

Subject: LATE REPORT NO. 1 - GM - Budget Review
Index: Financial Management - Budget 2009/10
Author: Director Corporate & Community Services - Steve Embry
Ordinary Meeting: 25 August 2009

SUMMARY OF REPORT:

To report on proposed action to bring the 2009/10 budget to a balanced position.

SUMMARY OF RECOMMENDATION:

1. That Council adopt the measures detailed in the report to achieve a balanced budget position for the 2009/10 financial year.
2. That Council consider the option of introducing the Pay for Parking Proposal for the Forster Main Beach area as detailed in the report.

FINANCIAL/RESOURCE IMPLICATION:

The action proposed in the report will reduce the projected deficit for the 2009/10 financial year from \$866,000 to a balanced budget position and slight surplus of \$16,431.

POLICY IMPLICATIONS:

There are policy implications within the report and the proposed actions reduce service levels in certain areas of Council's operations.

LEGAL IMPLICATIONS:

Nil.

LIST OF ANNEXURES:

Nil.

LIST OF ATTACHMENTS:

Nil.

REPORT:

In the preparation of the 2009/10 budget, Council faced many challenges. For many years Council's revenue has not kept pace with the cost of service provision and the costs of maintaining ageing infrastructure. Council has effectively managed its budget position for many years through efficiency measures, however in recent years the cumulative impact of 30 years plus of rate pegging has bitten deeply necessitating cuts in the level of services which Council can provide to the Great Lakes community. The recent independent reviews commissioned by Council conducted by Review Today (Professor Percy Allan) and Morrison Low (Long Term Financial Strategy) have confirmed that Council's revenue is inadequate in the long term to satisfactorily maintain infrastructure assets and continue current levels of service.

The 2009/10 budget was adopted with a projected \$500,000 deficit position and the budget had been prepared on the basis of a business rate increase which would generate \$250,000 to be applied to tourism activities. The

Minister for Local Government rejected the Council's application for a business rate increase. The actual Federal Assistance Grant (FAG) was also \$90,000 less than projected, and with other minor adjustments the projected deficit is now \$866,000.

The 2009/10 budget included the following notable budget cuts from the previous year's budget:

Staffing - Vacancies not filled	\$337,900
Staffing - Overtime Reduction	\$43,500
Human Resources - Training, Recruitment, Conferences and Improvement Program	\$114,750
Election Funding - Transfer to reserve for 2012 election	\$50,000
Employee Leave Entitlements - Transfer to reserve to fund ELE liability	\$230,000
IT Reserve	\$123,000
Doubtful Debts Reserve	\$75,000
Library - Book Vote	\$90,000
Library - Building Maintenance	\$7,000
General Hall Building Maintenance	\$20,000
Flood Study Matching Funds	\$57,000
Urban and Rural Roads Maintenance	\$100,000
Donations to Community Organisations	\$54,510
Australia Post Payment Option for Payment of Rates	\$46,000
Parks & Gardens Services	\$72,575

In addition to the above Council utilised additional loan funds of \$861,300 for works which would traditionally be funded from revenue sources.

Even with the above measures Council was still facing a \$500,000 budget deficit and as mentioned above this now has risen to \$866,000.

Council held a workshop on 19 August 2009 to discuss Council's 2009/10 budget position and to commence planning for the 2010/11 budget. This followed the presentation of the Long Term Financial Strategy prepared by Morrison Low.

At the workshop it was agreed that a report be presented to the next ordinary Council Meeting providing options to reduce the deficit to a balanced position by the end of the 2009/10 financial year.

Acknowledging the reduction in service levels (listed above) required in the preparation of the budget it is now necessary to make deeper cuts to services to reduce the deficit. After a detailed review it is proposed that the following amendments be made to the budget. The impact on the 2009/10 budget and ongoing impact on the 2010/11 budget is shown.

