

LEICHHARDT COUNCIL'S 2009 – 2010

BUDGET OVERVIEW

1. Management Plan 2009 – 2013 and Budget 2009 - 2010

It is a legislative requirement for Council to adopt a Management Plan and Budget each financial year. Management Plans are usually over a three year period, however, this draft plan extends over four years, consistent with the Department of Local Government's Integrated Planning and Reporting Reforms and therefore covering the full term of a council. Budgets are usually over the next 12 months.

The Management Plan contains plans for all areas of Council including objectives, activities, outputs, priorities, performance indicators and budgets. The Management Plan also sets Council's rates, garbage charge and other fees for the coming year. Management Plans establish our services and priorities for the next 4 years and in particular continues the process of implementing and delivering the *Leichhardt 2020+ Strategic Plan*.

The **Management Plan** is adopted by Council by 30 June each year, after being publicly exhibited for at least 28 days.

In summary :

- The **Leichhardt 2020 + Strategic Plan** sets Council's long term future direction – guiding the community, councillors and staff through a series of strategic goals towards our vision of a building a sustainable and liveable community.
- The **Management Plan (2009 - 2013)** systematically translates these strategic goals into actions. The Management Plan is a single point of reference for all activities undertaken by Council during its term of office – containing a series of actions and priorities over the next four (4) years to meet community priorities.
- **The Budget (2009 – 2010)** spells out the Management Plan actions and priorities for the next 12 months, allocating project funding and setting property rates. It also sets out the major capital works for the next four (4) years to 2013.

The **2009–10 budget** has been prepared with the following key objectives:

- maintain existing services and fund all currently scheduled major projects
- provide funding for the identified extraordinary cost increases and maintain financial health
- provide funding for new projects identified by the Budget and Parking Management Taskforce, and seed funding for Callan Park
- provide additional funding for core infrastructure maintenance and renewal

These objectives have been met in the draft budget, despite a very difficult financial climate.

The Leichhardt Municipality is a diverse and vibrant inner-city community. Our population of 53,217 (30 June 2008) lives within an area of 10.0 square kilometres.

The 2006 Census shows that there are 24,060 dwellings in our Local Government Area .

Our community enjoys high levels of services, employment, cultural and recreational infrastructure, however, the ever growing complexities and demands of our modern community ensure there are many challenges ahead.

Council must balance infrastructure renewal, increasing maintenance costs, cost shifting from other levels of government and limited revenue raising options to ensure we are investing sustainably for the future.

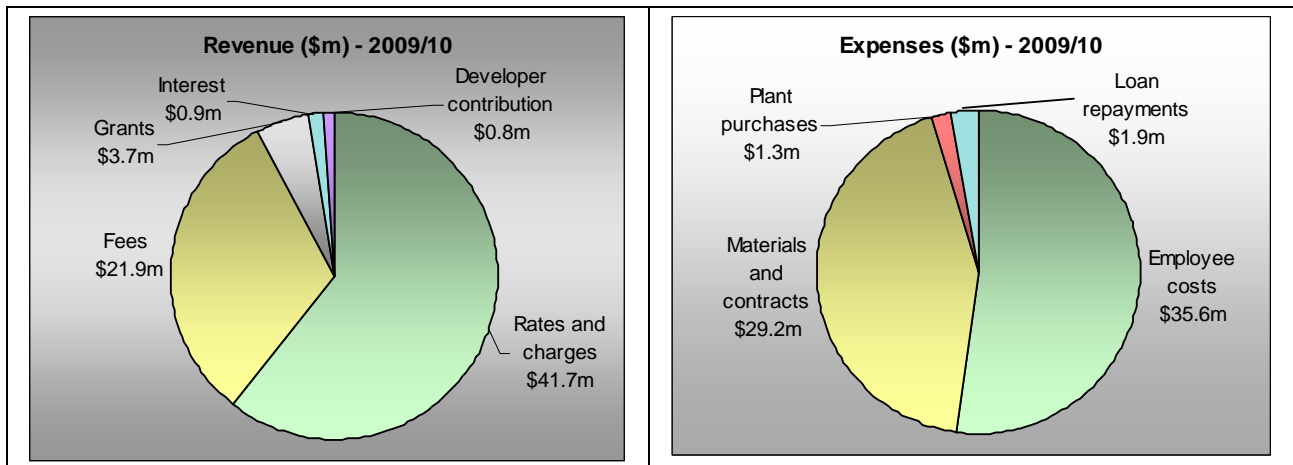
2. Financial summary

In 2009/10 Council's estimated revenue is \$69.1 million, with expenses of \$68.3 million and net transfers to reserves of \$0.8 million, resulting in a balanced budget.

Council will maintain a healthy level of working funds and other reserves, whilst increasing expenditure on core local infrastructure. The Major Property and Mainstreet Works Program (also known as the Major Projects Program) - which commenced in 2005 - will also continue.

