

BLUE MOUNTAINS CITY COUNCIL QUARTERLY REVIEW

BUDGET

MARCH 2008

2007/2008



Blue Mountains City Council Budget Review - March 2008

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BLUE MOUNTAINS CITY COUNCIL

2007/2008 BUDGET REVIEW - MARCH QUARTER 2008

Report by the Responsible Accounting Officer

In accordance with the Local Government Act, 1993 and the provisions of clause 9 of the Financial Management Regulation, a budget review statement and revision of estimates must be completed and submitted to the Council for formal adoption at the end of each financial quarter. This report must include details on the general financial position of the Council and if this position is regarded as unsatisfactory, also include recommendations for remedial action.

The attached report details the budget review statement to the end of March 2008 in accordance with the requirements of the legislation.

An analysis of the actual results as at March 2008 has resulted in an increase in working capital of \$6,990 from the December 2007 adopted budget and a decrease of \$268,848 from the original budget, giving a revised total working capital as at 30 June 2008 of \$1,550,389.

The Council reserves will be reduced in 2007/08 by the downward market revaluation of investments from 1 July 2007. Based on the market valuations received to 31 March 2008 the downward revaluation is \$2,921,937. The December 2007 and March 2008 budget review provided funding of \$1,000,000 for downward revaluation of investments. Therefore, the reduction in reserves will be \$1,921,937. The reserves will be re-instated to the full original value in future years, if the investments are not realised at a loss to face value.

The following reconciliation illustrates the expected Working Capital position as at 31 March 2008 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
March 2008 Review	6,990
Revised Estimated Working Capital – 30 June 2008	1,550,389

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Working Capital is the net amount of uncommitted funds consisting of:	Estimated 2007/08
Unrestricted current cash	623,000
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	1,550,000

The significant variations that occur in this review are summarised in the table as follows:-

	Favourable	Unfavourable	Total
BM City Services			
BM Leisure Centres have experienced a serious downturn in revenue due to inclement weather during the summer season. The unfavourable variation is \$147,900		147,900	
The BM Leisure Centres casual superannuation funding (\$106,000 signalled at the commencement of 2007/08) has been exacerbated by the need to increase staffing levels to the new RLS guidelines. This has meant there has not been the opportunity to pull back employment costs and the anticipated shortfall will be \$95,000.		95,000	
The operational surplus external income over expenditure for road restoration is greater than budget. The favourable variation is \$148,000.	148,000		
Executive Services			
Additional costs for two Councillor delegates and two Hato Builicans to East Timor Friendship Conference.		6,790	
Community & Corporate Services			
The outsourcing of the vacation care program has not been successful. The additional cost to run the program for the year is \$31,380.		31,380	
Additional cost to support the erection of a commemorative cultural and heritage display recognising the aboriginal people of the Gully is \$9,940.		9,940	

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Workers compensation insurance is less than the anticipated budget due to reduced claims.	450,000		
The 2007/08 budget includes \$40,000 for flood studies. The	40,000	40,000	
Non Attributable			
Provision for investment downward revaluation placed to restricted reserve		300,000	
Budget Variation as at March 2008 Quarter	638,000	631,010	6,990 Favourable

Working Capital Position

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 \$1,550,389 is satisfactory.

