

**ITEM NO: 2****SUBJECT: SCHEDULE OF INVESTED MONIES****FILE NO: C00694**

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**Recommendation:**

*That the Schedule of Invested Monies for October 2008 be received.*

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**Report by 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 (REG 212) 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 08-48 on 18 August 2008.

The Schedule of the Council Invested Monies as at 31 October 2008 is attached for information (refer Table 1).

The increased returns, above budget as at 31 October 2008, on the Council investments are due to a greater than anticipated rise in interest rates and increased cash position for the financial year (refer Table 6).

In the reporting period of October 2008 the Council investment's fair value market valuation increased by \$9,942 based on the limited amount of investment valuations that were received in the month (refer Table 2). The increase in valuations was essentially represented by the CBA Equity and CPI Linked Notes (refer Table 1).

The Local Government (General) Regulation 2005 - REG 212 which deals with reports on council investments specifies that the responsible accounting officer of a council must provide the council with a written report (setting out details of all money that the council has invested under section 625 of the Act). The report is to be presented at the ordinary meeting of the council each month and the report must be made up to the last day of the month immediately preceding the meeting.

There are some Council Meeting dates that occur quite early in the month (e.g. 11 November, 2 December) and due to reporting and printing deadlines it becomes impossible to receive and report the current month's investment returns and valuations. The October 2008 Schedule of Invested Monies report is one such month where monthly investment valuations as at 31 October 2008 are unable to be reported due to reporting timeframe constraints.

The impact of reporting deadline issues have been compounded by the volatility of the investment market particularly with respect to rating downgrades, investment bank collapses/takeovers, banking staff redundancies, Lehman Brothers Holding Inc. filing for bankruptcy and Lehman Brothers Australia in administration.

There continues to be delays in receiving the detailed monthly reports from Lehman Brothers Australia as a consequence of Lehman Brothers Australia voluntary administration and the Schedule of Investment Monies Table 1 for October 2008 only shows Lehman arranged investment valuations to 31 August 2008. The investment valuations will be updated as soon as the Lehman Brothers Australia Administrator can arrange for the reporting services to be undertaken by another organisation.

### **Global Financial Crisis**

The global financial crisis continues and now includes both worldwide financial system dysfunction and signs of deterioration in fundamental economic factors such as employment, currency fluctuations, investor confidence, retail sales, corporate earnings and trade figures.

The Australian economy is largely demonstrating its resilience to the international financial market volatility however global impacts are still felt.

During October 2008 the following occurred (not an exhaustive list):

- Central banks globally continue to reduce interest rates.
- Australia's headline inflation rate peaks at 5% for Quarter 3.
- Unprecedented Australian dollar plunge of 37% since July 2008 highs.
- Heightened concerns of a prolonged global economic recession.
- Oil and commodity prices continue to fall as demand and production slows.
- High degree of variability in stock markets.

The Australian Federal Treasurer announced a number of changes to the *deposit guarantee initiative* (noted in the September 2008 Schedule of Invested Monies Report) originally released on 12 October 2008. The key points are as follows:

- Investors with total deposits of less than \$1m are fully guaranteed at no cost.
- From 28 November 2008, deposits over \$1m are no longer guaranteed unless the Authorised Deposit-taking Institution (ADI) takes out the optional government deposit guarantee for a fee of between 0.70% and 1.50% per annum. This fee is to be paid by the ADI (but most likely will be passed on to the customer via a lower interest rate for guaranteed deposits).
- The fee will be based on a sliding scale as determined by the credit rating of the institution: 0.70% p.a. for AA rated institutions; 1.00% p.a. for A rated institutions; and 1.50% p.a. for BBB rated or below/unrated institutions.
- The optional fee only applies to amounts over \$1m, with the first \$1m automatically covered at no cost.
- Essentially depositors can opt-in to have their balance above \$1m guaranteed by the Government but do so at a reduced interest rate.

The intention of the establishment of these guarantee schemes is to help ensure certainty and continuity of funding in the Australian financial system.

### **The Council Investment Position**

The impact the Lehman Brothers Holding Inc. bankruptcy and the Lehman Brothers Australia Ltd administration will have on the Council CDOs where Lehman Brothers is a guarantor or underlying entity continues to be assessed by the Council independent investment advisor Oakvale Capital, in conjunction with advice from the Council legal advisor, Piper Alderman.

Preliminary investment analysis and findings to date include:

- The SPRC 2007-1 “Federation” security (note: the only sub-prime linked security of the Council) arranged by Lehman Brothers has received enough votes from note holders to unwind the security. We have been advised on 29 October 2008 by the ANZ Bank, the Council Safe Custodian that the Federation note has been unwound and that we should expect full payment of our \$250,000 investment capital in addition to interest payments.
- The Council has lodged a proof of debt claim as a creditor on the Lehman CPPI principal protected property note where Lehman Brothers Holdings Inc. was the guarantor. Since Lehman Brothers Holding Inc. has filed a Chapter 11 bankruptcy notice we are waiting on advice as to the recovery on this investment. Final distribution to the Council on this holding is impossible to estimate at this stage but we are advised that recovery should be regarded as very low.
- The Commonwealth Bank of Australia (CBA) advised the Council on 3 October 2008 that one of its investments called CBA – Palladin Portfolio Note has been affected by the bankruptcy of Sigma Finance Corporation who is the collateral Issuer for this security. On 16 October 2008 the CBA forwarded the Council a copy of a Notice of Early Termination of the Palladin Note terminating an issuer agreement. The affect of this termination is being assessed by the Council investment and legal advisors and will be reported to the Council as facts are confirmed but at this stage we are being advised to expect a very small recovery level on this security.