Budget Amendments 2009/10 and Projected 2010/11

	2009/2010	2010/2011
Tourism	\$70,000	\$120,000
Tuncurry Pool - close 2009/10	\$50,000	Decommissioning means no saving in 2010/11 but ongoing savings of \$50,000 thereafter.
Caravan Parks - fund activities from caravan park reserves on parks and reserves which are part of the Reserve on which caravan parks are situated or adjoining with approval of Department of Lands	\$125,000	\$125,000
Elizabeth Beach Lifeguards - discontinue	\$37,000	\$37,000
Staff Freeze for General Fund Positions	\$150,000	
Mowing - reduce mowing levels of service	\$35,000	
On-cost for on-site staff - recover on-cost	\$25,000	\$25,000
Library books - further reduction	\$9,000	
Interest on investments - projected increase in returns	\$160,000	\$160,000
Bulahdelah School of Arts - new furniture	\$6,000	
Pacific Palms Community Centre - new roofing	\$17,743	
Community Survey - reduce	\$3,771	
Energy Savings Action Plan - reduce	\$5,000	
Heritage Assistance - reduce	\$5,000	
Urban Rehab (unallocated) - reduce	\$37,355	
Tuncurry Reseals (Lakes & Manning) - reduce	\$28,000	
Urban Construction Investigation - reduce	\$4,283	
Pleasant View Parade - savings on completed jobs	\$5,682	
DA works unallocated	\$7,097	
Tuncurry Foreshore	\$11,500	
Dredging (Tuncurry) - utilise Dredging Reserve funded by Environmental Levy	\$90,000	
	\$882,431	\$467,000

As an option to further improve Council's revenue position, a proposal for introducing a Pay for Parking proposal at Forster Main Beach has been prepared for Council's consideration.

As Councillors will be aware, the majority of City Councils have been able to balance their books as a result of income from parking meters. On this basis, an examination of the potential for introducing parking meters in Forster and Tuncurry has been undertaken.

In order to maintain the viability of the shopping centres, it is considered that parking meters aren't viable in these areas. This leaves the beachfront area of Forster as the only viable location.

Within the area of North Street, West Street from North to Head Street and Beach Street from North to Head Street there are 162 parking spaces. There are a further 100 spaces in the Surf Club carpark making a total of 262 spaces.

The latest parking meters are installed at a rate of one machine per twenty spaces meaning 12 machines would be required at a cost of \$8,500 each plus \$3,000 per machine for annual maintenance, enforcement, surveillance, etc, ie \$102,000 plus \$36,000 per annum maintenance.

The possible income, based on a 50% occupancy rate with the meters being in force for the peak periods of December and January as well as Saturdays, Sundays and public holidays would be of the order of \$100,000.

This assumes that there is a resident parking scheme which allows resident to avoid the parking fee, hence the 50% occupancy rate.

Before a detailed analysis is undertaken, Council needs to resolve whether to proceed further with this scheme.

It is also proposed to continue the review process to investigate revenue generation and expenditure reduction options for consideration in the development of the 2010/11 budget. These will be presented to Council as the 2010/11 budget is progressively developed. A 2010/11 budget preparation timetable will be prepared and provided to Council to factor in necessary budget workshops. The 2010/11 budget planning process will be held concurrently with the Community Strategic Plan development process which includes community consultation.

While the planned action will reduce the budget deficit to zero by the end of June 2010 it comes at a cost. Service levels are clearly being eroded and infrastructure and assets are unable to be maintained to acceptable levels. The picture in future years is clear that this situation will deteriorate as infrastructure and assets age. Rate pegging does not keep pace with increased costs and with limited alternative revenue sources for councils outside metropolitan Sydney, this effectively means the services which regional and rural councils can provide for their communities will diminish.

RECOMMENDATION:

1. That Council adopt the measures detailed in the report to achieve a balanced budget position for the 2009/10 financial year.
2. That Council consider the option of introducing the Pay for Parking Proposal for the Forster Main Beach area as detailed in the report.