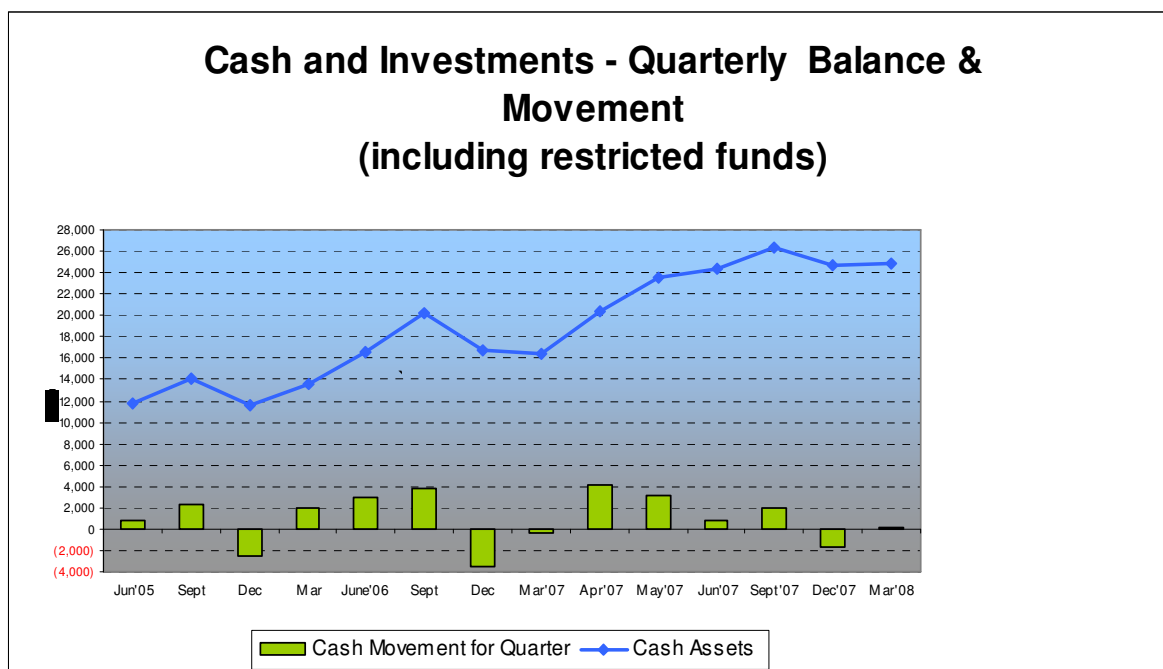
Cash Flow

To date the Council cash position has increased by \$0.288m from 30 June 2007.

The following are graphical representations of the Council cash position.

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Performance Indicators

Description	Bench-mark	Prior Year as at 30 June 2007	Actual as at 31 March 2008
Unrestricted Current Ratio	>1:1	1.70 :1	2.38:1
Debt Service Ratio	10%	6.15%	7.08%

Unrestricted Current Ratio

This is the ratio of current assets to current liabilities excluding:-

- externally restricted assets,
- external receivables and
- payables beyond twelve months.

This ratio again demonstrates the ability of the Council to satisfy its financial obligations in the short term excluding the assistance of externally restricted funds such as s94 and grant monies. A higher ratio indicates a stronger financial position.

Debt Service Ratio

This is the ratio that demonstrates the cost of servicing the Council annual debt obligations (principal and interest) with available Revenue from Ordinary Activities. A lower ratio is a positive financial indicator as it indicates a lesser call on revenues to service debt obligations. It must be noted that the decision or ability to borrow funds and

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subsequently service debt, must always be made in conjunction with the Council overall operating position.

Loan Liability

The Council outstanding loan position as at 30 June 2007 was \$30.98M. At the end of March 2008 the loan position stands at \$29.37M.

As shown in Figure 1 below, total loan repayments in 2007/2008 amount to \$4.6M. These repayments are made up of principal repayments totalling \$1.9M and interest repayments totalling \$2.7M.

