

Strategic & Corporate Committee



Agenda

Monday 25 May 2020
5.00pm

Meeting to be held using
conferencing technology
(refer to details over page)

Compliance with social distancing requirements to limit the spread of COVID-19 virus at Council and Committee Meetings:

Amendments have been made to the *Local Government Act 1993* to allow councils to meet remotely to reduce the risk of COVID-19 and ensure compliance with the Public Health Order.

In line with social distancing requirements to limit the spread of the COVID-19 virus Woollahra Council will be holding Council and Committee meetings (i.e. Environmental Planning (EP), Finance, Community & Services (FC&S) and Strategic & Corporate (S&C) remotely using conferencing technology (until further notice).

The Mayor, Councillors and staff will be participating in meetings by an audio-visual link instead of attending in person. Meetings will be webcast and member of the public can watch and listen to meetings live (via YouTube) or dial in to listen to the meetings using a telephone.

Members of the public are invited to listen to meetings by either using conferencing technology or by teleconference. Public participation online or by phone will be managed in accordance with meeting procedures.

A link will be available on Council's website:

https://www.woollahra.nsw.gov.au/council/meetings_and_committees/committees/s_and_c/s_and_c_agendas_and_minutes

If you are experiencing any issues in joining the meeting please call (02) 9391 7001.

A audio recording of the meeting will be uploaded to Council's website following the meeting by 5.00pm on the next business day.

Outline of Meeting Protocol & Procedure:

- The Chairperson will call the Meeting to order and ask the Committee Members and/or Staff to present apologies and/or late correspondence.
- The Chairperson will commence the Order of Business as shown in the Index to the Agenda.
- At the beginning of each item the Chairperson will invite member(s) of the public who registered to speak to address the Committee.
- Members of the public who have registered to address the Committee, will be allowed four (4) minutes in which to address the Committee. One (1) warning bell will be rung at the conclusion of three (3) minutes and two (2) warning bells rung at the conclusion of four (4) minutes. Please direct comments to the issues at hand.
- If there are persons representing both sides of a matter (e.g. applicant/objector), the person(s) against the recommendation speak first.
- At the conclusion of the allocated four (4) minutes, the speaker will take no further part in the debate unless specifically called to do so by the Chairperson.
- If there is more than one (1) person wishing to address the Committee from the same side of the debate, the Chairperson will request that where possible a spokesperson be nominated to represent the parties.
- The Chairperson has the discretion whether to continue to accept speakers from the floor.
- After considering any submissions the Committee will debate the matter (if necessary), and arrive at a recommendation (R items which proceed to Full Council).

Disclaimer:

By using conferencing technology or by teleconference, listening and/or speaking at Council or Committee Meeting members of the public consent to their voice and personal information (including name and address) being recorded and publicly available on Council's website. Councillors, staff and members of the public are advised that meeting are being lived streamed, accessible via a link from Council's website.

By addressing and/or listening to a Council or Committee meeting, members of the public consent to their voice and personal information (including name and address) being recorded and publicly available on Council's website.

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Any part of the meeting that is held in closed session will not be recorded.

People connecting to this meeting by conferencing technology or teleconference are reminded that under the *Local Government Act 1993*, the recording of meetings by a member of the public using any electronic recording device including a mobile phone or video camera is not permitted. Any person found recording without the permission of Council may be expelled from the meeting.

The audio recording of each meeting will be retained on Council's website for a minimum period of 6 months. After that period has passed, recordings of meetings may be disposed of in accordance with the *State Records Act 1998*.

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Recommendation only to the Full Council ("R" Items):

Note: This Committee to function on the basis of referral with considerations to encompass functions and responsibilities from any other Committee.

Principal Considerations:**Municipal Strategy**

- Objectives Setting
- Policies and Codes Development
- Corporate Management
- Corporate Planning
- Woollahra Planning
- Community Services

Delegated Authority ("D" Items):

Nil

Strategic & Corporate Committee Membership:

All Councillors

Quorum:

The quorum for a Committee meeting is 8 Councillors

Woollahra Municipal Council

Notice of Meeting

21 May 2020

To: Her Worship the Mayor, Councillor Susan Wynne, ex-officio
Councillors: Richard Shields (Deputy Mayor)
Peter Cavanagh
Claudia Cullen
Luise Elsing
Mary-Lou Jarvis
Anthony Marano
Nick Maxwell
Megan McEwin
Harriet Price
Lucinda Regan
Matthew Robertson
Isabelle Shapiro
Mark Silcocks
Toni Zeltzer

Dear Councillors,

Strategic & Corporate Committee – 25 May 2020

In accordance with the provisions of the Local Government Act 1993, I request your attendance at Council's **Strategic & Corporate Committee** meeting to be held remotely using conferencing technology, **on Monday 25 May 2020 at 5.00pm.**

Councillors and members of the public are advised that we will be holding Council and Committee meetings remotely using conferencing technology (until further notice).

Watch and listen to the meeting live via Council's website:

https://www.woollahra.nsw.gov.au/council/meetings_and_committees/committees/s_and_c/s_and_c_agendas_and_minutes

A audio recording of the meeting will be uploaded to Council's website following the meeting by 5.00pm on the next business day.

The safety of our community, Councillors and our staff is Council's number one priority and we thank you for your patience and understanding at this time.

If you have any difficulties accessing the meeting please contact (02) 9391 7001.

Gary James
General Manager

Meeting Agenda

Item	Subject	Page
1.	Leave of Absence and Apologies	
2.	Late Correspondence	
3.	Declarations of Interest	

Items to be Submitted to the Council for Decision with Recommendations from this Committee

R1	Delivery Program 2018 to 2022 and Operational Plan 2020/21 - 20/81547.....	7
R2	Draft 2020/21 Budget - 20/69815	9

Item No: R1 Recommendation to Council
Subject: **DELIVERY PROGRAM 2018 TO 2022 AND OPERATIONAL PLAN 2020/21**
Author: Petrina Duffy, Coordinator Integrated Planning & Reporting
Approvers: Sue Meekin, Chief Financial Officer
Don Johnston, Director Corporate Services
Gary James, General Manager
File No: 20/81547
Reason for Report: To present the draft Delivery Program 2018 to 2022 and Operational Plan 2020/21 for consideration.

Recommendation:

THAT:

- A. The draft Delivery Program 2018 to 2022 and Operational Plan 2020/21 be placed on public exhibition for 28 days from 26 May to 22 June 2020.
- B. The draft Delivery Program 2018 to 2022 and Operational Plan 2020/21 be further considered by Council on 22 June 2020 together with any community submissions received with a recommendation to Council for adoption by 30 June 2020.

Background:

On 18 June 2018, Council adopted its Community Strategic Plan, *Woollahra 2030*, together with a three year 2018 – 21 Delivery Program and 2018/19 Operational Plan. On 25 March 2020, the NSW Minister for Local Government announced that the September 2020 local government elections will be postponed to address the risks posed by the COVID-19 virus, facilitated by amendments passed to the Local Government Act 1993 (the Act). This change effectively adds one year to the term of the sitting Councillors, and to our current Delivery Program, extending from 2018-2021 to 2018-2022.