The outcomes of Oakvale Capital investment analysis and determinations will be reported in upcoming Council meetings where permissible, as the Council may be constrained by the requirements of legal privilege since largely details have been obtained by the legal discovery process. Further details will also continue to be provided through Councillor Briefings.

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SCHEDULE OF INVESTED MONEY - October 2008 (Table 1)							
Institution & Fund	Original Rating	Current Rating	Return for month	Face Value	Investment Valuation (Net)	Investment Valuation (Net) Previous Month	Comment on movements and valuation
Citybank Term Deposit (maturity 22/10/08)	A1+	A1+	7.50%	0	0	1,700,000	withdrawal for cashflow
Westpac Bank Bill (maturity 16/10/2008)	A1+/AA	A1+/AA	7.42%	0	0	2,200,000	withdrawal for cashflow
CBA Bank Bill (maturity 15/12/2008)	A1/AA-	A1/AA-	7.45%	2,300,000	2,300,000	2,300,000	re-investment 27/10
CBA Bank Bill (maturity 10/11/2008)	A1/AA-	A1/AA-	7.36%	2,000,000	2,000,000	2,000,000	cashflow investment in Sept 2008
NAB Professional Funds A/C (at call)	n/a	n/a	7.20%	3,140,108	3,140,108	4,040,108	Cashflow investment in Sept 2008
Bendigo Bank FRII	BBB	BBB	8.57%	1,000,000	903,333	903,333	Valuation as at 30 Sept 2008
CBA – Palladin Portfolio Note	AA	BBB-	8.37%	500,000	97,500	97,500	Valuation as at 31 August 2008
Generator Income Notes (administered by Rim Securities Ltd)	AAA	AAA	1.47%	1,000,000	664,484	668,892	Valuation as at 30 Sept 2008
Macquarie Cash Management	AAA	AAA	6.89%	102,483	102,483	102,483	Coupons received for the month held in cash mgt.
Averon Series AF7 Floating Rate Note (administed by ANZ Bank)	AAA	AAA	0.00%	500,000	399,800	399,800	Valuation as at 31 Aug 2008
CBA – Equity Linked Note	AA	AA	3.00%	1,000,000	935,800	929,750	Valuation as at 30 Sept 2008
CBA – Callable CPI Linked Note	AA	AA	1.35%	1,000,000	926,200	917,900	Valuation as at 31 Aug 2008
Athena Series 1 Camelot Notes (administered by ICAP)	AA-	AA-	8.32%	500,000	422,277	422,277	Valuation as at 30 Sept 2008
Aphex Pacific Capital Phoenix Notes (administered by ABN-AMRO Morgans)	AA1	AAA	9.39%	500,000	426,900	426,900	Valuation as at 30 Sept 2008
Investments arranged by Lehman Brothers:-							
SPRC 2007-1 – “Federation”	AAA	CCC-	8.32%	250,000	10,500	10,500	Valuation 31/8/08
Adelaide Bank FR Sub Debt	BBB+	BBB+	8.13%	750,000	738,525	738,525	Valuation 31/8/08
Adelaide Bank FR Sub Debt	BBB+	BBB+	8.51%	1,500,000	1,459,350	1,459,350	Valuation 31/8/08
Aphex (Glenelg)	AA-	BBB	9.09%	280,000	163,912	163,912	Valuation 31/8/08
ANZ Yeild Cutve Note	AA	AA	8.25%	100,000	87,200	87,200	Valuation 31/8/08
BELO (Kalgoorlie)	AA+	AA+	8.49%	600,000	502,500	502,500	Valuation 31/8/08
Bendigo Bank FR Sub Debt	BBB+	BBB+	8.28%	500,000	484,050	484,050	Valuation 31/8/08
Bendigo Bank FR Sub Debt	BBB+	BBB+	8.04%	500,000	457,250	457,250	Valuation 31/8/08
Corsair (Torquay)	AA	BBB+	9.02%	300,000	154,500	154,500	Valuation 31/8/08
Corsair (Kakadu)	AA-	B+	8.82%	300,000	125,580	125,580	Valuation 31/8/08
Deutsche Bank Yeild Curve Note	AA-	AA-	8.25%	250,000	210,250	210,250	Valuation 31/8/08
Elders Rural Bank Sub Debt	BBB-	BBB-	8.65%	500,000	473,900	473,900	Valuation 31/8/08
Beryl (AAA Global Bank Note)	AAA	AAA	8.42%	350,000	273,280	273,280	Valuation 31/8/08
Helium (Esperance)	A+	BBB+	9.52%	450,000	253,035	253,035	Valuation 31/8/08
Helium(Scarborough)	AA	BBB+	9.14%	1,100,000	600,380	600,380	Valuation 31/8/08
Herald Limited (Quartz AA)	AA	A-	9.32%	250,000	176,625	176,625	Valuation 31/8/08
HSBC FRII	AA-	AA-	8.12%	1,000,000	908,000	908,000	Valuation 31/8/08
Lehman CPPI	AA-	AA-	6.45%	250,000	222,500	222,500	Valuation 31/8/08
Magnolia (Flinders)	AA	AA	9.32%	550,000	412,500	412,500	Valuation 31/8/08
MAS6-7(Parkes)	AAA	BBB-	8.82%	250,000	85,250	85,250	Valuation 31/8/08
Start (Blue Gum) (Jun 13)	AA-	AA-	9.24%	300,000	152,220	152,220	Valuation 31/8/08
Zircon (Miami) (Mar 17)	AA	BB-	9.32%	95,000	38,019	38,019	Valuation 31/8/08
Zircon(Merimbula) (Jun 13)	AA	BB-	8.87%	400,000	117,800	117,800	Valuation 31/8/08
Zircon (Coolangatta) (Sept 14)	AA	B+	9.12%	450,000	143,550	143,550	Valuation 31/8/08
<b>Total</b>				<b>24,817,591</b>	<b>20,569,561</b>	<b>25,359,619</b>	