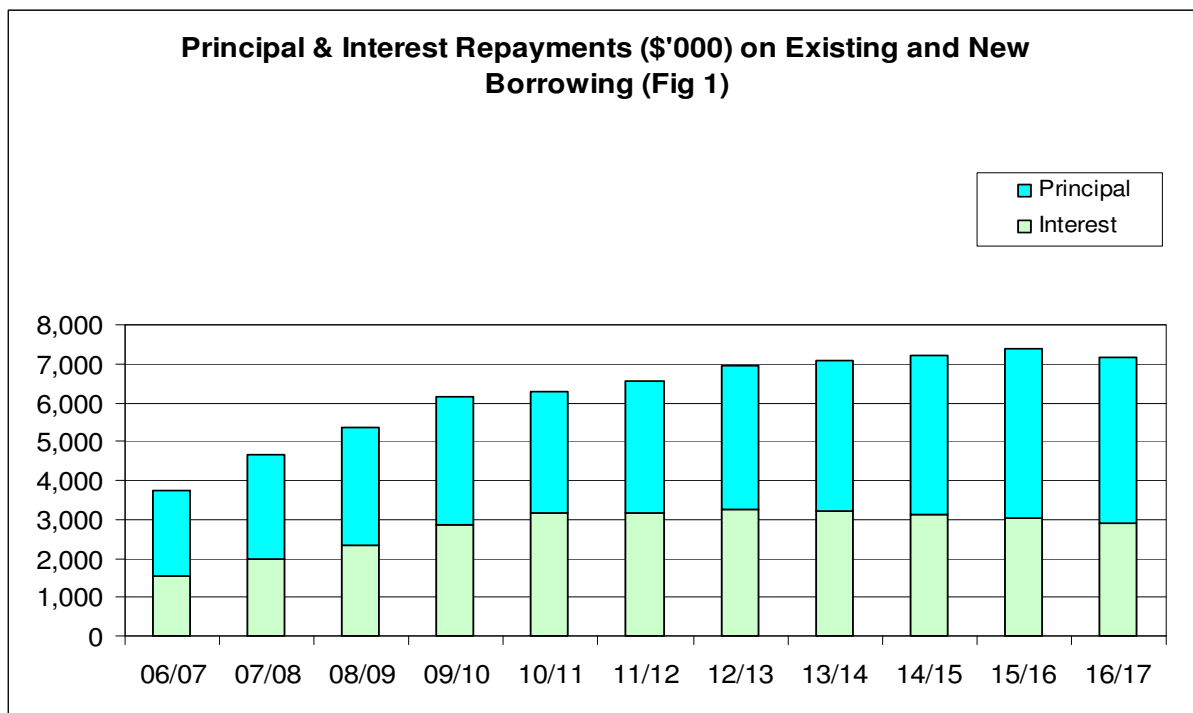
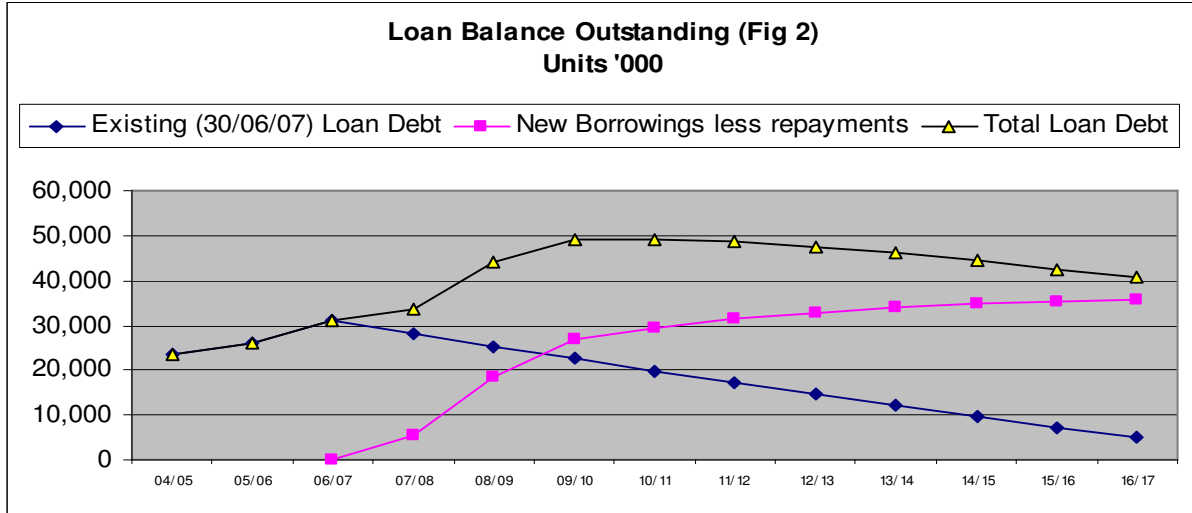