It is anticipated that Council elections will next take place in September 2021, after which *Woollahra 2030* will be reviewed, and the planning period rolled forward to maintain a minimum ten-year horizon, and new four year Delivery Program will be developed. Further changes to the Act included a month extension for the adoption of the new Delivery Program 2018 to 2022 and Operational Plan 2020/21, allowing Council to amend its draft budget to reflect the changes brought by COVID-19.

The Delivery Program set the Council's priorities for its term of office with 2020/21 representing what was the final year of the Plan but is now year three of a four year plan. The draft Delivery Program 2018 to 2022 and Operational Plan 2020/21 (DPOP) continues the strategies and priorities adopted last June. The Actions in the draft reflect the next stage in the implementation of *Woollahra 2030*, and include continuing Actions from the Operational Plan 2019/20, and new Actions arising as appropriate. No changes have been made to the strategies and priorities, which will be reviewed in full in 2021/22 following the next local government election.

Full exhibition copies of the Delivery Program 2018 to 2022 and Operational Plan 2020/21 (DPOP) will be circulated to Councillors prior to it being placed on public exhibition on 26 May 2020.

Draft Delivery Program and Operational Plan:

The draft DPOP 2020/21 is attached as **Annexure 1**. The Strategies and Priorities are drawn from *Woollahra 2030* and the 2018 to 2022 Delivery Program adopted by Council in June 2018. Actions also continue from the 2019/20 Operational Plan where they are ongoing or are anticipated to not be completed by June 2020. New Actions have been proposed where relevant to reflect initiatives or projects planned for 2020/21 including expansionary requests included in the draft 2020/21 Budget also on this meeting's agenda.

The DPOP needs to be exhibited for 28 days. It is staff's recommendation that we work toward adopting the DPOP and Budget by 30 June 2020. There is, however, an opportunity to delay adoption until 31 July 2020 by utilising the extension permitted by the NSW Office of Local Government. There is still significant uncertainty around many of the forecasts in the draft 2020/21 Budget. There is also uncertainty as to whether Council will be any better informed in one month's time. On this basis, the recommendation facilitates placing the DPOP on exhibition from 26 May 2020 to 22 June 2020 allowing adoption before 30 June. The draft will be available for comment on Council's Your Say platform for community engagement.


Quarterly reviews of the DPOP and Budget will take on a new significance during 2020/21. As the path out of the pandemic becomes clearer Council will be able to supplement its adopted DPOP and Budget with new Actions and budget provisions to take advantage of lighter restrictions, a hopefully improving economic outlook and future State and Federal Government stimuli and grants aimed at getting the economy moving.

Members of the community are invited to make public submissions expressing their views on the draft DPOP during the public exhibition period. Public submissions received during the exhibition period will be reported directly to Council on 22 June 2020 with comments from staff and a recommendation to Council for adoption on 30 June 2020.

Conclusion:

The draft DPOP needs to be exhibited for 28 days. The recommendation facilitates public exhibition of the DPOP from 26 May 2020 to 22 June 2020 with a view to bringing a report to Council on 22 June on community submissions received allowing adoption of the DPOP by 30 June 2020.

Annexures

1. Draft 2020-21 Delivery Program & Operational Plan - Strategic & Corporate Committee Meeting 25 May 2020 (*circulated under separate cover*) 

Item No: R2 Recommendation to Council
Subject: **DRAFT 2020/21 BUDGET**
Author: Henrietta McGilvray, Senior Corporate Accountant
Approvers: Sue Meekin, Chief Financial Officer
Don Johnston, Director Corporate Services
Gary James, General Manager
File No: 20/69815
Reason for Report: To present the draft 2020/21 Budget to the Committee.

Recommendation:

- A. THAT Council receive and note the report on the draft 2020/21 Budget.
- B. THAT Council note the draft 2020/21 Budget incorporates adjustments for supporting the community during the COVID-19 pandemic including:
- i. \$2.37m in financial assistance to small businesses through Council's small business relief measures which have been managed through the use of the Kiaora and Property Reserves
 - ii. \$270k additional support for Domestic Violence Housing by increasing Council's commitment to \$360k per annum
 - iii. Deferring the due date of the 2020/21 first instalment rates notice from 31 August to 30 September 2020
- C. THAT the draft 2020/21 Budget be incorporated into the draft Delivery Program 2018 to 2022 and 2020/21 Operational Plan for the purpose of public exhibition.

Background:

At its meeting on 2 December 2019 the Finance, Community & Services Committee considered the strategy to guide the preparation of the draft 2020/21 budget. The Committee's recommendation was considered by Council on 9 December 2019 and it resolved to:

- Note the principal strategy for the preparation of the draft 2020/21 Budget
- Endorse the economic parameters around which the draft 2020/21 Budget will be prepared
- Receive further reports in relation to the preparation of Council's 2020/21 Operational Plan and Budget at future Finance, Community & Services Committee Meetings

The Finance, Community & Services Committee has since received a report on the Draft Rating Structure and a report on the Draft Fees & Charges for 2020/21.

On February 24 2020 Councillors received a briefing on the emerging pressures (at that time and prior to COVID-19 impacts) on the draft budget and an overview of Council's Reserves.

Council's 2019/20 Budget Review for the Quarter ended 31 March 2020 was presented to the Finance, Community & Services Committee on 27 April 2020 and included the following recommendations which were adopted by Council on 5 May 2020:

- C. *THAT the 2020/21 Budget be prepared on the basis of using the same measures to manage the impact of COVID-19 on Council's 2019/20 budget.*

Executive Summary:

The 2020/21 draft Budget results in a working funds surplus of \$29k and a capital works program of \$13.842m. It provides sufficient funding for all existing services, funding for service expansions including the Woollahra Gallery at Redleaf and also includes funding for relief measures to assist the community during the COVID-19 pandemic.

As outlined in the March 2020 Quarterly Review there is a degree of uncertainty surrounding how the COVID-19 virus will evolve and its full economic impacts on Council's budget. It is not known at this point in time as to how long the current COVID-19 mitigation measures will remain in place however the National Cabinet has recently announced the easing of restrictions through a three step plan anticipated to be completed by mid- July.

The draft 2020/21 budget has therefore been developed primarily based on Council's normal operations for the period adjusted for the following \$2.64m COVID-19 relief measures already adopted by Council:

- Council's small business relief measures introduced from Tuesday March 24 which are anticipated to reduce Council's operating income by \$2.37m. These have been managed through the use of the Kiaora and Property Reserves
- Additional support for Domestic Violence Housing by increasing Council's by \$270k to \$360k per annum.

The budget also includes additional relief measures to:

- Limit the impact of cost increases in Council's domestic waste management services on the annual Charge. An increase in the costs associated with Council's Domestic Waste Management Services would have seen the annual Charge increase by 8.1% or \$42.46. By reducing the 2020/21 transfer to reserve for future capital expenditure (primarily plant and bin replacement) the increase in the annual Charge has been brought in line with Rate Cap of 2.6% or \$13.60. This will leave a sufficient balance in the reserve to meet immediate requirements and coverage for unforeseen circumstances.
- Defer the due date of the 2020/21 first instalment rates notice from 31 August to 30 September 2020.

Any further impacts arising from COVID-19 will be comprehensively reviewed as part of the September 2020 Quarterly Review.