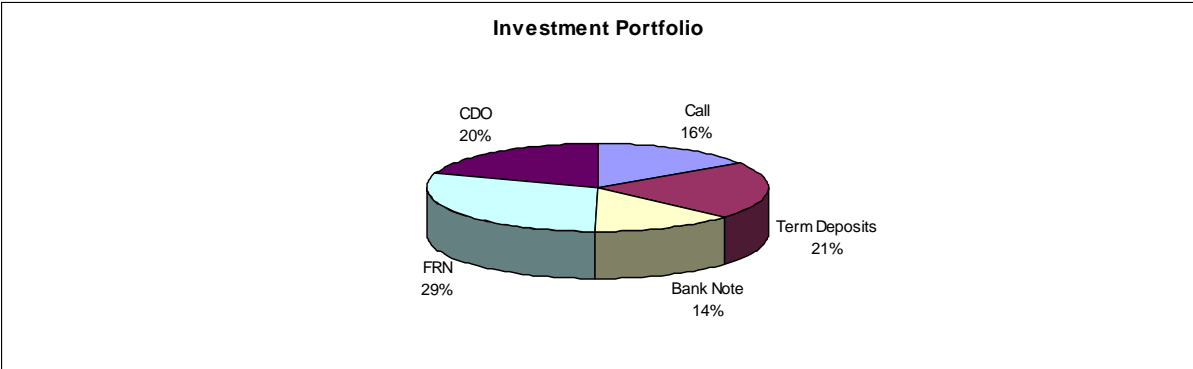
(Table 2)

Balance of investments September 2008 (Market Value)	25,359,619
Funds invested during month (Gross)	1,000,000
Funds withdrawn during month (Gross)	(5,800,000)
Revaluation of investments during month. Favourable/(Unfavourable)	9,942
<b>Balance of investments October 2008 (Market Value)</b>	<b>20,569,561</b>

**BBSW 30 Days 6.1%**  
**Average Rate of Return for Month 5.5%**

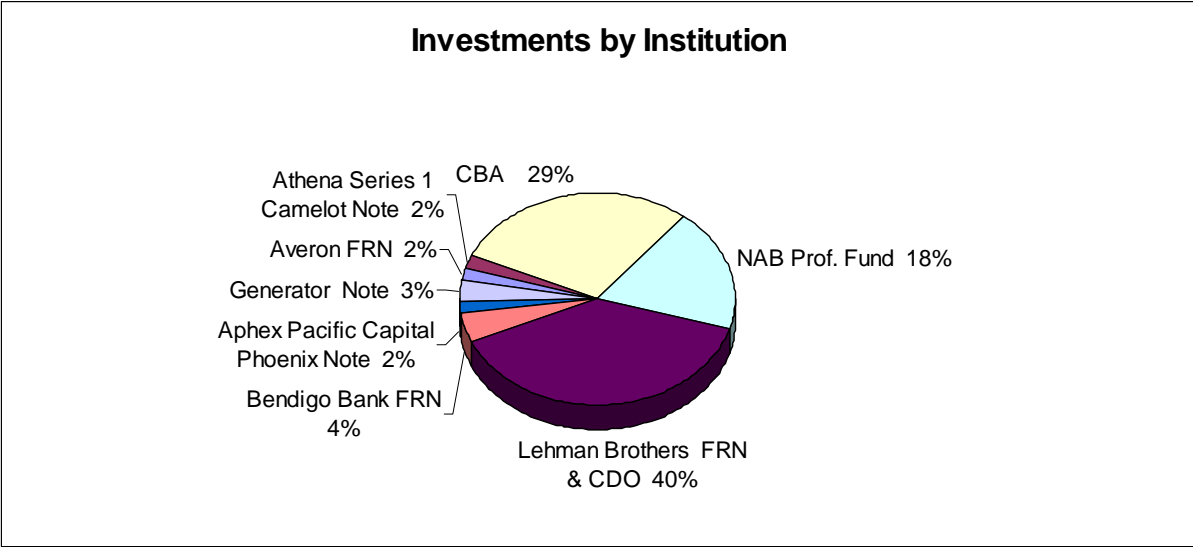
Current market valuations of all investments are as at 30 September 2008 or earlier as advised in the comments column in Table 1. It is also important to note that valuations are indicative only with no assurance that trades could be completed at such values.