Figure 2 below indicates that the total loan balance will increase from \$30.98m from 30 June 2007 to \$33.55m at 30 June 2008. The new borrowings each year are \$2.45m (except in 07/08 \$5.314m, 08/09 \$13.4m, 09/10 \$8.54m, 10/11 \$3.19m and 11/12 \$3.12m). The total balance increases to \$40.7m by 2016/17.

The debt service ratio will range from 7% to 9% over the 10 year period. The industry benchmark is 10% to 15%.

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The figures above are in accordance with the draft Management Plan 2007/08 and includes the latest anticipated loan funding required for the Cultural Centre, Lawson Town Centre and Waste Transfer Station projects.

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2007/2008 March Budget Review - Summary

Overall Budget Summary	Original Budget	Additional Votes	Budget Adjustments (Contra)	Revised Budget	Actuals YTD	Adopted Budget + Variations	Variation
OPERATING BUDGET							
Looking after the Environment	(7,643,646)	131,359	0	(7,512,287)	(2,688,436)	(7,512,287)	0
Looking after People	(12,590,306)	(411,292)	0	(13,001,598)	(8,521,297)	(12,835,818)	165,780
Using Land for Living	(7,221,885)	(125,983)	0	(7,347,868)	(4,887,547)	(7,347,868)	0
Moving Around	(7,772,810)	(11,982)	0	(7,784,792)	(5,613,996)	(7,636,792)	148,000
Working and Learning	(3,432,192)	110,000	0	(3,322,192)	(2,481,447)	(3,328,982)	(6,790)
Non Attributable	38,706,076	59,020	0	38,765,096	38,535,172	38,465,096	(300,000)
TOTAL OPERATING BUDGET BALANCE	45,237	(248,878)	0	(203,641)	14,342,448	(196,651)	6,990
CAPITAL WORKS PROGRAM	7,004,780	4,901,001		11,905,781	3,934,268	11,905,781	
Less - Non Revenue Funding:							
Loan Funding	4,544,500	2,770,935		7,315,435	1,704,364	7,315,435	
Other Funding	2,427,280	2,103,106		4,530,386	2,229,904	4,530,386	
Sub Total	6,971,780	4,874,041	0	11,845,821	3,934,268	11,845,821	0
Capital Works Balance (Revenue Funded)	(33,000)	(26,960)	0	(59,960)	0	(59,960)	0
NET BUDGET RESULT: Surplus (Deficit)	12,237	(275,838)	0	(263,601)	14,342,448	(256,611)	6,990