As noted in the Notice of Motion – Stimulus Funding for Local Government, as part of the economic revitalisation post COVID funding from Federal Government or State Government for Capital Works and Infrastructure and other Works programmes may become available. Council has already made submissions for funding for two large projects under the Federal Government's Infrastructure Investment Program and submissions for transport projects under the NSW Government's Active Transport Program. Council will continue to monitor opportunities through grants, subsidies and other stimulus offerings to secure funding under various programs for both operational and capital works projects including projects already in Council's 2020/21 draft budget. Directors and Managers monitor opportunities as they are released and a register has been established to support a coordinated approach. If successful, adjustments will be made through the Quarterly Budget Review process.

Analysis of the Draft Budget against the Budget Strategy and Economic Parameters:

The draft 2020/21 Budget has been prepared using the economic parameters adopted by Council in December 2019 as part of Councils' 2020/21 Budget Strategy.

The broad strategies that were also adopted by Council in December were predicated on the economic environment and needs of the community at that time and these were anticipated to continue throughout the remainder of the 2019/20 financial year and then continue through the 2020/21 financial year. Since then we have encountered some extraordinary and challenging times following the impact of the COVID-19 virus and its associated social and economic changes and these have impacted on the following items within the adopted Strategy:

Continue Council's commitment to asset renewal

Continue a program of capital improvements at similar budget levels and ratios

Council's draft budget includes a Capital Works Program of \$13.842m including \$4.1m in infrastructure renewals. Council's commitment to infrastructure renewal continues however the level of the infrastructure renewal program has reduced by \$2.8m from the 2019/20 as a result of a decrease in the amount released from the operating budget to fund capital works from \$5.304m in 2019/20 to \$1.901m in 2020/21. The amount released from the operating budget has been impacted by:

A number of emerging pressures in the draft 2020/21 Budget which were outlined to Council at the Budget Workshop in February including:

- A reduction in Interest Income of \$763k as a result of the Reserve Bank's reduction in the official cash rate and the impact of diminishing cash reserve levels,
- Many of Council's fees (total income of \$2.27m) are set by statute and do not increase in line with their associated costs
- An increase in services provided or supported by Council including the new Woollahra Gallery at Redleaf and additional funding for the Domestic Violence Housing programme

Subsequent to the briefing the financial impacts of COVID-19 were felt putting further pressure on Council's operational budget.

Opportunities to increase the Capital Works Program have and will continue to be sought including:

- Submissions for land transport projects under the Australian Government's Infrastructure Investment Program:
 - O'Sullivan Road Cycleway – Providing a safe, separated bidirectional cycleway linking Rose Bay to Bondi - \$3.5m
 - Woollahra Recycled Road Resurfacing Project – accelerated road resurfacing of local roads using recycled plastic, crushed glass, toner cartridges and approximately 30% of Reclaimed Asphalt Product (RAP). This project increases environmental sustainability and addresses current waste management issues - \$3m
- Submissions for transport projects under the NSW Government's Active Transport Program:
 - Gurner Lane, Pedestrian Shared Zone, \$121,000
 - Old South Head Road, Pedestrian Refuge Island, \$49,500
 - Lawson Street, Raised Pedestrian Crossing, \$49,500
 - Hopetoun Avenue, Cycleway Intersection Improvement, \$48,300

If successful these will be added to the budget through the Quarterly Review process.

Continue to pay a community dividend from Kiaora Place operating surplus to the value of \$1.53m.

The Kiaora Place surplus for 2020/21 has been reduced from previous years following COVID-19 rent relief of \$1.004m provided for Kiaora Place small business tenants. As a result the ability to pay a community dividend for the 2020/21 year is limited. The remaining surplus of \$1.314m has been transferred to the Kiaora Place Reserve with \$733k subsequently used to fund the small business relief measures for parking meters and outdoor dining.

Council's Cash and Reserves:

At the Councillor Budget Workshop in February 2020 an overview of Council's Reserves at 1 July 2019 of \$80.4m was provided. It identified that \$60m was already committed or restricted in its use. Of the remaining \$20.6m it was noted that the majority of these were due to one off events and it was unlikely they would be replenished. For example the Property Reserve includes proceeds from the sale of O'Dea Avenue and at this stage there are no similar sales anticipated.

Since the Budget Workshop was held \$5.37m in Reserves have been utilised to help manage the impact of COVID-19 within the 2019/20 budget and a further \$1.363m has been included in the draft 2020/21 budget. An updated Reserves position to 30 June 2021 has been included on Page 16 and shows that the \$20.6m noted as available/potentially available at the Councillor Briefing is anticipated to reduce to \$17.168m by 30 June 2021.

As previously noted Council will continue to monitor opportunities through grants, subsidies and other stimulus offerings to secure funding under various programs for both operational and capital works projects including projects already in Council's 2020/21 draft budget. These could release existing allocated funds which in turn could be redirected toward the replenishment of Council's Reserves which have been utilised to fund Council's small business relief measures and other budgetary impacts of COVID-19.

Maintaining Councils Rates Income

The draft budget includes total Rates Income of \$40.9m representing over 40% of Council's Operating Revenue. This incorporates the 2.6% rate peg increase granted by IPART and confirmed by the Finance, Community & Services Committee following consideration of the 2020/21 rating structure – an increase from 2019/20 of \$1,132k.

Rates fund the many services provided by Council including our libraries, community events, maintenance and cleaning of our roads, footpaths, buildings, parks and open spaces. Council's budget is subject to a number of pressures as a consequence of COVID-19 and other areas outlined above including a significant reduction in interest income and fees set by statute. It is therefore important that we maintain our revenue levels wherever possible to enable Council to continue to maintain its services.

To assist Ratepayers who may be experiencing financial hardship Council maintains a financial hardship policy which is available on Council's website. An insert was also included with the 2019/20 fourth instalment notices advising ratepayers:

"If you are concerned about not being able to pay your next rate instalment at the end of May due to financial difficulties, don't be. Just email when you receive your rate notice and we can discuss a payment plan that suits your circumstances which may include waiving overdue interest charges for the instalment."

Further, it is recommended that Council adopts the modifications to statutory deadlines and defer the due date of the 2020/21 first instalment rates notice from 31 August to 30 September 2020. An insert similar to the above will be included with the instalment notices.

Borrowings

A number of years ago TCorp established a local government lending facility offering loans at competitive rates to New South Wales local councils for infrastructure projects including roads, buildings and storm water drainage. In response to COVID-19, the NSW Government recently announced a \$250 million increase to the facility. This is a broad facility and is different to the Low Cost Loans Initiative Program which is limited to the delivery of infrastructure that brings forward new housing supply.

Any additional borrowings undertaken by Council, including those offered by TCorp, need to be serviced and therefore there is a preference to borrow for projects that are income producing and minimise the impact on Council's cash flow. Borrowings for non- income producing assets could impact on Council's overall capacity to service future loan commitments required to finance large projects including the Rose Bay car park at Wilberforce Avenue.

Council has been progressing proposals for redevelopment of the Rose Bay car park at Wilberforce Avenue including the identification of appropriate funding sources for the project. Funding available under TCorp's local government lending facility is being considered as part of the funding package and it is envisaged that a report will be brought to Council in the coming months.

