



GENERAL MANAGER'S SUPPLEMENTARY REPORT

24th February 2009

GM2	BUDGET 2009 / 10		
SUPP	FILE: 447	AVB	{Folio No. *}

SUMMARY:

To provide suggestions for budget deletions

◇◇◇◇◇◇

DESCRIPTION:

The Mayor has requested that staff present to Council alternatives to balance the 2009 / 10 budget without the need to increase rates to alleviate the need to have to examine each page item by item and then still rely on staff to balance the budget.

Each year Council has difficulty balancing its budget due to the restrictions of the rate pegging legislation. Services that were funded by rate revenue are now funded by loans. We use more Section 94 funds, and we have withdrawn from services such as trade waste, pilot cottages, Goolawah Reserve and Laboratory and reduced the operating hours of the tip.

I have emphasised the need for Council to develop an alternative income stream to rates. Being able to utilise the profits created by the caravan parks has been a God send we are investigating better use of resources such as the development of the Landsborough Street car park and the sales of land will assist in providing new capital projects.

Council has been reluctant to apply for a Special Rate Increase other than the Environmental Levy or has been prevented from getting the approval of the Minister to a Special Rate Variation by community opposition. This has placed Council in a perilous position.

Rate revenue today only funds maintenance functions. If you have assets they need to be maintained. If you cut the level of maintenance you are transferring the problem to another year. It is ironical that the majority of grants available to Councils and all borrowings are for capital works which have to be maintained in the future compounding the problem.

If Council agrees that reducing maintenance of its assets to an unacceptable level should not be undertaken then there are very few opportunities available. To reduce its budget allocations Council will need to look at withdrawing from further services (including closing assets) or reducing services without reducing the maintenance of assets.

K - 10

SUPPLEMENTARY

In the first instance, staff have identified larger increases in votes and suggested the following reductions:

Page	Item	Amount \$
6	Road Maintenance	239,700
6	Resealing	260,000
6	Gravel Re-sheeting	220,000
6	Admin Charges R2R	40,000
10	Transfer to Bridge Reserve	50,000
17	Street Lighting	20,000
23	Baths Asset Management	16,300
25	Baths Capital Expenses	
	- Kempsey Refurbish Floor	25,000
	- Gladstone Concrete Surrounds	25,000
	- Kempsey Matting Covers	32,500
	- Gladstone Paint Buildings	13,000
	- SWR cupboards – shelving	5,000
28	Transfer from Reserve	30,000
31	Covered Walkway Fire Control	15,000
33	Emergency Services Equipment	2,500
38	Tipping fees (increase Domestic Waste Charge)	200,000
38	Waste Rebate	13,000
39	Tip Training	5,000
43	Fencing Matty's Flat (from S94)	5,500
43	Riverside Park footpath (from loans)	52,800
47	Stuarts Point Track (from S94)	8,000
47	Frederickton Oval Road (from S94)	9,000
47	SWR Sporting Field fence (from S94)	3,360
54	Coastal Weed Control	5,000
58	Water Management Admin Charge	100,000
65	Vehicles on Beaches Income	5,000
65	Pound Operating Costs	8,150
67	Economic Development Projects	60,000
77	Public Holidays (maternity leave)	20,000
77	Sick leave	20,000
77	Tools & clothing	7,500
78	Depot salaries	10,000
78	Fuel Monitoring	25,000
81	Councillor laptops	10,000
82	Display Cabinets & Chairs	10,000
89	Youth Week	4,000
89	Section 403 Implementation	12,000
89	Aboriginal Liaison Committee	2,500
90	Donation SWR Surf Club (Macleay Water)	10,000
91	Community Services Management Charges Income	10,000
95	Co-operative Library resources	6,000
95	Library marketing	5,000
95	Kempsey Library Children's Furniture	6,000
97	Leith Street refurbishment	10,500
98	Boronia Gardens seating	3,000
100	Cemetery capital	6,700
101	Plans of Management Halls	10,000
122	Rental Incubator	<u>30,000</u>