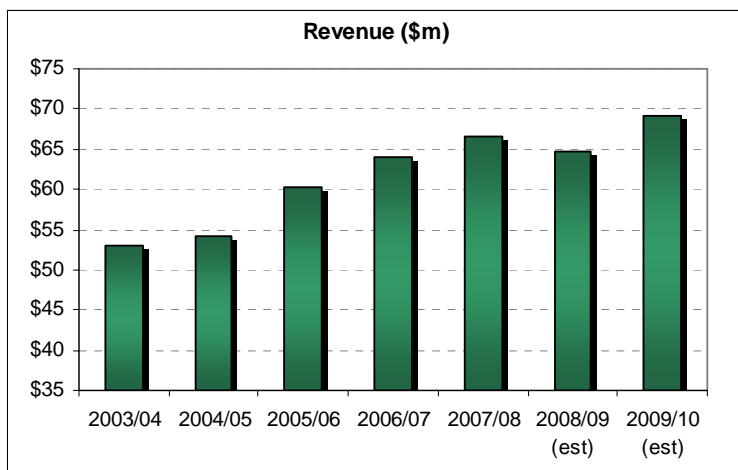
The major components of Council's revenue and expenditure are:

Revenue			Expenses		
Category	\$ million	%	Category	\$ million	%
* Rates and charges	\$41.7	60.3%	* Employee costs	\$35.6	52.1%
* Fees	\$21.9	31.7%	* Materials and contracts	\$29.2	42.8%
* Grants	\$3.7	5.4%	* Plant purchases	\$1.3	1.9%
* Interest	\$0.9	1.3%	* Loan repayments	\$1.9	2.8%
* Developer contributions	\$0.8	1.2%	* Other	\$0.3	0.4%
* Other	\$0.1	0.1%			
Total revenue	\$69.1	100.0%	Total expenses	\$68.3	100.0%



3.1 Revenue

Revenue includes funding from rates and charges, fees, grants received from State and Federal Government, interest received, developer contributions and loan borrowings. Council's revenue for 2009/10 will be \$69.1 million.



Key impacts on Council's revenue for this budget include:

- **Rates increase** - the Minister for Local Government has approved a rate increase of 3.5%. This does not meet the increased costs from salaries, materials, insurances and utilities.
- **Reduced return on investments** - due to the reduction in interest rates in response to the global financial crisis, revenue on Council investments is expected to decline compared to previous budget projections for 2009/10 by around \$400,000.
- A possible State Government **cap on Section 94 Developer Contributions** of \$20,000 would reduce revenue by a minimum of \$0.2m per annum (based on recent development patterns), with significantly greater loss of potential revenue if large developments proceed (Council has sought to be excluded from this cap and is awaiting a decision by the Minister for Planning).
- Council has successfully claimed **compensation from the Roads & Traffic Authority (RTA) of \$1.9 million** for land they compulsorily acquired from Council.
- **Stormwater Management Charge** - this is proposed to be maintained at current levels (Residential property being \$12.50 pa (strata) or \$25 pa (non strata) and business property being \$25 pa per 350m² land area).
- **Domestic Waste Charge** - this is proposed to increase by 6.8%, with charges on a pay by bin size ranging from \$323 to \$396 pa. The increase is largely due to an increase in costs imposed by the State Government, including the introduction of a new waste levy, along with an increase to the cost of superannuation benefits for garbage service staff (as discussed below).
- **Other fees and charges** are proposed to increase, generally in line with the rates pegging limit. An exception to this is the fees for **childcare** at Council's long day care centres, which are proposed to increase by 7% to 10%. This is largely due to an increase in labour costs associated with the finalisation of the roll out for the provision of 1:4 childcare ratios for all 0-2 year olds in long day care.

Parking meters

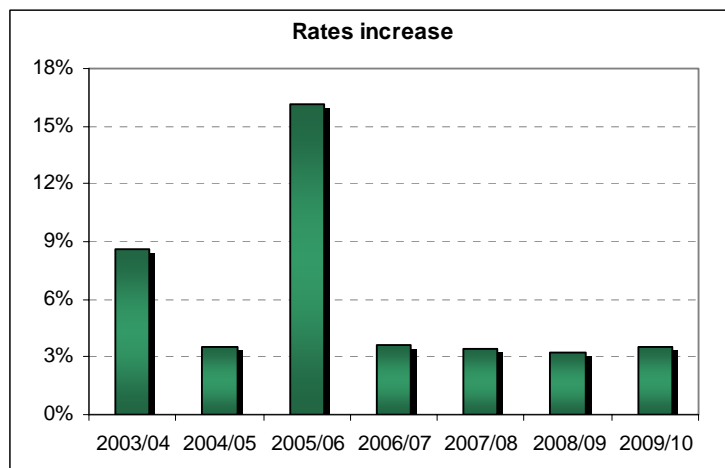
Parking meters were introduced in 2001 to assist with traffic and parking management while also delivering another important source of revenue to Council. This additional revenue has been quarantined for infrastructure funding. In 2008/09 net revenue from parking meters was \$1.96 million. This is expected to increase to \$2.16 million in 2009/10.