It is anticipated that construction of the Rose Bay car park at Wilberforce Avenue would not commence prior to the 2021/22 Budget year and therefore the 2020/21 Budget has been prepared on the basis of no new borrowings.

Summary of Draft Budget Outcomes:

While a detailed analysis follows, highlights to note from the draft 2020/21 budget are:

- A budget surplus of \$29k
- Maintenance of an adequate working funds balance forecast to be \$2.507m at 30 June 2021 (Council benchmark \$2.415m)
- A strong unrestricted current ratio at 2.54:1 (TCorp benchmark >1.5:1)
- \$1.901m released from the operating budget to fund capital works
- A capital works program of \$13.842m
- Restricted Cash Reserves totalling an estimated \$54.5m
- Provision of sufficient funding in the Operating Budget for all continuing services
- Provision of funding of \$2.64m for supporting the community during the COVID-19 pandemic

- Provision of sufficient funding in the Operating Budget for recommended service expansions, namely:
 - \$100k for Paddington contract tree work. Due to power line issues employees cannot properly service a large amount of trees in the Paddington area. This funding would be used for qualified tree contractors to undertake the work.
 - \$40k for the Oxford Street marketing campaign which is a priority action under the Oxford St & Paddington Place Plan. These costs are funded from the Oxford Street Reserve.
 - \$18k for Tendering and Contracts Register Software
 - \$16k for Creative Hoardings as per a Council Resolution
 - \$5k for the Sculpture Prize as per a Council Resolution

The net total of expansionary requests in the draft budget is \$366k.

High Level Summary of the Draft 2020/21 Budget:

The Income Statement below provides a high level summary of the Operating Budget. The various Reserve and non-cash adjustments that are made to determine the amount of capital funding released from the Operating Budget are also included together with the net Capital Budget and budget result.

Woollahra Council
Draft 2020/21 Budget
Income Statement

	2019/20 Original Budget	2019/20 Revised Budget	2020/21 Draft Budget	Variance to Original	%	Variance to Forecast	%
Income							
Rates & Annual Charges	54,573,740	54,573,740	56,115,812	1,542,072	2.8	1,542,072	2.8
Fees & Charges	11,834,565	11,102,830	12,210,769	376,204	3.2	1,107,939	10.0
Interest	2,056,400	1,806,400	1,293,400	(763,000)	(37.1)	(513,000)	(28.4)
Grants & Contributions	3,405,438	3,618,415	3,994,249	588,811	17.3	375,834	10.4
Capital Grants & Contributions	3,293,823	7,128,679	3,170,623	(123,200)	(3.7)	(3,958,056)	(55.5)
Other Revenue	30,001,494	25,231,344	25,170,708	(4,830,786)	(16.1)	(60,636)	(0.2)
Total Income from continuing operations	105,165,460	103,461,408	101,955,561	(3,209,899)	(3.1)	(1,505,847)	(1.5)
Expenses							
Employee Costs	44,369,428	43,637,858	46,108,565	1,739,138	3.9	2,470,708	5.7
Materials & Contracts	20,539,254	22,249,759	22,448,067	1,908,813	9.3	198,308	0.9
Borrowing Costs	3,010,685	3,010,685	2,877,988	(132,697)	(4.4)	(132,697)	(4.4)
Depreciation	12,602,917	12,599,489	13,751,427	1,148,510	9.1	1,151,938	9.1
Other Costs	17,337,863	17,593,166	17,967,168	629,305	3.6	374,002	2.1
Net Loss on Sale of Assets	2,891,684	2,026,651	1,793,252	(1,098,432)	(38.0)	(233,399)	(11.5)
Total Expenses from continuing operations	100,751,831	101,117,608	104,946,468	4,194,637	4.2	3,828,860	3.8
Net Operating Result from continuing operations	4,413,629	2,343,800	(2,990,907)				
Net Operating Result before capital movements	4,011,490	(2,758,228)	(4,368,278)				
LESS: Transfers to Reserves							
DWM Reserve	850,000		12,812	(837,188)			
DWM ELE	91,009		80,501	(10,508)			
Section 94 Interest	15,000		10,000	(5,000)			
Section 94A Interest	40,000		26,500	(13,500)			
Kiaora Place Reserve	1,421,152		1,313,716	(107,436)			
Election	120,000		100,000	(20,000)			
Enviro & Infrastructure Levy	4,267,192		4,390,657	123,465			
Stormwater Management Charge	489,500		489,500	0			
Preschool Reserve	43,959		180,140	136,181			
Other	70,000		69,000	(1,000)			
LESS: Reductions in Liabilities							
Principal on Loans	2,659,965		2,789,375	129,410			
ELE on Termination	405,000		416,000	11,000			
ADD / LESS: Non cash items							
Depreciation	12,602,917		13,751,427	1,148,510			
Increase in ELE	1,259,169		1,115,830	(143,339)			
Lease Incentive Amortisation	278,016		268,016	(10,000)			
Kiaora Place Fair Value adjustment	(3,940,000)		(1,515,000)	2,425,000			
ADD: Reserve funding in Operating Budget							
Section 94A Contributions	525,000		525,000	0			
Computer Reserve	150,000		0	(150,000)			
Kiaora - Small BusRelief Package	0		732,500	732,500			
Property - Small BusRelief Package	0		631,123	631,123			
Other	904,158		638,268	(265,890)			
CAPITAL FUNDING	5,317,973		1,900,685	(3,417,288)			
Net Capital Budget	5,255,419		1,871,856	(3,383,563)			
BUDGET RESULT Surplus/(Deficit)	62,554		28,829	(33,725)			

A detailed analysis of operating revenues and operating expenses is provided later in the report while full cost centre details are provided in **ANNEXURE 1** which has been circulated separately.

The table below summarises the Capital Budget for the past four years, and proposed for 2020/21. The various funding sources, including the funding released from the Operating Budget are also shown.

	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000
Capital Works Programs					
Infrastructure Renewal	6,583	7,110 ¹	6,280	6,913	4,137
Stormwater	480	780	780	540	571
Environmental Works	316	180	381	404	585
Parks & Open Space	2,785	3,206	3,430	2,315	3,111
Streetscape Improvements	1,050	580	70	300	550
Traffic	670	1,272	465	590	600
Floodplain Management	130	50	150	50	55
Council Buildings	3,303 ²	3,810 ³	1,096	1,090	867
Kiaora Place	214	0	215	200	127
	15,531	16,988	12,867	12,402	10,603
Operating Capital					
Plant & Fleet	2,185	3,211	3,249	2,844	1,915
IT	111	190	710	0	760
Library	469	490	493	460	469
Other	418 ⁴	55	35	54	96
	3,183	3,946	4,487	3,358	3,240
Total Capital Budget	18,714	20,934	17,354	15,760	13,842
LESS: Capital Funding:					
Enviro & Infrastructure Levy	3,715	3,787	3,872	3,987	3,906
Stormwater Charge	495	480	488	489	691
Section 7.11 & 7.12	2,120	2,795	2,025	2,652	3,381
Grants & Contributions	1,440	1,402	1,197	594	471
Reserves	5,180	6,158	2,568	1,995	2,896
Plant, Vehicle & IT Sales	998	1,075	1,088	788	625
Released from Operating	4,766	5,277	6,128	5,318	1,901
Total Capital Funding	18,714	20,974	17,366	15,823	13,871
EQUALS: Budget Result (Surplus) / Deficit	(0)	(40)	(12)	(63)	(29)

1 Includes \$1.4m for Cutler Footway

2 Includes \$1.75m for progression of the Cross Street and Rose Bay Car Parks projects and \$840k for St Brigid's

3 Includes \$2.3m for St Brigid's

4 Includes \$285k for new recycling bins, \$78k (16/17) for rent incentives for Kiaora Place

Full details of individual capital projects are provided in **ANNEXURE 2** which has been circulated separately.