2007/2008 March Budget Review

ANNUAL BUDGET COMPARISON TO ACTUALS

	1	2	3	4	5	6	
Outcome	Looking after the Environment	Looking after People	Using Land for Living	Moving Around	Working and Learning	Non Attributable	TOTAL
ADOPTED REVISED BUDGET							
Income							
Income	17,769,627	14,573,390	10,143,432	4,690,624	5,341,883	44,198,276	96,717,232
Expenditure							
Employment Costs	9,260,864	11,603,317	6,466,998	5,279,929	3,573,894	25,000	36,210,002
Operating Costs	14,273,607	12,908,857	9,282,116	5,659,459	3,524,238	2,008,500	47,656,777
Capital	1,747,443	3,062,814	1,742,186	1,536,028	1,565,943	3,399,680	13,054,094
							0
Sub-total(deficit)surplus	(7,512,287)	(13,001,598)	(7,347,868)	(7,784,792)	(3,322,192)	38,765,096	(203,641)
ACTUALS YTD							
Income							
Income	14,795,067	11,749,146	7,274,574	4,049,799	4,097,342	42,530,308	84,496,237
Expenditure							
Employment Costs	6,744,278	8,173,020	5,091,493	4,064,629	2,639,397	(25,782)	26,687,035
Operating Costs	9,124,834	9,675,562	5,770,500	4,041,863	2,602,448	1,471,152	32,686,359
Capital	1,614,392	2,421,861	1,300,128	1,557,304	1,336,944	2,549,766	10,780,394
							0
Sub-total(deficit)surplus	(2,688,436)	(8,521,297)	(4,887,547)	(5,613,996)	(2,481,447)	38,535,172	14,342,448
DIFFERENCE							
Income	2,974,560	2,824,244	2,868,858	640,825	1,244,541	1,667,968	12,220,995
Expenditure	7,798,410	7,304,545	5,329,179	2,811,620	2,085,286	1,438,044	26,767,084
Total Net Difference	(4,823,851)	(4,480,301)	(2,460,321)	(2,170,796)	(840,745)	229,924	(14,546,089)

2007/2008 March Budget Review - Budget Forecast

Outcomes	Original Budget	Additional Votes	Budget Adjustments (Contra)	Revised Budget	Annual Budget incl Variations	Variation	Actuals YTD
Principal Activity 1: Looking after the Environment							
1.01 Building and Construction	(223,527)			(223,527)	(223,527)		(232,912)
1.02 Community Place and Development	0			0	0		(1,334)
1.03 Corporate and Support Services	(2,495,304)	(1,711)		(2,497,015)	(2,497,015)		(1,799,437)
1.04 Environmental Health & Regulatory Compliance	(828,805)			(828,805)	(828,805)		(528,094)
1.05 Environmental Management	1,847,412	133,070		1,980,482	1,980,482		3,683,698
1.06 Fire and Emergency Services	(114,210)			(114,210)	(114,210)		(75,692)
1.07 Governance and Councillor Supports	(375,353)			(375,353)	(375,353)		(251,234)
1.08 Land Use Management	(354,470)			(354,470)	(354,470)		(301,964)
1.09 Parks and Recreation Services	(924,325)			(924,325)	(924,325)		(667,792)
1.10 Roads, Bridges, Footpaths and Drainage	(1,268,866)			(1,268,866)	(1,268,866)		(443,161)
1.11 Sustainable Environment & City Planning	(485,282)			(485,282)	(485,282)		(238,782)
1.12 Waste Services	(2,420,916)			(2,420,916)	(2,420,916)		(1,831,734)
	(7,643,646)	131,359	0	(7,512,287)	(7,512,287)	0	(2,688,436)

2007/2008 March Budget Review - Budget Forecast

Outcomes	Original Budget	Additional Votes	Budget Adjustments (Contra)	Revised Budget	Annual Budget incl Variations	Variation	Actuals YTD
Principal Activity 2: Looking after People							
2.01 Aquatic Centres	(1,426,481)	(164,500)		(1,590,981)	(1,833,881)	(242,900)	(1,372,506)
2.02 Capital Works Program	(192,823)			(192,823)	(192,823)		(121,663)
2.03 Cemeteries	(82,878)			(82,878)	(82,878)		(573)
2.04 Community & Place Development	(557,986)	(3,500)		(561,486)	(602,806)	(41,320)	(488,594)
2.05 Community Buildings and Facilities	(2,409,935)	(10,000)		(2,419,935)	(2,419,935)		(1,748,498)
2.06 Corporate and Support Services	(2,409,743)	25,249		(2,384,494)	(1,934,494)	450,000	(1,729,607)
2.07 Environmental Management	(638,620)	8,317		(630,303)	(630,303)		(293,366)
2.08 Family Day Care	10,874			10,874	10,874		(38,415)
2.09 Fire and Emergency Services	(114,210)			(114,210)	(114,210)		(75,692)
2.10 Governance and Councillor Support	(375,353)	(17,858)		(393,211)	(393,211)		(251,234)
2.11 Library	(931,429)			(931,429)	(931,429)		(620,617)
2.12 Parks and Recreation Services	(1,890,642)	(160,000)		(2,050,642)	(2,050,642)		(826,097)
2.13 Roads, Bridges, Footpaths and Drainage	(1,104,215)	(90,000)		(1,194,215)	(1,194,215)		(599,413)
2.14 Sustainable Community & Recreation Planning	(191,001)			(191,001)	(191,001)		(144,937)
2.15 Waste Services	(275,864)	1,000		(274,864)	(274,864)		(210,085)
	(12,590,306)	(411,292)	0	(13,001,598)	(12,835,818)	165,780	(8,521,297)