(Table 3)

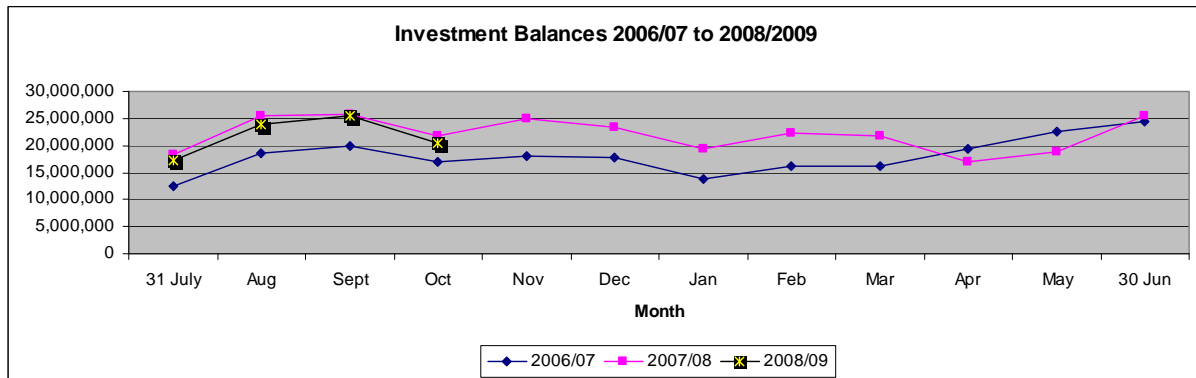


- Call – Cash at Call
- Term Deposits – Deposits for Fixed Term
- Bank Note – Structured Notes
- FRN – Floating Rate Note
- CDO – Collateralised Debt Obligation

(Table 4)



(Table 5)



(Table 6)

***Interest Income(Accrued/Not yet received) - Budget vs Actual***

	Actual	Budget
<b>Income to 30 September 2008</b>	<b>475,459</b>	<b>328,563</b>
<b>Income for month October 2008</b>	<b>122,533</b>	<b>109,521</b>
<b>Total Accrued Income to date</b>	<b>597,992</b>	<b>438,084</b>
<b>Estimated for remainder of year</b>	<b>716,258</b>	<b>876,166</b>
<b>Estimated total 2008/2009</b>	<b>1,314,250</b>	<b>1,314,250</b>

I certify and report that the Schedule of Invested Monies listed above describes all the Council 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 18/08/2008), and Local Government Regulation 1999 (Clause 16).

Neil Farquharson  
Responsible Accounting Officer

**ITEM NO: 3**

**SUBJECT: FINANCIAL REPORTS FOR THE YEAR ENDED 30 JUNE 2008**

**FILE NO: C00738**

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**Recommendations:**

1. *That Mr Phil Burgette, the Council external Auditor, of Morse Group, is invited to address the meeting in respect to the Financial Reports.*
  2. *That the Financial Reports be presented and this report be received and endorsed.*
  3. *That the Common Seal of the Council be affixed to the necessary documents dealing with this matter.*
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**Report by Group Manager, Community and Corporate:**

In accordance with Section 419 of the Local Government Act the 2007/2008 Annual Financial Reports and Special Purpose Financial Reports, together with the external Auditor's Reports are hereby presented. Copies of the documents are enclosed separately. Further copies will be available at the meeting and are readily available to any person who seeks a copy.

Mr Phil Burgette, the Council Eexternal Auditor from Morse Group, will be present to address the meeting in respect to the key financial indicators contained in the Financial Statements.

Pursuant to Section 420 of the Local Government Act 1993 public notice has been given of the meeting at which the Financial Reports will be presented, inviting submissions on the reports from members of the public. Submissions are required to be lodged with the Council in writing by 4:00 pm on Tuesday, 18 November 2008. If any submissions are received, a further report on the submissions, together with officer comment, will be presented to the Council.

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**ITEM NO: 4****SUBJECT: 2008-2009 MANAGEMENT PLAN REPORT – QUARTER 1****FILE NO: F02977**

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**Recommendations:**

1. *That the General Manager's report together with the accompanying document titled "Quarterly Report - Management Plan, July to September 2008" be noted and endorsed.*
  2. *That the variations of income and expenditure as identified in the accompanying document be noted and endorsed.*
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**Report by General Manager:****Report summary**

The 2008-2009 Management Plan describes Blue Mountains City Council's strategic focus over the next four years and provides information about how that strategic intent will translate into action particularly in 2008-2009. This is the first quarterly progress report on the 2008-2009 Management Plan and provides information on the Council's performance for Quarter 1 (July to September 2008).