The above table also presents the draft budget result for 2020/21, a \$29k surplus, as referred to in the summary of budget outcomes. This positive result is achieved after the release of \$1.901m from the operating budget to fund capital works.

The final high level summary of the 2020/21 Budget is the Balance Sheet which appears below. It reveals maintenance of a sound Unrestricted Current Ratio of 2.54:1 and the \$29k budget surplus.

**Draft 2020/21 Budget
Balance Sheet**

	Actual 18/19	Revote & Rollovers into 19/20	19/20 Budget	Original Budget & Revotes	March Review 19/20	Draft 2020/21 Budget	Draft 2020/21 Budget
Current Assets							
Cash & Investments	82,888,910	65,633,257	(764,874)	64,868,383	60,618,544	(3,999,854)	56,618,690
Receivables	6,201,254	6,201,254		6,201,254	6,201,254		6,201,254
Inventories	272,915	272,915		272,915	272,915		272,915
Other	498,392	498,392		498,392	498,392		498,392
	89,861,471	72,605,818	(764,874)	71,840,944	67,591,105	(3,999,854)	63,591,252
Current Liabilities							
Payables	33,439,169	33,439,169		33,439,169	33,439,169		33,439,169
Interest Bearing Liabilities	2,659,965	2,659,965	129,410	2,789,375	2,789,375	129,410	2,918,786
Provisions	12,984,786	12,984,786	828,961	13,813,747	13,813,747	699,830	14,513,577
	49,083,920	49,083,920	958,371	50,042,291	50,042,291	829,240	50,871,531
NET CURRENT ASSETS	40,777,551	23,521,898	(1,723,245)	21,798,653	17,548,814	(4,829,094)	12,719,721
Non-Current Assets							
Receivables	80,108	80,108		80,108	80,108		80,108
Inventories & Other Assets	1,046,278	1,046,278	(278,016)	768,262	768,262	(268,016)	500,246
Investment Properties	156,600,000	156,600,000	3,940,000	160,540,000	160,540,000	1,515,000	162,055,000
Property, Plant & Equipment	877,666,651	896,216,648	(289,278)	895,927,370	897,367,549	(2,327,582)	895,039,967
	1,035,393,038	1,053,943,035	3,372,706	1,057,315,741	1,058,755,920	(1,080,598)	1,057,675,322
Non-Current Liabilities							
Interest Bearing Liabilities	61,775,654	61,775,654	(2,789,375)	58,986,279	58,986,279	(2,918,785)	56,067,494
Provisions	369,866	369,866	25,207	395,073	395,073	(694)	394,379
	62,145,520	62,145,520	(2,764,168)	59,381,352	59,381,352	(2,919,479)	56,461,873
NET ASSETS	1,014,025,069	1,015,319,413	4,413,629	1,019,733,042	1,016,923,382	(2,990,213)	1,013,933,169
EQUITY							
Opening Equity	544,583,069	544,642,700		544,642,700	544,642,700		544,642,700
Asset Revaluation Reserves	469,382,369	469,382,369		469,382,369	469,382,369		469,382,369
Operating Result	59,631	1,294,344		5,707,973	2,898,313		2,898,313
Closing Equity	1,014,025,069	1,015,319,413	0	1,019,733,042	1,016,923,382	0	1,016,923,382
Working Funds							
Current Assets	40,777,551	23,521,898		21,798,653	17,548,814		12,719,721
ADD:							
Current Prov'n for ELE	12,984,786	12,984,786		13,813,747	13,813,747		14,513,577
Current Deposits	26,855,468	26,855,468		26,855,468	26,855,468		26,855,468
Current Loan Liability	2,659,965	2,659,965		2,789,375	2,789,375		2,918,786
LESS:							
External Restrictions	(13,112,158)	(6,700,490)		(6,245,110)	(6,633,187)		(5,086,184)
Internal Restrictions	(67,355,782)	(56,511,797)		(56,139,749)	(51,896,492)		(49,414,812)
	2,809,831	2,809,831	0	2,872,385	2,477,726	0	2,506,555
Movement in Working Funds		0		62,554	(400,040)		28,829
Unrestricted Current Ratio	3.64	3.11		2.96	2.75		2.54
Current Assets - External Restrictions	75,672	64,828		64,519	59,881		57,428
Current Liabilities - Restricted Liabilities	20,813	20,813		21,772	21,772		22,601

Full details of the movements in restricted cash (Reserves) are provided later in the report.

Detailed Analysis of the draft 2020/21 Operating Budget:

All references to variances in this section of the report are between the draft 2020/21 budget and the 2019/20 original budget.

OPERATING REVENUES:

	2019/20 Original Budget	2019/20 Revised Forecast	2020/21 Draft Budget	Variance to Original Budget	Variance to Revised Forecast
<i>Rates & Annual Charges</i>	54,573,740	54,573,740	56,115,812	1,542,072	1,542,972
<p>The draft budget provides for the 2.6% rate peg increase granted by IPART and confirmed by the Finance, Community & Services Committee following consideration of the 2020/21 rating structure. As a result, Rates income has increased by \$1,132k (\$1,008k from general rates plus \$124k from the Environmental & Infrastructure Renewal Levy) over 2020/21.</p> <p>As reported to the Finance Community & Services Committee in relation to the draft 2020/21 fees and charges, the Domestic Waste Management (DWM) Charge is calculated based on “reasonable cost”. Initially, as a result of the increased costs associated with gate fees for recyclables and truck washing, the DWM Charge was calculated to increase by \$42.46 or 8.1%. In the current circumstances we thought it prudent to bring the increase in the DWM Charge into line with the rate peg of 2.6%. This is being achieved by reducing the 2020/21 transfer to reserve for future capital expenditure (primarily plant and bin replacement). As a result the DWM Charge has been re-calculated to increase by \$13.60 (2.6%) for 2020/21, from \$523.05 to \$536.65. Total income from DWM Charges is estimated to increase by \$410k over 2019/20.</p>					
<i>Fees & Charges</i>	11,834,565	11,102,830	12,210,769	376,204	1,107,939
<p>Overall, income from fees and charges is forecast to increase by \$376k or 3.2% over the 2019/20 original budget. Items of note include:</p> <ul style="list-style-type: none"> • Increase in Kindergarten Fees of \$262k following the pre-school expansion. The COVID-19 Free Preschool funding program for community preschools, announced in April will mean that Council will receive grant funding for terms 3 and 4 of 2020 rather than fee income. The details and final amounts are yet to be determined and any adjustments arising from this will be considered in the September 2020 quarterly budget review. • Based on the current level of development activity, increases in income have been forecast from Work Zones \$240k, Restoration Charges \$98k, Crane Permit/Stand Plant Charges \$50k, Section 4.55 Amendment Application to Development \$30k • Increases in Mobile Bin Service \$39k, and Tree Pruning \$29k • New fees for photocopying, printing and compilation of electronic materials undertaken by Council staff of Council Reports and Documents \$60k <p>These have been offset by decreases in Parking Meter charges following the decision to turn off business centre parking meters as part of Council’s COVID-19 Small Business Relief measures, the budget was reduced by \$562k to \$1,778k and a decrease in Casual Park & Sportsfield Hire of \$21k on current year usage which is anticipated to continue.</p>					