2007/2008 March Budget Review - Budget Forecast

Outcomes	Original Budget	Additional Votes	Budget Adjustments (Contra)	Revised Budget	Annual Budget incl Variations	Variation	Actuals YTD
Principal Activity 3: Using Land for Living							
3.01 Building and Construction	(335,290)			(335,290)	(335,290)		(349,368)
3.02 Capital Works Program	0			0	0		0
3.03 Community & Place Development	(98,687)			(98,687)	(98,687)		(54,479)
3.04 Corporate and Support Services	(2,569,678)	(1,711)		(2,571,389)	(2,571,389)		(1,875,154)
3.05 Environmental Health & Regulatory Compliance	(552,536)			(552,536)	(552,536)		(352,063)
3.06 Environmental Management	(83,022)	24,951		(58,071)	(58,071)		(77,141)
3.07 Governance and Councillor Support	(375,353)			(375,353)	(375,353)		(251,234)
3.08 Land Use Management	(531,704)			(531,704)	(531,704)		(452,945)
3.09 Parks and Recreation Services	(491,286)			(491,286)	(491,286)		(595,261)
3.10 Roads, Bridges, Footpaths and Drainage	(1,179,803)			(1,179,803)	(1,179,803)		(923,618)
3.11 Sustainable Environment & City Planning	(727,923)			(727,923)	(727,923)		(358,071)
3.12 Waste Services	(276,603)	(149,223)		(425,826)	(425,826)		401,785
3.13 Sustainable City Infrastructure and Access	0			0	0		0
	(7,221,885)	(125,983)	0	(7,347,868)	(7,347,868)	0	(4,887,547)

2007/2008 March Budget Review - Budget Forecast

Outcomes	Original Budget	Additional Votes	Budget Adjustments (Contra)	Revised Budget	Annual Budget incl Variations	Variation	Actuals YTD
Principal Activity 4: Moving Around							
4.01 Capital Works Program	(771,292)			(771,292)	(771,292)		(553,134)
4.02 Corporate and Support Services	(3,910,735)	(11,982)		(3,922,717)	(3,922,717)		(2,893,979)
4.03 Governance and Councillor Support	(375,353)			(375,353)	(375,353)		(251,234)
4.04 Roads, Bridges, Footpaths and Drainage	(2,715,430)			(2,715,430)	(2,567,430)	148,000	(1,915,650)
4.05 Sustainable City Infrastructure and Access	0			0	0		0
	(7,772,810)	(11,982)	0	(7,784,792)	(7,636,792)	148,000	(5,613,996)
Principal Activity 5: Working and Learning							
5.01 Community & Place Development	(24,672)			(24,672)	(24,672)		(13,855)
5.02 Corporate and Support Services	(1,889,773)	110,000		(1,779,773)	(1,779,773)		(1,346,858)
5.03 Governance and Councillor Support	(375,353)			(375,353)	(382,143)	(6,790)	(251,234)
5.04 Library	(620,953)			(620,953)	(620,953)		(413,745)
5.05 Roads, Bridges, Footpaths and Drainage	(75,720)			(75,720)	(75,720)		(97,560)
5.06 Sustainable Economic Development	(71,000)			(71,000)	(71,000)		(40,714)
5.07 Tourism	(374,721)			(374,721)	(374,721)		(317,482)
	(3,432,192)	110,000	0	(3,322,192)	(3,328,982)	(6,790)	(2,481,447)
Principal Activity 6: Non Attributable							
6.01 Non Attributable	38,706,076	59,020		38,765,096	38,465,096	(300,000)	38,535,172
	38,706,076	59,020	0	38,765,096	38,465,096	(300,000)	38,535,172
Total	45,237	(248,878)	0	(203,641)	(196,651)	6,990	14,342,448