This Report provides a summary on the status of the Council's 2008-2009 Projects / Programs including the Environment Levy Program and the Council's budget position as at the end of September 2008. More detailed information is contained in the enclosure provided separately '*Quarterly Report - Management Plan, July to September 2008*'.

**How is the Council measuring and reporting on its performance?**

**1. *Community Satisfaction Measures - making a difference for the community:*** these measures help us understand if results for the community have been achieved, based on community perceptions of the Council's services as measured by the Community Survey. The 2008-2009 Management Plan contains a number of targets related to the Community Survey. The Council's performance against these targets will be reported annually and will be included as part of the Quarter 4 Report. The 2008-2009 Community Survey will be undertaken in April / May 2009.

**2. *Organisational Sustainability Measures – a sustainable organisation leading a sustainable City:*** these measures help us understand whether as an organisation, we are improving our governance, environmental, financial and social performance. The 2008-2009 Management Plan contains a number of targets related to organisational sustainability. The performance against these targets will be reported annually and will be included as part of the Quarter 4 Report. Some of the financial sustainability measures are reported quarterly and are included in the separate enclosure '*Quarterly Report - Management Plan, July to September 2008*'.

**3. Service Delivery Measures - how services are delivered:** these measures help us understand whether we have delivered the required services, to what standard and the quality of service delivery. The 2008-2009 Management Plan contains a number targets related to service delivery. The Council’s performance against these targets will be reported annually and will be included as part of the Quarter 4 Report.

**4. Project Measures - what activity has been completed:** these measures help us understand whether we have completed work we committed to undertaking. Projects and Programs are undertaken to improve the services the Council provides to the community. The status of projects is provided each quarterly report. Projects have been classified as follows:

- Annual projects - projects that begin and finish within one financial year. The status of each project is provided ie. whether a project is on target or not.
- Capital Works Projects / Programs - projects and programs that renew existing built assets or create new built assets. The status of each project is provided ie. whether a project is on target or not as well year-to-date capital expenditure against budget.
- Major Projects - those projects that have a significant capital component and / or have a high political profile and / or require significant financial / staff resources usually over more than one financial year. The status of each project is provided ie. whether a project is on target or not as well as year-to-date capital expenditure against budget if applicable.

**Summary of First Quarter 2008/2009 Progress – Status of All Projects by Principal Activity**

<b>Item</b>	<b>No. projects / programs</b>	<b>On-Target</b>	<b>Behind Target</b>	<b>Complete</b>	<b>Will Not Complete</b>	<b>% On-Target</b>
<i>Providing Good Government</i>	16	14	0	2	0	<b>100%</b>
<i>Looking after Environment</i>	24	18	5	1	0	<b>75%</b>
<i>Environment Levy</i>	19	18	1	0	0	<b>95%</b>
<i>Looking after People</i>	36	27	4	5	0	<b>89%</b>
<i>Using Land for Living</i>	18	17	0	1	0	<b>100%</b>
<i>Moving Around</i>	9	9	0	0	0	<b>100%</b>
<i>Working and Learning</i>	7	7	0	0	0	<b>100%</b>
<b>TOTAL</b>	<b>129</b>	<b>110</b>	<b>10</b>	<b>9</b>	<b>0</b>	<b>92%</b>

As shown in the table above, with 92% of projects on-target and completed, the Council is performing satisfactorily against project targets.

**Key Achievements for the First Quarter by Principal Activity**

*This section highlights key achievements in Quarter 1.*

***Providing Good Government***

- The Council supported the local government elections.
- A number of Councillor induction sessions have been provided for the new Councillors.
- The development of an Enterprise Risk Management Protocol for the Council was developed and endorsed by the Council’s Executive Management Team.

- A submission in response to the IPART *Review of the Revenue Framework for Local Government Issues Paper July 2008* was prepared and endorsed at the 26 August Council meeting.
- The new-look Sustainable Blue Mountains website was re-launched in August with promotions through the Blue Mountains Gazette and via a bridge banner.
- The 3-yearly ISO9001(Quality) and ISO14001(Environmental) certification audit of BM City Services was undertaken with certification achieved.
- 100% of Council policies for the period were reviewed and presented to the new Council.

### ***Looking after Environment***

- The Council was successful in its grant application for \$27,000 to purchase thermal pool blankets for the Springwood Aquatic and Fitness Centre 25 metre pool, the program pool and the spa. The pool blankets will achieve energy savings.
- Audits of commercial waste have been completed.
- The grant funded *Blue Mountains Climate Change Risk Assessment* project has commenced with a staff workshop held on the 8 September 2008 to identify and prioritise climate change risks.
- The Blue Mountains Sewerage Strategy was adopted.