		\$1,687,010
--	--	--------------------

Additional Expenditure Required

Page	Item	Amount \$
83	Administration Development	3,000
89	Salary Community Safety Officer	36,000
89	Salary Youth Worker	9,000
127	Public Relations Assistance	11,000
		\$59,000

Net Reductions **\$1,628,010**

There are a number of new initiatives that are included in the budget and, on the basis existing services cannot be funded, should be excluded:

Page	Item	Amount \$
12	Crescent Head Drainage Study	100,000
17	Street Lighting Retrofit	50,000
25	Consultants Pool Infrastructure	50,000
27	Footpath Cleaning SWR and Kempsey	30,000
89	Grants Officer	71,000
89	Graffiti Busters	26,400
		\$327,400

Alternative sources of funding have been examined including Section 94 funds, Reserves, Environmental Levy and Revotes.

Section 94 Funds

On page 47 of the budget there are a number of capital projects to be funded from revenue \$76,150. On page K30 of the report are details of the available section 94 funds. Funds are only available for Crescent Head, Frederickton, Stuarts Point and South West Rocks. Council needs to delete the \$76,150 of works or fund works from available section 94 funds.

Saving \$76,150

Reserves

On page 130 of the budget the Quarry Reserve has a balance of \$3515. These funds should be used to finance the Quarry Asset Management Program \$11,000 on page 20 of the budget.

The Infocom Reserve, page 135 is no longer required. It is suggested that these funds be used to finance the purchase of IT equipment page 86 over a three year period \$31,382 09 / 10 \$30,000 10 / 11 and \$30,000 11 / 12.

Total Savings \$34,897

Environmental Levy

The program for the environmental levy is outlined on pages 151-152 of the budget. There are two additional works that could be financed from the environmental levy. Environmental monitoring page 59 \$24,500 and Saleyards Environmental Works page 117 \$15,000

Saving \$39,500

Revotes

The revotes are outlined on pages K24 - K29. As outlined in the Director Sustainable Developments Report page G1 expenditure on Strategic Planning in 2009 / 10 including revoted and new projects will total \$500,000. Much of these works are funded from rate revenues. A program of that size cannot be completed within the year.

It is proposed that the revotes be re-arranged as some projects are being undertaken in-house or funds are not now required and to finance Local Heritage Program \$15,000, Local Heritage Fund \$50,000 and Koala Plan \$20,000 from Revotes and to defer the following:

Rural Residential Strategy Review	\$20,000
Highway Upgrade Bypass Strategy	\$10,000
ESD Policy Implementation	\$10,000
WSUD Policy	\$20,000
Rural Residential LES	\$30,000
Program to be determined	\$27,550
	\$117,550

Leaving a 2009 / 10 program of:

Heritage Consultant/Advisory Service	\$7,500
ESD Policy Implementation	\$10,000
Program to be developed	\$7,450
Revotes	\$313,369
	\$338,319

Savings \$157,550

There is \$1,955,000 in Works Revotes finance by loans resulting in reduced loan repayments in 2009 / 10.

Savings \$190,000

There is also plant Revotes of \$743,255 which will result in lower 2009/10 repayments.

Saving \$100,000

Services where Council could withdraw from or reduce the level of service have been examined and the following options are presented.

Visitor Information Centre Tourism Information

The Visitor Information Centre provides two services –

- Tourist information; and
- Tourism promotion

Tourist information is basically the distribution of promotional material on behalf of tourism businesses in the Macleay Valley. A small contribution is made by the tourism industry through the Tourist Association but Council is still largely subsidising the industry, a position we cannot afford. If the Visitor Information Centre was closed, Tourism promotion could be transferred to the Economic Development office and the full-time Tourist Officer employed there. The vacated Tourism office could be utilised by the Historical Society or other group.

Saving \$90,000

Street Lighting

Apparently some councils are saving street lighting charges by having lights in residential areas turned off at 2.00 am instead of 6.00 am.