2007/2008 March Budget Review - Statement of Financial Performance (AAS27)

	Original Budget	Additional Votes(incl carry-overs)	Budget Adjustments (Contra)	Revised Budget	Annual Budget incl Variations	Variation	Actuals YTD
EXPENSES FROM ORDINARY ACTIVITES							
Employee costs	36,126,444	13,706	290,310	36,430,460	36,075,460	(355,000)	26,722,789
Borrowing costs	1,932,332			1,932,332	1,932,332		1,445,561
Materials & Contracts	18,594,145	1,463,748	460,546	20,518,439	20,528,379	9,940	11,736,438
Depreciation	13,930,914			13,930,914	13,930,914		10,530,881
Other expenses from ordinary activites	9,431,080	231,691	62,847	9,725,618	9,723,788	(1,830)	7,039,502
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	80,014,915	1,709,145	813,703	82,537,763	82,190,873	(346,890)	57,475,171
REVENUE FROM ORDINARY ACTIVITIES							
Rates & Annual Charges	43,852,467			43,852,467	43,852,467		43,904,256
User Charges & Fees	12,453,185	(300,000)	51,222	12,204,407	12,056,507	(147,900)	9,151,213
Interest	1,257,500	700,000		1,957,500	1,957,500		1,484,736
Other revenues	3,442,926	26,960	92,914	3,562,800	3,562,800		2,764,276
Grants & Contributions provided for non-capital purposes	10,800,869	(105,480)	(35,761)	10,659,628	10,807,628	148,000	8,985,211
Gain from the sale of assets	500,000			500,000	500,000		692,986
REVENUES FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS	72,306,947	321,480	108,375	72,736,802	72,736,902	100	66,982,678
SURPLUS / (DEFICIT) FROM ORDINARY ACTIVITIES BEFORE CAPITAL AMOUNTS	(7,707,968)	(1,387,665)	(705,328)	(9,800,961)	(9,453,971)	346,990	9,507,507
Grants & Contributions provided for capital purposes	2,910,372	1,689,052	(384,500)	4,214,924	4,214,924		1,484,907
SURPLUS / (DEFICIT) FROM ORDINARY ACTIVITIES AFTER CAPITAL AMOUNTS	(4,797,596)	301,387	(1,089,828)	(5,586,037)	(5,239,047)	346,990	10,992,414
Statement of Financial Position (Movements for Year)							
Movements in Restricted Assets - Transfer from	5,728,705	4,558,565	572,360	10,859,630	10,519,630	(340,000)	3,242,551
Sale of Assets	1,990,200			1,990,200	1,990,200		1,741,188
Capital Acquisitions	14,050,806	5,135,790	(517,468)	18,669,128	18,669,128		10,115,076
Loan/Lease Repayments	2,789,180			2,789,180	2,789,180		2,049,510
Non Cash Budget for Depreciation	13,930,914			13,930,914	13,930,914		10,530,881
NET BUDGET AFTER MOVEMENTS IN ASSETS & LIABILITIES	12,237	(275,838)	-	(263,601)	(256,611)	6,990	14,342,448