### ***Looking after People***

- The Community Development Support Expenditure Funding scheme (CDSE) was implemented in partnership with service clubs and community organisations. 2008-2009 projects were decided and launched.
- NAIDOC week was successfully implemented in July 2008.
- The Gully Cooperative Management Committee was established and a formal recognition of this achievement was hosted by the Mayor with key Gully residents and descendents in September 2008.

### ***Using Land for Living***

- The Council participated in the trial of the NSW draft codes of Exempt and Complying Development (one of eleven Council's selected).

### ***Moving Around***

- 10.6km of the footpath network has been inspected and treated for trip hazards.

### ***Working and Learning***

- The Greater Blue Mountains Drive was announced as a finalist in the State Tourism Awards. The winner will be announced in Quarter 2.
- The Blue Mountains Better Future Economic Development Forum was held on 29 July 2008 with over 100 participants. A range of issues and suggested actions for improving the local economy and generating local employment were identified. Video footage of the presenters and copies of the presentations have been made available on the Sustainable Blue Mountains website. See [www.sustainablebluemountains.net.au](http://www.sustainablebluemountains.net.au)

### **Projects Behind Target for the First Quarter by Principal Activity**

*This section provides details on the projects identified as being behind-target in relation to quarter 1 targets. 'CWP' denotes that the project is in the Capital Works Program.*

***Looking after Environment***

- Project: Replace pipes and stabilise embankment and replace headwall – Oaklands Rd, Hazelbrook (CWP)  
*Comment: Statement of Requirement and design brief not finalised as planned. Design work is delayed due to the need to resolve issues related to a stand of significant trees and other higher priority design work related to Lawson. These documents are being prepared and are to be finalised by November.*
- Project: Replace pipe - Delungra Pl, Wentworth Falls (CWP)  
*Comment: Statement of Requirement and design brief not finalised as planned. These documents are being prepared and are to be finalised by November.*
- Project: Lawson Landfill Remediation - commence site preparation and slope stabilisation (Major Project)  
*Comment: Refer to Major Project section below.*
- Project: Blaxland Waste Management Facility Upgrade - commence civil and building works for the entrance upgrade (contingent on the Development Application being approved (Major Project)  
*Comment: Refer to Major Project section below.*
- Project: Commence Katoomba Waste Management Facility including upgrade of resource recovery facilities and construction of waste transfer station (Major Project)  
*Comment: Refer to Major Project section below.*

***Environment Levy***

- Project: Degraded Lands Restoration  
*Comment: Final site assessment has been completed. Sites include Leura Quarry, Leura Park, Lone Pine Avenue, Leura and Old Bathurst Road in East Blaxland. Works have not yet been commenced as planned, however are programmed to start in late October 2008.*

***Looking after People***

- Project: Develop Lawson Family Day Care Playground  
*Comment: The anticipated additional grant funding for this project is not available. The grant funding body (GROW) has advised that the regional partnership funding has been terminated. The playground development will be re-scoped based on the available budget.*
- Project: Revise 'Bush Fire Prone Land' map in line with guidelines from the NSW Rural Fire Service  
*Comment: The draft of the revised Bushfire Prone Land Map was not given to NSW Rural Fire Service as planned. Council officers are continuing to finalise the revised maps.*
- Project: Repair and renew Play Equipment – Batman Reserve, Blaxland Oval, Summerhayes Park (CWP)  
*Comment: The Statement of Requirement and Project Brief were not finalised as planned. Due to other priorities, the documents will be finalised in January 2009.*
- Project: Complete arborist report and remedial works to Darwins Tree, Wentworth Falls (CWP)  
*Comment: The Statement of Requirement and Project Brief were not finalised as planned. Awaiting Arborist Report.*

**Summary of First Quarter 2008/2009 Capital Works Program (excluding Major Projects)**

This year’s Capital Works Program (CWP) budget is \$5,487,756 after incorporation of adopted carryovers and recommended Quarter 1 variations (excluding Waste projects, Lawson Town Centre project and Cultural Centre, Library and Mixed Use Precinct project reported separately below). At the end of the first quarter, 93% of the capital projects and programs were on-target as presented in the table below. Details on those projects identified as behind-target have been provided in the section above.

<i>Item</i>	<i>No. projects / programs</i>	<i>On-Target</i>	<i>Behind Target</i>	<i>Complete</i>	<i>Will Not Complete</i>	<i>% On-Target</i>
<i>Capital Works Program</i>	60	50	4	6	0	93%

The table below provides a summary of the Council’s Quarter 1 progress compared to previous financial years.

	<b>Sep Qtr 2005/2006</b>	<b>Sep Qtr 2006/2007</b>	<b>Sep Qtr 2007/2008</b>	<b>Sep Qtr 2008/2009</b>
Total Budget*	\$13,240,655	\$8,046,598	\$7,954,429	\$5,487,756
Total Dollars Spent plus Committals	\$3,396,161	\$2,009,998	\$1,145,380	\$604,227
% Spent	25.65%	24.98%	14.40%	11%

*\*Excludes Major Projects - Lawson Town Centre projects, Cultural Centre projects and Waste projects reported separately below*

The percentage of expenditure for Quarter 1 is lower compared to previous financial years as there are many smaller jobs in the program this year, many of which are still in the procurement stage.