	2019/20 Original Budget	2019/20 Revised Forecast	2020/21 Draft Budget	Variance to Original Budget	Variance to Revised Forecast
Interest	2,056,400	1,806,400	1,293,400	(763,000)	(513,000)
Interest on investments for 2020/21 is forecast to decline \$763k to \$1.293m due to low interest rates and a lower cash balance. The cash balance is forecast to decline as a result of the COVID-19 relief package measures announced and a large number of capital projects in 19/20 including St Brigid’s Redevelopment, New South Head Road (William St – Norwich Rd) Shared Path, Cutler Footway & Bridge Repair Works, and Carlotta Road Double Bay Stage 2 Infrastructure Renewal Works.					
Grants & Contributions	3,405,438	3,618,415	3,994,249	588,811	375,834
Grants & Contributions are forecast to increase by \$589k to \$3.994m. Items of note include: <ul style="list-style-type: none">• \$221k specific purpose grant from the NSW Government Grant to offset the increase in the Emergency Services Levy• \$93k is for the Better Waste and Recycling State Grant which was classified as a Capital Grant in the 2019/20 Budget.• \$192k increase in the Department of Community Services (DOCS) preschool grant due to the preschool expansion. As noted above this will change under the COVID-19 Free Preschool funding program for community preschools, announced in April. The details and final amounts are yet to be determined and any adjustments arising from this will be considered in the September 2020 quarterly budget review.• The Library per Capita Subsidy has increased by \$35k (33%) and Library Special Grants are forecast to increase by \$22k (66%)					
Capital Grants & Contributions	3,293,823	7,128,679	3,170,623	(123,200)	(3,958,056)
Capital Grants and Contributions vary from year to year depending on the projects being undertaken and grant availability. A comparison of the 2019/20 original budget and draft 2020/21 budget is provided in the table below.					
Project			2019/20 Original Budget (\$)	2020/21 Draft Budget (\$)	
Roads to Recovery Program			220,000	274,790	
Regionals Roads repair and improvement programs			275,000	120,833	
Better Waste and Recycling			98,823	0 ¹	
Block Grant Roads			0	75,000	
			593,823	470,623	
Section 7.12 contributions			2,700,000	2,700,00	
Total Capital Grants & Contributions			3,293,823	3,170,623	
1 The Better Waste and Recycling Grant has been classified as an Operating Grant in the 2020/21 Draft Budget					

	2019/20 Original Budget	2019/20 Revised Forecast	2020/21 Draft Budget	Variance to Original Budget	Variance to Revised Forecast
Other Revenue	30,001,494	25,231,344	25,170,708	(4,830,786)	(60,636)
<p>There is a diverse range of income streams that make up “Other Revenue”. Overall it has decreased by \$4.8m in the draft 2020/21 budget principally due to:</p> <ul style="list-style-type: none"> • Reduction in Commercial Property Lease Income of \$1.57m principally due to Council’s small business relief measures introduced from Tuesday March 24 2020. These have been managed through the use of the Kiaora and Property reserves. • Reduction in Enforcement Income of \$870k incorporating changes to the application of Road Rules 2014 – Regulation 207-3 Parking in Ticket Parking Areas • The fair value adjustment to Kiaora Place has decreased by \$2.4m to \$1.5m. This represents a 1% increase in fair value. This is a non-cash item which appears in ‘Other Revenues’ on the income statement and increases the value of the investment properties on the balance sheet. 					

OPERATING EXPENSES:

	2019/20 Original Budget	2019/20 Revised Forecast	2020/21 Draft Budget	Variance to Original Budget	Variance to Revised Forecast
Employee Costs	44,369,428	43,367,858	46,108,565	1,739,138	2,470,708
<p>Staffing costs make up 44% of Council’s operating expenditure and have increased by \$1.74m over the 2019/20 original budget.</p> <p>Salaries and Wages are subject to an annual Award increase from 1 July. The Local Government (State) Award has not as yet been announced for the period commencing 1 July 2020, however the rate adopted as the Award increase for the 2019/20 financial year which was 2.5% has been assumed in the development of the draft budget. This equates to \$1.01m of the increase.</p> <p>The draft budget also incorporates increases in staff levels as a result of the expansion of Council’s Preschool, requests from Councillors for additional staffing in areas such as Strategic Planning and Development Control and in other areas to strengthen resources including Compliance and IT Operations.</p>					

	2019/20 Original Budget	2019/20 Revised Forecast	2020/21 Draft Budget	Variance to Original Budget	Variance to Revised Forecast
Materials & Contracts	20,539,254	22,249,759	22,448,067	1,908,813	198,308
<p>This is a diverse area of Council expenditure that has increased by some \$1.909m in the draft 2020/21 budget. Items of note include:</p> <ul style="list-style-type: none"> • \$640k increase in Domestic Waste Services costs outlined earlier in the report (\$440k for additional gate fees and \$200k for truck wash) • \$270k additional Domestic Violence Housing per Council Resolution 6 April 2020 • \$179k relates to additional expenditure proposed in the expansionary requests outlined earlier in the report. • \$111k is associated with increased cleaning costs from services expansions - \$61k increase in Open Space & Trees due to additional toilet cleaning in parks arising from a Council resolution; \$35k for the new Art Gallery premises; \$4k for St Brigid's Lower Ground premises and \$11k increase in Preschool cleaning costs for the new playroom. • \$90k increase in other Depot truck wash costs • \$93k increase in better waste & recycling costs. These are funded by the Better Waste & Recycling Grant • \$45k decrease in the Cultural Day Event. Due to social distancing restrictions it is unlikely that Cultural Day will be able to proceed and for that reason has not been included in the draft budget. As social distancing restrictions are lifted and the timing of and manner in which the Cultural Day event will be held is known a budget change will be made through the quarterly budget review process to allocate the required funds. <p>Taking these into account, the increase in materials & contracts would otherwise have been \$481k or 2.3% of the original 2019/20 budget which is in line with the 2% CPI.</p>					
Borrowing Costs	3,010,685	3,010,685	2,877,988	(132,697)	(132,697)
<p>Borrowing costs (loan interest repayments) have decreased in line with the various loan repayment schedules, noting that total debt servicing (including repayment of principle) remains at \$5.7m.</p>					
Depreciation	12,602,917	12,599,489	13,751,427	1,148,510	1,151,938
<p>The increase in depreciation is due to the asset revaluation process completed in June 2019.</p>					
Other Costs	17,337,863	17,593,166	17,967,168	629,305	374,002
<p>This category of expenditure, like Materials & Contracts, includes a wide variety of expenditure items and has increased by \$629k. The major item contributing to this increase is a \$328k increase in the Emergency Services Levy of which \$221k is grant funded for the 2020/21 year.</p> <p>Taking this into account, the increase in Other Costs would otherwise have been \$318k or 1.8% of the original 2019/20 budget which is slightly less than the 2% CPI.</p>					
Net Loss on Sale of Assets	2,891,684	2,026,651	1,793,252	(1,098,432)	(233,399)
<p>The decrease in Net Loss on Sale of Assets is principally a result of a reduction in the annual write off of infrastructure assets following the asset revaluation process completed in June 2019.</p>					

Highlights in the draft 2020/21 Capital Budget:

Council's draft budget includes a Capital Works Program of \$13.842m including \$4.1m in infrastructure renewals. Council's commitment to infrastructure renewal continues however the level of the infrastructure renewal program has reduced by \$2.8m from the 2019/20 as a result of a decrease in the amount released from the operating budget to fund capital works from \$5.304m in 2019/20 to \$1.901m in 2020/21.