Parking Meters	2007/08	2008/09 (est)	2009/10 (est)
Gross Revenue	\$3,055,000	\$3,100,000	\$3,300,000
Expenditure	\$1,277,000	\$1,136,000	\$1,139,000
Net Revenue	\$1,778,000	\$1,964,000	\$2,161,000

Rates increase

The annual increase to Council rates is limited, or "pegged" by the Minister for Local Government. In 2009/10 the proposed increase to Council rates is 3.5%. If Council wants to increase rates by more than the pegged amount, Council must usually apply to the Minister of Local Government for an extraordinary increase. However Council has most recently been able to increase its rates above the pegged limit as a consequence of the boundary change in 2003 which resulted in the transfer of the suburb of Glebe to the City of Sydney.

This increase occurred in two financial years. In 2003/04 Council increased its rates by 5% above the pegged limit to compensate for revenues lost as part of the boundary change and allow Council to continue to provide the same range of services to the community. In 2005/06, Council increased its rates by 12.5% above the pegged limit, with the additional funds being set aside each year to fund major infrastructure works.



Global Financial Crisis

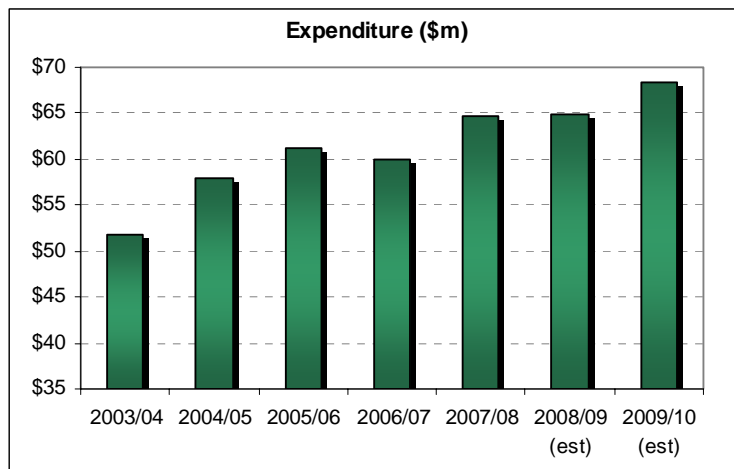
There has been ongoing publicity about the effects of the global financial crisis which has placed enormous financial pressure across local government in NSW.

Leichhardt Council has not escaped the financial impacts of the economic downturn which is estimated to have a budget impact of more than \$1.0 million next year.

3.2 Expenditure

Expenditure consists of operating expenses and capital spending. In 2009/10 expenses will be \$68.3 million.

Expenses includes employee costs, materials and services, contactors, plant and borrowing costs. Expenditure can vary from year to year depending on the level of grants received for one-off projects, loan borrowing, the draw down of developer contributions and reserves for specific projects and the corresponding level of capital works programmed.



Key impacts on Councils revenue for this budget include:

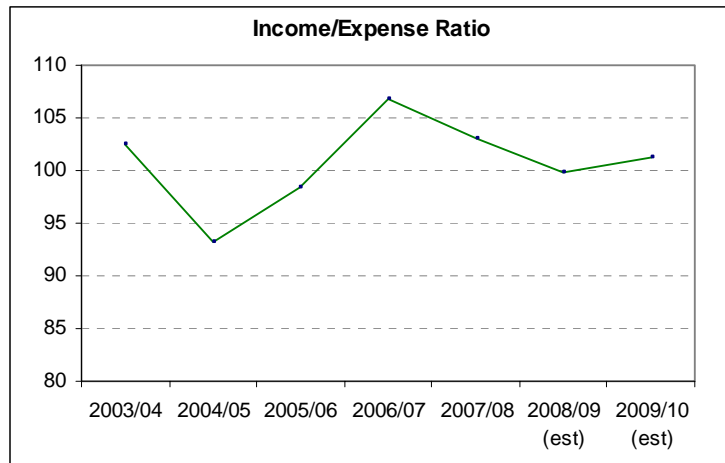
- **Staff costs** - an award wages increase of 3.2% has been provided effective from 1 November 2009.
- **Superannuation costs** - the cost of meeting Defined Benefit Scheme staff superannuation costs is set to increase by approximately \$0.7million per annum due to the poor investment performance of this fund as a result of the global financial crisis. Approximately 20% of Council staff are in a defined benefit superannuation scheme (these schemes have been closed to new members since the early '90s). The poor investment performance of this fund has meant that the Council's contributions will increase by 97%, an impact to Council of \$714,000 pa.
- **Electricity costs** - Energy Australia electricity costs are expected to rise by approximately 27% or \$0.26 million pa due to energy and network price increases from 1 July 2009. On the positive side however, the Australian Energy Regulator has determined that costs for the provision of street lighting infrastructure by Energy Australia should be reduced by some \$85,000 per annum. However Energy Australia have appealed this decision, which is not expected to be heard until August 2009.
- **Worker's compensation costs** – these are also estimated to increase next year by around \$0.4 million due to a number of expensive claims along with increases to the underlying insurer premium factors.
- **Increased disposal costs** - the Domestic Waste Charge is proposed to increase by 6.8% because of increased disposal costs imposed by the State Government and garbage service staff superannuation costs (as mentioned above).