2007/2008 March Budget Review - Group Report

	Actuals	Original Budget	% of Original Budget	Adopted Revised Budget	% of Revised Budget
BM City Services					
CAPITAL	6,383,734	6,750,492	95%	6,946,813	92%
EMPLOYMENT	14,953,421	19,595,271	76%	19,739,612	76%
INCOME	-19,538,227	-23,919,673	82%	-24,280,500	80%
OPERATING	11,241,896	14,949,896	75%	14,974,061	75%
Total	13,040,824	17,375,986	75%	17,379,986	75%
Central Accounting					
CAPITAL	2,549,766	3,399,680	75%	3,399,680	75%
EMPLOYMENT	- 24,742	25,000	-99%	- 29,000	85%
INCOME	-40,088,908	-44,139,256	91%	-43,979,749	91%
OPERATING	1,472,102	2,008,500	73%	2,008,500	73%
Total	-36,091,782	-38,706,076	93%	-38,600,569	94%
Community and Corporate					
CAPITAL	3,137,603	8,889,886	35%	13,931,171	23%
EMPLOYMENT	5,813,072	8,402,594	69%	8,478,475	69%
INCOME	-24,477,969	-30,467,119	80%	-37,298,063	66%
OPERATING	17,403,526	24,846,294	70%	26,638,442	65%
Total	1,876,232	11,671,655	16%	11,750,025	16%
Corporate Administration					
CAPITAL	48,681	103,200	47%	147,475	33%
EMPLOYMENT	671,672	938,688	72%	938,688	72%
INCOME	- 20,706	- 20,000	104%	- 80,100	26%
OPERATING	556,521	854,850	65%	876,433	63%
Total	1,256,168	1,876,738	67%	1,882,496	67%
Environment & Customer Services					
CAPITAL	395,440	671,224	59%	671,224	59%
EMPLOYMENT	5,312,798	7,151,781	74%	7,302,665	73%
INCOME	-2,417,686	-3,461,930	70%	-3,531,930	68%
OPERATING	2,285,558	3,408,358	67%	3,409,704	67%
Total	5,576,110	7,769,433	72%	7,851,663	71%
TOTAL	-14,342,448	-12,264		263,601	

Blue Mountains City Council

Details of Movements & Utilisation of Restricted Cash Assets & Investments

Restrictions	Budgeted Movements 2007/2008			
	Opening Balance 30 June 2007 \$'000	Transfers to Restriction \$'000	Transfers from Restriction \$'000	Closing Balance 30 June 2008 \$'000
External				
Unexpended Loans	5,782		5,782	0
RTA Contributions	82			82
Specific Purpose Unexpended Grants	2,226			2,226
Other	285			285
Developer Contributions	1,032	52	125	959
Domestic Waste Management	1,971		1,200	771
Special Rates	174		46	128
Total External Restrictions	11,552	52	7,153	4,451
Internal				
Employee Leave Entitlements	1,834			1,834
Internal Borrowings from Restricted Assets	(334)	82		(252)
Replacement of Plant & Vehicles	1,941	1,988	2,075	1,854
Sinking Funds	68	5		73
Elections	165	104		269
Works Carried Forward	648		616	32
Waste Bins	750			750
Tip Improvements	299	310	331	278
Property Development	458	58		516
Land Acquisitions Environmental Protection	64		30	34
Pay & Display Echo Point	650	144	201	593
Katoomba Civic Centre/Cultural Centre	1,400		663	737
Family Day Care	311		121	190
Loan Repayments	758	500		1,258
Aerial Photography	118		110	8
Environmental Levy	936	64	127	873
Superannuation (cessation super contributio	380			380
Investment Downward Revaluation		1,000	1,000	0
Workers Compensation Insurance	160			160
Operational Improvements	142	50	164	28
Major Capital Works	500		500	0
Sustainable Asset Maintenance	141		141	0
Liquidity Restricted Asset		60		60
Other	674	33	228	479
Unfunded Reserves - Investment				
Downward Revaluations			1,922	(1,922)
Total Internal Restrictions	12,063	4,398	8,229	8,232
Total Restrictions	23,615	4,450	15,382	12,683