The traffic infrastructure program of \$600k includes a range of projects including separated cycleway design works for the O'Sullivan Road Cycleway at a total cost of \$200k. The stormwater program continues, funded mainly by the Stormwater Management Charge with a total program of works of \$571k in 2020/21, including \$180k for pipe extension works in Rivers Street at Victoria Road Bellevue Hill. Projects for these works programs are taken from Council's infrastructure renewal program which prioritises works throughout the municipality. The streetscapes program includes a \$550k for the Plumer Road business centre streetscape upgrade.

The open space and trees program includes projects proposed totalling to \$3.1m including:

- \$250k Playground renewal works at Plumb Reserve
- \$400k for Northern Plaza upgrade and harbour stairs at Yarranabbe Park
- \$900k for construction of the Rushcutters Bay Park Youth Recreation Facility rolled over from the current year

The draft 2020/21 capital budget includes projects totalling \$974k taken from Council's ten year program of works for its building assets and includes:

- \$90k for refurbishment of the Sir David Martin Reserve Toilets
- \$80k for roof replacement works at the Hugh Latimer Building

The projects proposed for community facilities in 2020/21 have been fully funded from the Property Reserve.

Routine replacement of plant and vehicles, library books and audio visual and IT continues in the 2020/21 operating capital budget provisions.

Opportunities to increase the Capital Works Program have and will continue to be sought including:

- Submissions for land transport projects under the Australian Government's Infrastructure Investment Program:
 - O'Sullivan Road Cycleway – Providing a safe, separated bidirectional cycleway linking Rose Bay to Bondi - \$3.5m
 - Woollahra Recycled Road Resurfacing Project – accelerated road resurfacing of local roads using recycled plastic, crushed glass, toner cartridges and approximately 30% of Reclaimed Asphalt Product (RAP). This project increases environmental sustainability and addresses current waste management issues - \$3m
- Submissions for transport projects under the NSW Government's Active Transport Program:
 - Gurner Lane, Pedestrian Shared Zone, \$121,000
 - Old South Head Road, Pedestrian Refuge Island, \$49,500
 - Lawson Street, Raised Pedestrian Crossing, \$49,500
 - Hopetoun Avenue, Cycleway Intersection Improvement, \$48,300

If successful these will be added to the budget through the Quarterly Review process.

Details of movements in Reserves:

The table below shows the movements in Reserves in the draft 2020/21 budget.

Purpose	Closing Balance June 20 \$'000	Draft 2020/21 Budget		
		Transfers to \$'000	Transfers from \$'000	Closing Balance June 21 \$'000
<u>External Restrictions</u>				
Section 7.11 Contributions (former s.94)	1,482	10	20	1,472
Section 7.12 Contributions (former s.94A)	1,251	2,727	3,886	91
Environmental & Infrastructure Levy	80	4,391	4,186	284
Stormwater Management Charge	205	490	691	3
Domestic Waste Management – General	2,648	13	474	2,188
Domestic Waste Management – ELE	967	81		1,048
	6,633	7,710	9,257	5,086
<u>Internal Restrictions</u>				
Employee Leave Entitlements	2,675			2,675
Insurance	228			228
IT – General	269		269	0
IT - Libraries	464	66		530
Election	260	100		360
Deposits	20,680			22,680
Preschool - General	128	159		287
Preschool - ELE	120	21		141
Property	17,818		1,498	16,319
Open Space & Community Facilities	374		352	22
Kiaora Place	4,655	1,314	1,458	4,511
Revotes and Rollovers	806		528	278
Oxford Street	206			206
Property Development	119			119
Public Art Gallery	115			115
FAG Prepayment	834			834
Old Section 94	92			92
General Reserve	53	3	40	16
	51,896	1,663	4,145	49,415
Total Restrictions	58,530	9,373	13,402	54,501

Transfers to Reserves

Section 7.12 contributions (\$2,700k) are collected through the operating budget and transferred to reserve for expenditure on projects identified in the Contributions Plan. Similarly, Council's Environmental & Infrastructure Renewal Levy (\$4,391k) and Stormwater Management Charge (\$490k) are collected through the annual Rates levy. These too are transferred to reserve for expenditure on projects identified through asset management planning processes.

Council is also required to transfer to reserve interest earned on unexpended Section 7.11 (\$10k) and 7.12 contributions (\$27k). These transfers are calculated as part of the budget preparation process based on forecast receipt and expenditure of contributions.

The transfer to the Domestic Waste Management Reserve, also collected through the Rates levy, is \$13k in 2020/21 which is lower than prior years (\$850k in 19/20). This is due to the increase in the DWM Charge capped 2.6% which is in line with the current rate peg despite increased gate fees for recyclable and truck washing costs. The draft 2020/21 budget also includes the usual transfer to cover the forecast increase in employee leave entitlements (\$81k) to the DWM Reserve for ELE.

Council has a legislative obligation to make the above transfers to reserve. In addition to these, Council chooses to make additional transfers to reserves.

To spread the cost of general elections over the term of each Council, an annual transfer to the Election Reserve is made. The 2020/21 budget provides for a transfer of \$100k to provide a reserve of \$360k over the 3 year term of the current Council.

Similar to the Domestic Waste Management Charge, the cost of Council's Preschool is fully recovered through fees and grants. Any surpluses (\$173k) are transferred to Reserve.

The 2020/21 draft budget also provides for the transfer of \$1,314k to the Kiaora Place Reserve out of the operating surplus of Kiaora Place. This is sufficient to meet future capital expenditure commitments identified in updated longer term modelling.

Transfers from Reserves

Transfers from the Section 7.12 Contributions Reserve (\$3,886k) are made each year to fund relevant capital and operating projects and to also partly fund debt servicing costs for projects in the Contributions Plan, including streetscapes projects and Woollahra Library. It is important to note that this level of transfer is dependent on receiving the contributions forecast in both the 2019/20 and 2020/21 budgets. If that level of contributions is not received a review of the projects being funded will be required.

\$4,186k has been transferred from the Environmental & Infrastructure Renewal Levy Reserve and \$691k has been transferred from the Stormwater Management Charges Reserve to fund capital projects identified through Council's asset management plan processes together with a range of environmental and sustainability initiatives in the operating budget.