- **Callan Park** - in 2008 the State Government proposed the transfer by lease of part of Callan Park to Leichhardt Council. Council has commenced planning for and investigating the feasibility of this proposal, including the financial implications which are likely to be significant. The draft budget provides for an amount of \$500,000 (on the basis that it is funded by \$250,000 from Council and is matched by \$250,000 from the State Government) as seed funding to undertake technical investigations, obtain legal and contamination advice, and commence the community consultation and planning process.

3.3 Income/Expense ratio

When the Income/Expense ratio is greater than 100%, this means that Council's income was greater than expenditure in that year and there was a net transfer to reserves set aside for the future. When the Income/Expense ratio is less than 100%, this means that Council's income was less than expenditure in that year and there was a net transfer from reserves.

After taking into account transfers to and from reserves, the budget is considered "balanced" if it does not impact on the level of Council's uncommitted or "working" funds. In 2009/10 the budget will maintain the current level of working funds (\$3.0 million) and will contribute \$0.8 million to reserves.



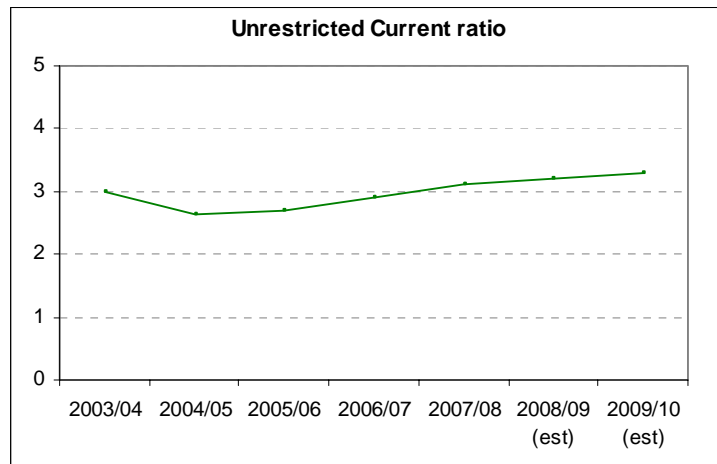
3.4 Liquidity

This ratio is a key measure of a Council's financial health, as it provides a measure of liquidity as a ratio – that is, the ability to satisfy obligations in the short term for the activities of Council. This is calculated by dividing Current Assets by Current Liabilities (excluding all Restrictions on investments required for specific purposes).

The Unrestricted Current Ratio can be broadly interpreted as follows:

- less than 1.5 is regarded as being unsatisfactory
- Between 1.5 and 2 is regarded as satisfactory
- > 2 is regarded as good

Council has a very healthy unrestricted current ratio.

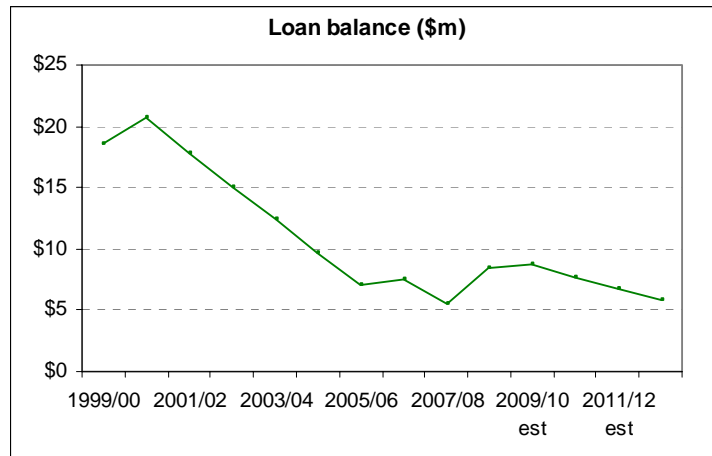


3.5 Debt and loans

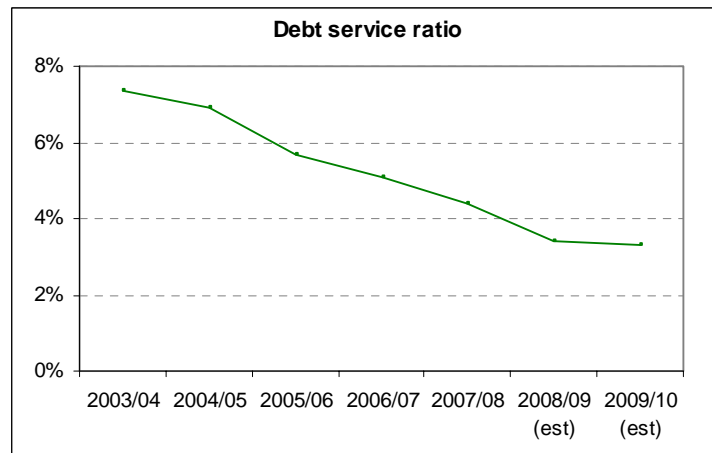
At the end of 2008/09 Council's debt is projected at \$8.4 million. Council plans to borrow \$1.9 million in 2009/10 as part of the carryover funding adopted in prior years for the Council Administration building extension project.

