil Design has been developed. Funding negotiations with the Roads and Traffic Authority are continuing into Quarter 3.

Blue Mountains Cultural Centre, Library & Mixed Use Precinct

The Council is planning to undertake the following works during 2007-2008 to continue the Cultural Centre and Mixed Used Precinct project including:

- Commencement of Blue Mountains Cultural Centre site works;
- Progressing planning and design for new Katoomba Library;
- Strategic development of public art program; and
- Design development of Civic Centre redevelopment; pedestrian linkages and civic connections.

As at 31 December 2007, the project is on target. The Development Application was lodged by the developer. The project management brief for the Council managed Civic & Civil Associated projects was determined in conjunction with Major Projects Director. Siteworks will commence after the construction license has been granted which is anticipated to occur in Quarter 2 of 2008-2009. The design for the Library was 100% complete. The design for fit-out is to occur in 2008-2009. The Public Art Program and Interpretive Centre planning commenced.

Summary of Second Quarter 2007/2008 Financial Position

Councillors are referred to the separately enclosed document titled “*Quarterly Review Budget December 2007 – 2007/2008*”. The Budget Review is prepared by the Responsible Accounting Officer in accordance with the Local Government (Financial Management) Regulation and details the budget variations that have now been identified and which have not previously been adopted by the Council.

An analysis of the actual results as at December 2007 has resulted in a decrease in working capital of \$275,838 from the original budget, giving a revised total working capital as at 30 June 2008 of \$1,543,399.

The following reconciliation illustrates the expected Working Capital position as at 30 December 2007 review:

Actual Working Capital – 1 July, 2007	1,807,000
Original Budget 07/08 Forecast Improvement in Working Capital	12,237
Adopted Council Resolutions	(10,846)
September 2007 Review	(105,480)
December 2007 Review	(159,512)
Revised Estimated Working Capital – 30 June 2008	1,543,399
Working Capital is the net amount of uncommitted funds consisting of:	Estimated 2007/08
Unrestricted current cash	616,000
Current receivables	6,000,000
Inventories	350,000
Prepayments	340,000
Payables (excluding liabilities budgeted next year 2007/08)	(5,608,000)
Cash (overdraft)	(155,000)
Total	1,543,000

Under the Local Government (Financial Management) Regulation the Council’s Responsible Accounting Officer is also required to formally report on whether the Council’s financial position is considered “satisfactory” and if not, what remedial action needs to be taken. The optimum level of working capital for the Council has previously been identified in the range of \$1.5 million to \$1.6 million, which represents the industry standard to allow for stores and the provision of hard-core debtors. Subject to the Council adopting the recommended variations, the estimated effective working capital of \$1,543,399 is satisfactory.

Comment on Downturn in Income from Waste Management Facilities (WMFs)

There has been a substantial downturn in Waste Management Facility income as a result of the reduction in the volume of waste delivered to the WMFs. The projected data for the current financial year indicates that there has been a 32% reduction (approximately 23,900 tonnes) in all “chargeable” wastes delivered to the Katoomba and Blaxland WMFs over the current Management Plan period 2004-2008.

More specifically, the downturn in income is attributed to the following:

- A reduction in three of the main waste streams (mixed building/demolition, mixed soil/organic and greenwaste) which accounts for approximately 55% [approximately \$897,000 in current fees] of the reduction. All are linked (either totally or partially) to building construction activity. Building activity has declined steadily over a number of years with significant reduction particularly for the 2-year period from 2003-2004 to 2005-2006. It is clear that there is a correlation between the drop in building activity and downturn in WMF income, and
- Council’s education and promotion program has clearly influenced waste management habits. This is supported by the 53% reduction in the volume of self-hauled waste from residential sources and it is also assumed that the influence is much wider on the other waste streams, resulting in an “across the board” impact reducing waste.

The extent of the income downturn has placed immense pressure on the short-term financing of the Waste Management Facilities. However, the longer term impact should be very positive given that additional airspace has been conserved. The extended life of the landfills will have substantial future cost benefits as it will delay the need to export waste outside the Local Government Area (LGA). The current calculated cost to export waste to the nearest Class 1 landfill able to take our waste (Eastern Creek) is approximately \$207 per tonne. This is more than double the existing cost of operating the 2 landfill sites (including gatehouse and Environmental Management Branch costs).

Theoretically, although the reduction of 23,900 tonnes has reduced income by a possible \$1,600,000, there is a net potential future savings benefit of \$2,600,000 (in today’s dollars) from not exporting that volume of waste outside the LGA.

Analysis of the trends for the City-wide volumes indicates that the rate of reduction for some of the main waste streams may be stabilising.

The budget for 2008-2009 has been developed to better reflect the waste volumes being delivered; with the expected gate income from Blaxland being reduced to approximately 72% of the original budget for 2007-2008. Furthermore, waste disposal charges have been increased for the waste collected at kerbside (Domestic Waste Management Charge funded) to reflect the difficulty in dealing with the highly mixed nature of the waste and its relative impact on disposal costs.

Further Information

Councillors and residents are reminded that they are welcome to contact the Group Managers if they would like further information on what is contained in the Second Quarter 2007-2008 Reviews.

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