**Capital Works Program – Recommended Budget Variations**

Budget variations for two existing capital works projects are proposed in order to fund the development of a temporary carpark in Katoomba.

Currently, informal temporary carparking is provided on the old TAFE site off Parke Street, Katoomba. It is expected that this carpark will be closed at the commencement of the development of the Cultural Centre. The Council is attempting to compensate for this loss of carparking with a further temporary carpark.

The Council is in the process of purchasing a portion of 144 Katoomba Street, being the area behind the Telstra Exchange and the Studleigh Place carpark. The cost of the purchase of the land has been met from Section 94 developer contribution funds. This area has been identified as a suitable area for the construction of a temporary carpark as there would be a direct link to the existing Studleigh Place carpark and therefore Katoomba Street. The sale of this land has not yet been finalised, however contracts have been exchanged and Telstra has agreed to allow the construction of a temporary carpark in this area.

It therefore recommended that the following budget variations be made:

- 1) Blackheath pool water quality and duck prevention measures - the scope of works have been reviewed and the desired outcome can be achieved for \$80K (current

budget \$200K). It recommended that \$120K be transferred to the Telstra Carpark project.

- 2) Pulpit Hill – consolidation of lots – the original plan for a seven-lot subdivision is not feasible due to planning and environmental constraints. The budget required to complete reports and sell the consolidated lot is approximately \$30K (current budget is \$168,783 which includes \$77,000 of grant money for the purpose of managing environmentally sensitive land). It is recommended that \$91,783 of Council funding be transferred to the Telstra Carpark project. The remaining \$47K grant funds are to be transferred to restricted assets for future expenditure on environmentally sensitive land. *Note: the environmentally sensitive land grant funds can be used to meet the cost of consolidating land / preparing for sale with the net proceeds from the resultant sales then returned to the fund for similar purposes.*

The above variations result in a total budget of \$211,783 for construction of a temporary carpark on the Telstra land in Katoomba. The budget is based on concept drawings and the scope of works including earth works, fixing the retaining wall to a standard appropriate for a carpark, site contamination remediation and reporting, removing a light pole and improving the lighting, drainage and landscaping.

It is estimated that the even though this expenditure is for a temporary carpark, the carpark will be in place for quite a number of years.

Councillors are referred to the separately enclosed document titled “*Quarterly Report - Management Plan, July to September 2008*” for the status of individual capital projects and programs. For a summary of the above recommended variations refer to page 17 of the enclosure.

**Summary of First Quarter 2008/2009 Major Projects**

*Preparation of Comprehensive Local Environmental Plan (LEP)*

2008-2009 milestone	Quarter 1 Comment
In 2008-2009, the Council is planning to commence preparation of the comprehensive LEP 2005 and 1991, including establishment of an agreed principle LEP framework.	This project is on target.  The provisions for the principle LEP framework were scoped and information has been provided to the Department of Planning.

*Waste Management Projects*

2008-2009 milestones	Quarter 1 Comment
Lawson Landfill Remediation - commence site preparation and slope stabilisation	This project is behind target.  The development application documentation was not finalised as planned due to delays in the contractor engaging a suitable design consultant. The documentation is now being finalised.  Commencement of works in 2008-2009 is

2008-2009 milestones	Quarter 1 Comment
	<p>still likely, however is dependent on timely approval of the development application.</p> <p><b>Recommended budget variation</b>  <i>It is recommended that due to the above delays, the original 2008-2009 budget for this project of \$1,081,937 be reduced by \$781,937 resulting in a budget of \$300,000 for 2008-2009.</i>  <i>Note: funds for this project were raised specifically for waste management and can only be utilised for this purpose. These funds will be re-allocated in the following year.</i></p>
<p>Blackheath Landfill Remediation – stage 1 site remediation (contingent on availability of fill from Cultural Centre site)</p>	<p>This project in on target.</p> <p>Work specifications were near-complete.</p>
<p>Blaxland Waste Management Facility – creek works (carried over from 2007-2008)</p>	<p>This project is on target.</p> <p>The pipeline was completed and encased in concrete. The headwalls are in place.</p>
<p>Blaxland Waste Management Facility Upgrade – complete construction of Stage 1 of the new landfill cell</p>	<p>This project is on target.</p> <p>Earthworks were completed.</p>
<p>Blaxland Waste Management Facility – commence civil and building works for the entrance upgrade (contingent on the development application being approved)</p>	<p>This project is behind target.</p> <p>The development application documentation was not finalised as planned due to delays in engaging a consultant. The documentation is now being finalised.</p> <p>Commencement of works in 2008-2009 is still likely, however delays in development application approval could prevent this from occurring.</p> <p><b>Recommended budget variation</b>  <i>It is recommended that due to the above delays, the original 2008-2009 budget for this project of \$980,000 be reduced by \$780,000 resulting in a budget of \$200,000 for 2008-2009.</i>  <i>Note: funds for this project were raised specifically for waste management and can only be utilised for this purpose. These funds will be re-allocated in the following year.</i></p>