Transfers from the Domestic Waste Management reserve are made on an as required basis depending on the asset renewals occurring in any given year. 2020/21 sees a transfer of \$474k for the replacement of plant and vehicles.

Transfers totalling \$352k from the Open Space & Community Facilities Reserve are proposed to fund projects in the Parks & Reserves and Streetscapes capital budget.

Consistent with prior year, and because of its tight connection with the success of Kiaora Place, Woollahra Library's payment toward the centre's outgoings is funded from the Kiaora Place Reserve, being a transfer of \$318k for 2020/21. Additionally, a small program of capital works at Kiaora Place totalling \$407k has also been funded from the Kiaora Place Reserve.

Council's Estimated Reserves at 30 June 2021

The draft 2020/21 budget estimates closing Reserve balances at 30 June 2021 of \$54.501m. Of these \$37.365m are either already committed or restricted in their use with \$17.189m remaining. As a result of the need to utilise some of the remaining Reserves to manage the impacts of COVID-19 in the 2019/20 budget and the 2020/21 draft budget there has been a reduction of \$3.474m since the Councillor Budget workshop in February 2020.

Of the remaining \$17.189m, \$16.339m within the Property Reserve is a consequence of the sale of O'Dea Avenue and other Road Sales. Its availability will depend on the funding decisions for large projects including the Wilberforce Street Car Park at Rose Bay.

	Closing Balance June 21 \$'000
Total Restrictions	54,501
Less: Restricted in Use or Already Allocated	
Section 7.11 Contributions (former s.94)	1,472
Section 7.12 Contributions (former s.94A)	91
Environmental & Infrastructure Levy	284
Stormwater Management Charge	3
Domestic Waste Management – General	2,188
Domestic Waste Management – ELE	1,048
Employee Leave Entitlements	2,675
Insurance	228
IT – General	0
IT - Libraries	530
Election	360
Deposits	22,680
Preschool - General	287
Preschool - ELE	141
Kiaora Place	4,511
FAG Prepayment	834
Available/ Potentially Available	17,168
Comprising:	
Property	16,319
Revotes & Rollovers	278
Open Space & Community Facilities	22
Oxford Street	206
Property Development	119
Public Art Gallery	115
Old Section 94	92
General Reserve	16
	17,168

Efficiency measures:

In addition to the application of sound business management practices, decades of rate pegging legislation in NSW has contributed to the need for all councils to embed efficiencies into their daily operations and into their budget setting processes. Woollahra Council is no exception and indeed has a long-established approach to generating efficiencies in the budget which is reflected through our long history of presenting balanced budgets for adoption.

The primary efficiency measure included in Council's budget each year, and proposed to continue in 2020/21, is our practice of providing a vacancy factor that reflects the time that positions remain vacant while recruitment is undertaken. Remaining at 5% for 2020/21, the vacancy factor diverts in excess of \$1.3m for services and projects that would otherwise be 'tied-up' in the budget for salaries & wages pending vacancies being filled. Since the 2006/07 Budget, and including 2020/21, this practice has funded in excess of \$22.5m in expanded works and services to the community. In monitoring this aspect of the budget strategy throughout the year, we are mindful that the practice does not impact on maintaining service delivery standards.

Another example of inherent efficiencies in Council's budget over the years is the absorption of significant increases in expenses which well-exceed the rate peg increase in rates income. By way of example, the total estimated increase in recurrent salaries & wages in the draft 2020/21 budget alone is \$1,011k. Also, councils have been required to make additional superannuation contributions associated with employees in the now closed Local Government Superannuation Retirement Scheme (Defined Benefit Scheme) to recoup losses incurred during the Global Financial Crisis. For 2020/21 this additional payment totals \$338k which has been absorbed in the draft budget as presented. These two items total \$1.35m when, by contrast, the total increase in general rates income generated under the 2.6% rate peg is \$1,132k.

Further in relation to the additional superannuation costs, having been made since 2009/10, the 2020/21 budget represents the twelfth year Council has been required to make these additional contributions, which including 2020/21 estimates, total some \$4.25m, all of which has been absorbed in the budget.

Rather than looking to apply a flat-rate dollar saving or arbitrary percentage efficiency dividend across the budget, which could adversely affect service delivery, Council's approach has been to maintain a culture of continuous improvement to ensure efficiency gains and service improvements are part of the way we do business.

The Best Service Program, Council's structured approach to promoting continuous improvement, was extensively reviewed in August 2019 and then heavily promoted across the organisation with information sessions and workshops with staff. In the period up to 30 April 2020 the program had generated savings in excess of \$60,000 on the basis of efficiency proposals from staff. The strength of the program is reflected in these costs savings and in the increase in the number of proposals put forward by staff, (an increase of 110% over the previous year).

Now in its tenth year the program has operated as a powerful and positive influence on the business culture of the organisation and increasingly we are seeing more sophisticated technology based efficiencies being generated by the program as staff continue to challenge the business status quo.

Conclusion:

The draft 2020/21 Budget, as presented, is a balanced budget that provides for the funding for all existing services, funding for service expansions including the Woollahra Gallery at Redleaf and also includes funding for relief measures to assist the community during the COVID-19 pandemic.

There are many positive aspects to note from the draft Budget as presented, including:

- A budget surplus of \$29k
- Maintenance of an adequate working funds balance forecast to be \$2.507m at 30 June 2021 (Council benchmark \$2.415m)
- A strong unrestricted current ratio at 2.54:1 (TCorp benchmark >1.5:1)

- \$1.901m released from the operating budget to fund capital works
- A capital works program of \$13.842m
- Restricted cash Reserves totalling an estimated \$54.5m
- Provision of sufficient funding in the Operating Budget for all continuing services
- Provision of funding of \$2.64m for supporting the community during the COVID-19 pandemic
- Provision of sufficient funding in the Operating Budget for recommended service expansions, namely:
 - \$100k for Paddington contract tree work. Due to power line issues employees cannot properly service a large amount of trees in the Paddington area. This funding would be used for qualified tree contractors to undertake the work.
 - \$40k for the Oxford Street marketing campaign which is a priority action under the Oxford St & Paddington Place Plan. These costs are funded from the Oxford Street Reserve.
 - \$18k for Tendering and Contracts Register Software
 - \$16k for Creative Hoardings as per a Council Resolution
 - \$5k for the Sculpture Prize as per a Council Resolution



There is a degree of uncertainty surrounding how the COVID-19 virus will evolve and its full economic impacts on Council's budget. It is not known at this point in time as to how long the current COVID-19 mitigation measures will remain in place however the National Cabinet has recently announced the easing of restrictions through a three step plan anticipated to be completed by mid- July.

The September 2020 Budget Review will provide a key opportunity to re-shape our budget as we, hopefully, continue to transition out of the current restrictions and to take advantage of any further State or Federal Government initiatives or stimulus grant programs.

Detailed Operating and Capital Budgets have been included as **Annexures 1 and 2** to this report, circulated separately.

The draft 2020/21 Budget is submitted for the Committee's consideration.

Annexures

1. Draft 2020-21 Operating Budget (*circulated under separate cover*) 
2. Draft 2020-21 Capital Budget (*circulated under separate cover*) 

Political Donations: Matters to be considered by Councillors at Council and/or Committee Meetings