Saving \$35,000

Insurances

This budget line covers insurances for public liability (\$466,000), property (\$122,000), councillors and officers (\$21,000), statutory liability (\$9,100), fidelity (\$3,000) and casual hirers (\$2,800). Council must have liability and property cover but potentially could drop councillors and officers and statutory liability cover saving \$30,100 in premium per year.

Councillors and officers cover these persons for costs in defending claims for alleged wrongful acts that are not covered under professional indemnity. Statutory liability covers fines and court costs for unintentional breaches that are not covered under public liability or professional indemnity, e.g. environmental or safety breaches. No claims under these policies have been made since commencement of the policies some ten years ago.

Saving \$30,100

Noxious Weeds

Council receives grant funding for inspections, operations and vacant Crown land and needs to match those funds. Noxious weed expenditure that does not have to be matched is Giant Parramatta Grass \$15,300, Environmental Weeds \$25,000 and Coastal Weeds \$5,000. Council could stop eradicating those weeds.

Saving \$45,300

Footpath Contributions

Council changed its policy of charging adjoining owners 50% of the cost of new footpath construction. Council is foregoing \$37,000 in income in 2009 / 10 as a result of this policy change which should be again reversed.

Saving \$37,000

Homes for Aged

Council has been negotiating the purchase of our Homes for Aged with the Department of Housing who have offered to purchase 9 Jack Williams Crescent, 71 - 73 Leith Street, 12 Lawson Street, South West Rocks and 10 - 12 Leith Street. Some of the offers are being negotiated. The Department is not interested in acquiring the Tozer Street units. The Tozer unit income covers the Tozer unit expenditure.

Swimming Pools

Council operates under lease four swimming pools. Patronage at the village swimming pools is not high and in Crescent Head and South West Rocks residents have the beach as an alternative. An alternative for Gladstone is the river. Schools could travel to the Kempsey pool for carnivals and swimming activities. If Council closed the village pools there would be considerable savings.

Saving \$320,000

Staffing

To reduce staff numbers through redundancy is not going to save in the first year as redundancy payments need to be paid. There are currently a number of positions vacant. A Compliance Officer \$72,000, a Finance Officer \$70,000, Children's Librarian \$75,000 and Engineer \$76,000. If the positions are not filled there will be a reduction of service levels in those areas.

Plant

As mentioned earlier, there is a Revote for plant of \$1,743,255. Added to this will be the 2009 / 10 program of \$625,472. Council over the past two years has borrowed \$2.5 million to modernise its fleet. To reduce the 2009 / 10 allocation would be contrary to this policy decision but is an option.

Other Services

Other services that could be reduced are:

- Public Privies / Civic Maintenance Teams (reduce operating times in Kempsey)
- Street sweeping (cut out residential streets)
- Library services (reduce operating hours)
- Sporting field maintenance (reduce the number of fields available)

If Council wishes to reduce these service levels, options would need to be investigated.

In respect of water and sewerage, several models are being developed which involve the deferral of works to flatten out projected charge increases. These will be presented to the meeting on Tuesday, 24th February.

What has been done in past years and what is suggested above are band aid short term solutions. The budget for 2009 / 10 will no doubt be balanced but at the cost of reduction of services. You can only reduce service for so long.

Council needs to give serious consideration to undertaking a comprehensive consultation process with its community and to explain the difficulties being encountered and the affects that a reduction in service levels means. With community support, an application can be made to the Minister for a Special Variation. A 1% increase in general rates generates \$100,000 in income.

The alternative may well be a reduction in roads expenditure to a level less than the 2008 / 09 budget.

RECOMMENDATION IMPLICATIONS:

- ***Environmental***

The draft Long Term Plan provides for environmental programs to be undertaken by Council.

- ***Social***

The draft Long Term Plan provides for social programs to be undertaken by Council.

- ***Economic (Financial)***

Council needs to adopt a balanced budget.

- ***Policy or Statutory***

Nil

RECOMMENDATION:

For Council's determination

.....
A V Burgess
GENERAL MANAGER