New loan funding is not proposed in this budget. It should be noted that loan borrowing of \$1.9 million was adopted by Council in previous budgets for the proposed Council Administration building extension. While these funds have not yet been borrowed, if the project proceeds in 2009/10 then this previously approved loan funding will be utilised.

Council has significantly decreased its debt since the 2000/01 financial year. Council's debt level will remain affordable based on planned borrowing.



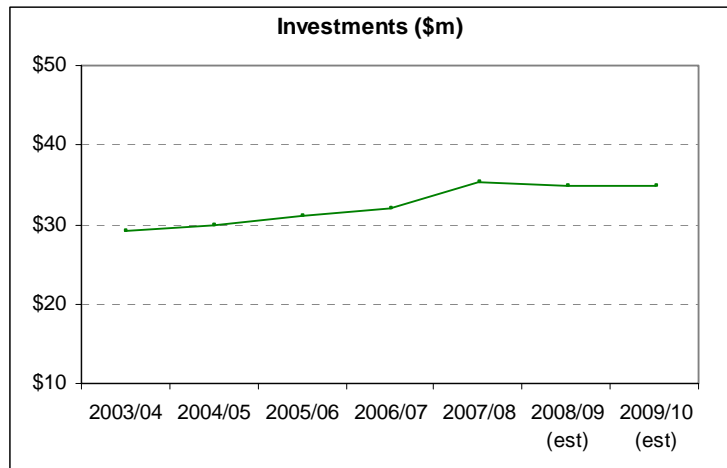
A debt service ratio of less than 10% is generally considered to be satisfactory. Council established a target debt service ratio of no greater than 8% in the early 2000's, and is well within that limit. The debt service ratio is calculated broadly by dividing debt service costs by revenue from continuing operations (excluding capital & specific purpose grants). Council has a very healthy debt service ratio.



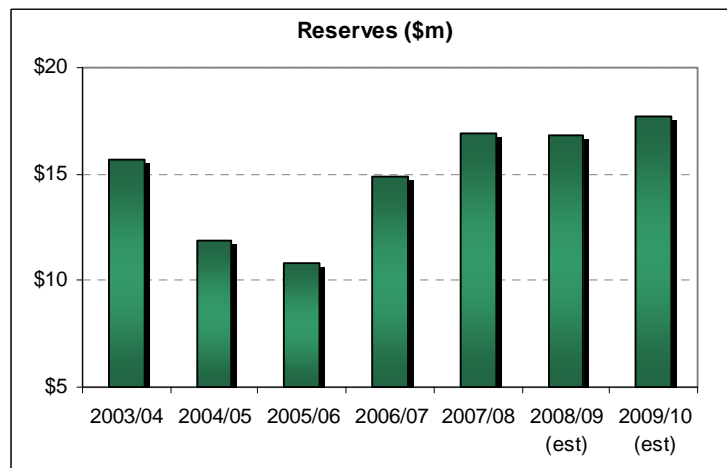
3.6 Investments and reserves

Council has investments that provide cash backing of our reserves, developer contributions, unexpended grants and carryover works. Our investments provide liquidity for day to day operations. Council's liquidity is considered to be good.

Council's investments are largely set aside for specific purposes including employee entitlements, unexpended grants, developer contributions, carryover works from prior years and for reserves, as well as providing liquidity for day to day operations. The level of investments can vary depending on the level of unexpended grant and other funding, loan borrowing, the draw down of reserves for specific projects and the level of capital works programmed in a given year.



Reserves are funds set aside for specific purposes including employee entitlements, property, special rates projects, domestic waste and insurances.



4. Assets

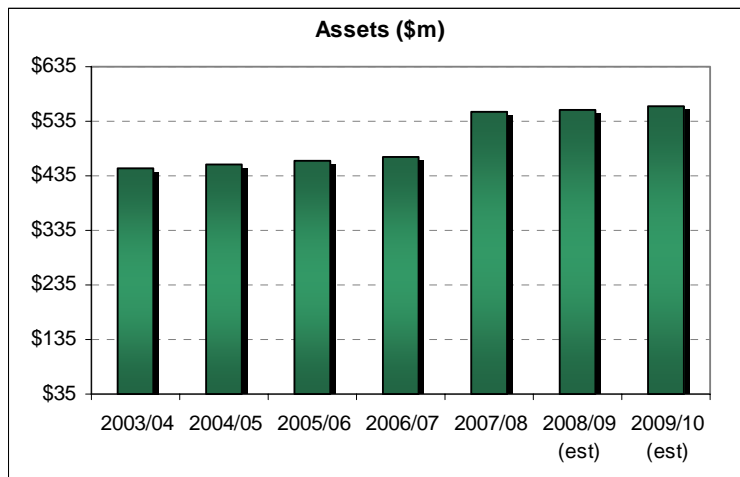
Assets include land and buildings, infrastructure such as roads, footpaths, drains and seawalls, plant and equipment, furniture and fittings. There was a large increase in 2007/08 due to a revaluation of buildings and operational land as required under accounting standards.