2008-2009 milestones	Quarter 1 Comment
Katoomba Waste Management Facility Upgrade – commence upgrade of resource recovery facilities and construction of waste transfer station	This project is behind target.  The construction certificate was not obtained as planned. The construction certificate application is still being assessed.  Commencement of works in 2008-2009 is still likely.
2008/2009 Capital Budget for waste projects*	\$8,664,796
2008/2009 Capital Expenditure Quarter 1	\$441,825

*\*Budget incorporates recommended Quarter 1 budget variations.*

*Lawson Town Centre Redevelopment*

2008-2009 milestones	Quarter 1 Comment
In 2008-2009, the Council is planning to: <ul style="list-style-type: none"> <li>• Complete land acquisitions</li> <li>• Complete Stage 1 design and construction works</li> <li>• Complete local drainage project</li> </ul>	This project is on target.  Contracts were exchanged for Heatherbrae house and gardens and the settlement was finalised. Contracts were exchanged for the Neall properties. The Council resolved to award the Stage 1 Construction tender to J K Williams Contracting (JKW) on 9 September 2008. The Draft contract was prepared and issued to JKW. The design and documentation for the Adelaide Street Car Park was finalised. Construction drawings were issued. The Construction Certificate was issued. The approved Heritage Permit was received.  <b><i>Recommended budget variation</i></b> <i>To accommodate the purchase of ‘Heatherbrae’ as adopted by the Council (Minute No. 557, 15/07/08) the original 2008-2009 budget for this project of \$5,864,385 is required to be increased by \$750,000 resulting in a budget of \$6,614,385 for 2008-2009.</i>
2008/2009 capital budget*	\$6,614,385
2008/2009 capital expenditure Quarter 1	\$841,004

*\*Budget incorporates recommended Quarter 1 budget variations.*

*Springwood Town Centre Project*

2008-2009 milestones	Quarter 1 Comment
In 2008-2009, the Council is planning to develop a detailed brief outlining	This project is on target.

requirements and community and civic facilities within Springwood Town Centre.	The first stage tender was developed. Various studies were commissioned.
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*Blue Mountains Cultural Centre, Library & Mixed Use Precinct*

2008-2009 milestones	Quarter 1 Comment
<p>In 2008-2009, the Council is planning to:</p> <ul style="list-style-type: none"> <li>• Commence World Heritage Centre design and fit-out</li> <li>• Complete Stage 1 of Blue Mountains Cultural Centre public art program</li> <li>• Commence early site works</li> <li>• Complete design and fit-out of Blue Mountains Cultural Centre</li> <li>• Complete design and fit-out of new Katoomba Library</li> <li>• Commence work on Civic Centre and laneway connections</li> </ul>	<p>This project is on target.</p> <ul style="list-style-type: none"> <li>• The Consultancy Brief for the tender process is in development for the World Heritage Interpretive Centre exhibition development and fit-out.</li> <li>• The Brief for curator is in development.</li> <li>• A workshop with the Advisory Committee was held for Public Art Program integration and commissions.</li> <li>• The Civic Centre and Laneway Connections Draft Schematic designs have been finalised and workshops / meetings with stakeholders were held.</li> <li>• Cultural Centre Building Works and Fit-Out: A proposal has been received from HASSELL. Awaiting the outcome in relation to provisional sum items. Coles has submitted a package to satisfy the deferred commencement conditions.</li> <li>• Katoomba Library Building Works and Fit-Out: CK Design International (CKDI) has been appointed for the design and documentation for the interior fit-out. A contract has been issued to CKDI and signed. The commencement meeting has been held with CKDI. Four design workshops are scheduled with Council staff, library staff, Katoomba Library Technical Advisory Panel, and general public.</li> </ul>
2008/2009 capital budget	\$1,099,810
2008/2009 capital expenditure Quarter 1	\$950

**Summary of First Quarter 2008/2009 Financial Position**

Councillors are referred to the separately enclosed document titled “*Quarterly Report - Management Plan, July to September 2008*”. The Budget Report 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 September 2008 has resulted in a decrease in working capital of \$138,863 from the original 2008/2009 adopted budget, giving a revised total working capital as at 30 June 2009 of \$1,570,137.

The following reconciliation illustrates the expected Working Capital position as at 30 September 2008 review:

Actual Working Capital – 1 July, 2008	1,709,000
Original Budget 2008-2009 Forecast Improvement in Working Capital	0
Adopted Council Resolutions	0
September 2008 Review	(138,863)
<b>Revised Estimated Working Capital – 30 June 2009</b>	<b>1,570,137</b>
<b>Working Capital is the net amount of uncommitted funds consisting of:</b>	<b>Estimated 2008-2009</b>
Unrestricted current cash	2,445,000
Current receivables	4,700,000
Inventories	395,000
Prepayments	330,000
Payables (excluding liabilities budgeted next year 2007/08)	(6,300,000)
Cash (overdraft)	0
<b>Total</b>	<b>1,570,000</b>

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 \$1,570,137 is satisfactory.

**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 2008/2009 Management Plan Report for Quarter 1.

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