Council has assets valued at approximately \$560 million. Capital expenditure in 2009/10 is estimated at more than \$20.3 million.

Council's basic infrastructure consists of its core assets such as roads, footpaths, drains, seawalls and buildings. Expenditure on infrastructure can be broken down into amounts to maintain and renew existing infrastructure, as well as amounts spent on building new assets or adding to existing assets, known as expansion.

Council has been aware for some time that it needs to spend more on maintaining and renewing its infrastructure. Recent modelling has shown that the gap between what it should be spending and the current allocation is \$1.8 million pa. The draft budget allocates an additional \$0.7 million to this core infrastructure maintenance and renewal program in 2009/10. To progressively close the infrastructure gap, the draft budget increases the additional allocation to infrastructure each year, reaching \$1 million pa by 2012/13, or an additional \$3.4 million in total over the period.

Council has a continued commitment to delivering the "Major Projects Program", a comprehensive capital works renewal and expansion program for many of our more significant and well used assets including the Leichhardt Park Aquatic Centre, Hannaford Centre, Leichhardt Oval, the Leichhardt Administration Centre/Civic precinct and other high priority infrastructure works such as improvements to main streets, roads and footpaths.



Summary of assets - 30 June 2008

The following table shows the value of Council's assets as at 30 June 2008.

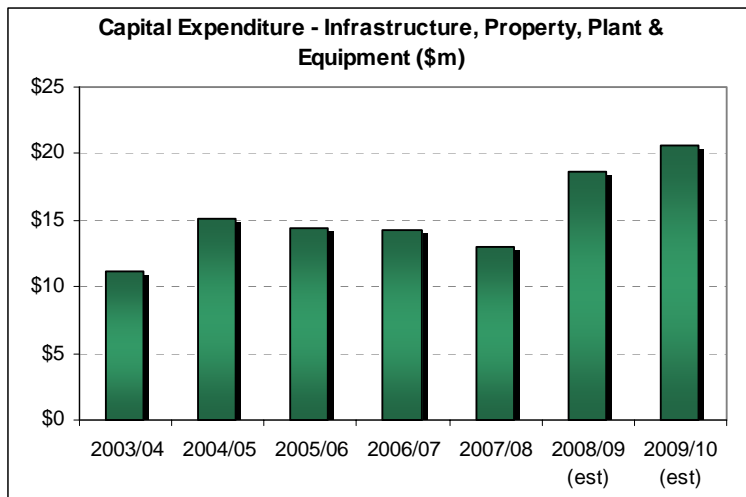
Break up of Councils Assets at 30 June 2008	\$ Mil
Land:	\$213.8
– Operational	\$97.2
– Community	\$111.2
– Remediation assets	\$0.2
Land improvements - depreciable	\$5.2
Buildings:	\$31.1
– Non-specialised	\$20.8
– Specialised	\$10.3
Other structures	\$8.7
Infrastructure:	\$283.8
– Roads, bridges, footpaths	\$266.0
– Stormwater drainage	\$12.0
– Sea Walls	\$4.8
– Wharves	\$1.0
Other assets:	\$0.9
– Library books	\$0.9
Capital works-in-progress	\$6.6
Plant and equipment	\$4.8
Office equipment	\$1.6
Furniture and fittings	\$1.9
Total	\$553.2

Capital expenditure

Capital expenditure is spending to renew, improve and expand land and buildings, infrastructure such as roads, footpaths, drains and seawalls, plant and equipment, furniture and fittings.

Capital expenditure can vary from year to year depending on the level of grants received for one off projects, loan borrowing, carryover works and the draw down of reserves for specific projects.

In 2008/09 and 2009/10 the higher capital expenditure reflects major capital works such the Leichhardt Park Aquatic Centre, Balmain Library and Town Hall, 31 White St Community Centre, Hannaford Centre, Leichhardt Oval, and the Council Administration Building.



Funding Council's programs

Council funds its operations through general consolidated revenue (i.e. operating revenue), Federal and State Government Grants and through borrowings.

* Operating revenue – includes rates, fees and charges

Operating revenue has been set aside by Council to form working funds and reserves for the future:

- **Working funds** – Council holds \$3 million in working funds (funds not set aside for specific purposes). Working funds provide Council with liquidity and contingency funds.
- **Property reserve** – this special reserve is funded mainly from savings made as a result of reduced repayments on loans as Council's debt was reduced. It also holds interest received from some of Council's investments.
- **Major Rates Reserve** – the majority of the 16% rates increase in 2005 was quarantined for Council's major infrastructure program. This reserve is ongoing to ensure to ensure funds are committed to major infrastructure works in the years ahead for the community.
- **S94/Developer Contributions** – these are funds received as a charge on major development works which occur in our community. Where these developments would result in increased demand on community infrastructure such as open space, community facilities or parking (i.e. through additional population), the developer will pay a contribution to Council so that Council can provide the additional amenity needed for the community.

Section 94 - Developer Contributions	2008/09 (est)	2009/10 (est)
Balance 1 July (start of year)	\$5,163,000	\$5,029,667
S94 Received	\$1,020,000	\$840,000
S94 Spent	\$1,153,333	\$3,109,667
Balance 30 June (end of year)	\$5,029,667	\$2,760,000

* Grants

Grants consist of Federal Assistance Grants and Specific Grants.

		2008/09 (est)	2009/10 (est)
Financial Assistance Grants (FAG) - General	Federal	\$975,000	\$1,000,000
Regional Roads	State	\$261,000	\$407,000
Family Day Care	Federal	\$345,000	\$345,000
Financial Assistance Grants (FAG) - Roads	Federal	\$315,000	\$330,000
Pensioner Rates Subsidy	State	\$310,000	\$300,000
Traffic	State	\$245,000	\$253,000
Callan Park	State	\$0	\$250,000
Home Maintenance	State	\$150,000	\$220,000
Roads-2-Recovery	Federal	\$174,000	\$199,000
Child Care	State	\$100,000	\$100,000

* Borrowings

At the end of 2008/09 Council's debt is projected at \$8.4 million. New loan funding is not proposed in this budget, apart from borrowing approved in prior years (\$1.9M).

5. Delivering to our community

Council maintains a strong focus on delivering to our community. It responds to key priorities as identified through ongoing consultation with the community.

5.1 Major works program

In recent years the major works program has funded significant improvements to Council's community facilities, including the major extension and renovation of the Leichhardt Park Aquatic Centre (new pool, gym and improved access), the Balmain Town Hall and Library renovation and extension, the purchase and embellishment of 2-8 Weston Street, East Balmain for open space, the purchase and embellishment of Wangal Nura Park in Leichhardt and numerous other open space acquisitions and embellishments. Council has recently opened two large children's playgrounds (Mort Bay and Leichhardt Park).

Council's mainstreet improvements have also been funded by this program. Significant progress has been made in implementing the mainstreet improvement program, and while the program will continue with almost \$2.5 million in new funding over the next four years, the annual funding allocation in the draft budget has been reduced compared to previous years in order to focus on core infrastructure.

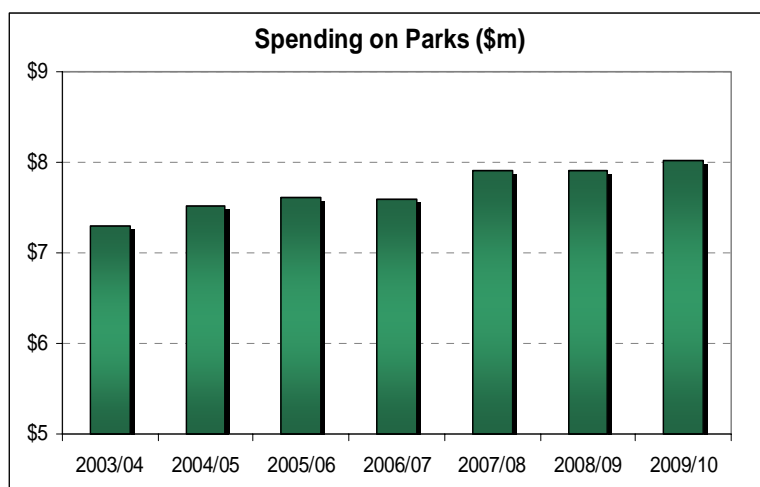
Council continues to focus on the basic infrastructure needs for our community. This consists of its core assets such as roads, footpaths, drains, seawalls and buildings. Expenditure on infrastructure can be broken down into maintaining and renewing existing infrastructure, building new assets or adding to existing assets, known as expansion.

Council has been aware for some time that it needs to spend more on maintaining and renewing its infrastructure. Recent modelling has shown that the gap between what Council should be spending and the current allocation is \$1.8 million pa. The draft budget allocates an additional \$0.7 million to this core infrastructure maintenance and renewal program in 2009/10. To progressively close the infrastructure gap, the draft budget increases the additional allocation to infrastructure each year, reaching \$1 million pa by 2012/13, or an additional \$3.4 million in total over the period.

5.2 Parks & Street Maintenance

Additional funds (\$30,000) have been set aside towards improved footpath cleaning using recycled water – as well as a focus on improving the condition of some of our ageing parks and playgrounds.

Spending on parks as shown below includes the amounts allocated in Council's budget for parks, ovals, playgrounds, trees, garden beds, bush regeneration, verge maintenance, street cleansing and public toilets. It excludes major capital works for new parks and the mainstreet improvement program.



5.3 Budget and Parking Management Taskforce

In September 2008 Council resolved to form the Budget and Parking Management Taskforce. All Councillors and members of the public are welcome to attend and participate in this taskforce, which has met six times to date. Minutes of the Taskforce are presented to Ordinary meetings of Council for adoption. The Taskforce has identified a number of priority items for budget funding. These items have been adopted by Council for exhibition. The funding provided for Taskforce proposals in the draft budget consists of:

Budget and Parking Management Taskforce	2008/09	2009/10	2010/11	2011/12	2012/13	Total
Bicycle plan works additional funding (total allocation \$400,000 pa)	\$265,000	\$255,000	\$255,000	\$255,000	\$255,000	\$1,285,000
Carbon neutrality additional funding (to be carbon neutral by 2012)		\$59,000	\$118,000	\$177,000	\$236,000	\$590,000
Environmental education increase		\$53,648	\$54,616	\$55,617	\$56,817	\$220,698
Improved parks and streets maintenance		\$30,000	\$30,000	\$30,000	\$30,000	\$120,000
Sustainability Business Project Officer (part funded with Canada Bay)			\$46,000			\$46,000
Teenzone/Sporting fields				\$200,000		\$200,000
Total	\$265,000	\$397,648	\$503,616	\$717,617	\$577,817	\$2,461,698

5.4 Delivering the ongoing works

Work will continue on the following projects:

- Completion of the new Gym and Indoor Pool at the Leichhardt Park Aquatic Centre (\$7 million total)
- Main streets improvement program (\$2.5 million new funding for the next 4 years in addition to approx \$1.2 million carry over to be spent next year)
- Narrow Streets Footpath Parking Program (\$0.635 million including carry over)
- Local Bike Facilities Works (\$0.4 million)
- Playground Improvement Program (\$0.1 million)
- Leichhardt Oval Stage 3 grandstand improvements (there is approximately \$2.5 million remaining works to be done. This project has been fully funded via a Federal Government grant)

5.5 New projects to commence in 2009/10

The budget continues the focus on delivery of new projects, such as:

- Administration building extension (\$5.9 million total)
- Hannaford Centre extension and renovation (\$1.7 million)
- Weston St East Balmain, Landscaping (\$1.1 million)
- Callan Park seed funding (\$0.5 million) on the assumption that the State Government contributes half of this amount towards the master planning for Callan Park
- Additional road resheeting and footpath upgrades (\$0.7 million)
- Rozelle Bay Community Nursery Annandale (\$0.2 million)
- Illoura Reserve Sea Walls (\$0.25 million)
- Iron Cove Water Quality Improvement Program (\$1.6 million grant for Leichhardt, Ashfield & Canada Bay councils)
- Hawthorne Canal Biodiversity & Stormwater Management (\$1.8 million grant for Leichhardt, Ashfield ,Canada Bay & Marrickville Councils)
- Pollution Reduction Trap and Water Reuse System at King George Park (\$0.22 million)

5.6 Policy development and review

2009/10 is expected to be an 'in progress year' in terms of strategic planning issues as we comprehensively put together the many Strategic Service Plans prescribed by *Leichhardt 2020 +*, in particular:

- continue the **Leichhardt LEP/DCP 2010 review** using a Land/Centre based planning approach, along with a new Community and Cultural Plan and other new strategies and policies such as an Affordable Housing Strategy, Employment Lands Strategy and a Contaminated Land Policy.
- a **Heritage Plan**.
- Continued emphasis on Sustainability with implementation of the new **Environmental Sustainability Strategy** along with a review of greenhouse gas reduction targets, ongoing environmental sustainability communication and education programs and development of a carbon neutrality strategy.
- Develop more relevant organisation wide strategic targets and performance indicators based on the **triple bottom line (TBL) outcomes** for social, environmental and economic outcomes.
- a continued **commitment to a regional service delivery approach** through joint procurement and resource sharing initiatives as a full member of the Southern Sydney Regional Organisation of Councils (SSROC).
- commitment to delivering the **"Major Projects Program"**, a comprehensive capital works renewal and expansion program for many of our significant and well used assets including the Hannaford Centre, Leichhardt Oval, the Leichhardt Administration Centre/Civic precinct and other high priority infrastructure works such as roads, footpaths, and drainage.
- Council will continue to look at ways to refine and improve its service to the community to match expectations as best we can and provide value for money.

6. A focus on the future

Council will be actively involved in numerous local and regional issues, such as Callan Park, the CBD Metro, White Bay, Victoria Roads / Iron Cove Bridge duplication, and Light Rail. Council will also be actively involved in numerous local and regional issues which will impact on our community and local environment, such as:

- CBD Metro
- White Bay Masterplan/Bays Precinct Taskforce
- Victoria Road / Iron Cove Bridge duplication
- Light Rail Extension to Dulwich Hill
- M4 East

Council has allocated a further \$40,000 to its Major Issues budget for next year to cover likely expenses.

7. Conclusion

The draft budget presents a balanced budget of \$68 million for the 2009/10 financial year. The budget has:

- maintained existing services and funded all currently scheduled major projects.
- provided funding for new projects identified by the Budget and Parking Management Taskforce, and seed funding for Callan Park.
- provided additional funding for core infrastructure maintenance and renewal.
- absorbed the impact of the global financial crisis, including significantly increased costs for superannuation and reduced revenue from interest on investments, along with additional costs for electricity and worker's compensation. This has reduced the amount of funding otherwise available for future capital works.
- maintained a sound financial position, including a healthy level of working funds and other reserves.

