

ENCL: YES

DARWIN CITY COUNCIL

DATE: 21/10/2009

REPORT

TO: ORDINARY COUNCIL MEETING/OPEN

APPROVED: FC

FROM: FINANCE MANAGER

APPROVED: KS

REPORT NO: 09A0189

APPROVED:

COMMON NO:

SUBJECT: 1ST QUARTER BUDGET REVIEW 2009/2010

ITEM NO:

SYNOPSIS:

This report provides information on program budgets requiring variation due to amendments to Council activities and actual income and expenditure differing from the budgeted amounts. Budget variations require Council to vary the estimates in accordance with Regulation 128 of the Local Government Act.

GENERAL:

Budget Variations

A summary of all variation requests can be found in the following Attachments to this report -

1. Attachment A – Recurrent Budget Variations – with identified funding
2. Attachment B – Capital Budget Variations – with identified funding

Reduction in General Rates Income due to Revised Land Valuations

As Council is aware, it has been presented with a general rates income funding shortfall in the 2009/10 financial year due to the receipt of revised land valuations for certain properties in the Darwin region from the Valuer General's Office. Suburbs affected include Cullen Bay, Bayview, Millner, Rapid Creek and Stuart Park. Assuming no further revised land valuations will be received, this shortfall is approximately \$314,000.

As Council's budget for the 2009/10 financial year had already been adopted in June and the end of financial year reporting completed by the time the revised land valuations were received, it is necessary to address the funding shortfall in this budget review.

Over the past few years, rising interest rates meant that favourable investment returns often represented a source of untied funding for budget reviews. Council

budgeted conservatively for interest income and any returns over and above were a bonus and were available for use as a source of funding for unbudgeted projects. This was a practice mirrored by many local government agencies.

Record low interest rates resulting from the global economic crisis has seen this practice cease. Council is currently earning little more than CPI on its investments. In addition, there are ever increasing cost pressures on budgets and this has resulted in tighter budget control with any additional funding quickly identified and allocated for use.

As there was no unallocated funding available to offset the general rates income shortfall it was necessary to look at alternative sources of funding. There were three areas reviewed for this purpose:

- Option 1. Savings or gains from current budget programs
- Option 2. Carry forward programs not yet expended
- Option 3. Reserves

In relation to Option 1, the Chief Officer's Group are of the opinion that it is too early in the financial year to tell if a program was going to come in under budget due to the tighter budget control already mentioned, and that it was going to be difficult to find funding from current budget programs without causing an associated decreased level of service to the community.

Option 3 was deemed unsuitable as the Reserves that Council currently has are all identified for specific use or are budgeted to be expended in the 2009/10 financial year.

In relation to Option 2, Council staff have been able to identify sufficient funding to cover the general rates income shortfall through the re-allocation of carry forward funding included for programs where it is not definite they will occur. These programs include:

- Apprenticeship and graduate program \$162,646

A review of the 2009/10 budget allocation and intake numbers has shown that there should be sufficient funding in the 2009/10 budget to support current numbers. The carry forward funding was identified for use as part of a grant application where 2 graduates would be partly funded by Council, however, the 2009/10 budget allocation should be sufficient to cover this requirement.

- East Point Cliff Restoration Works \$79,133

A carry forward of \$279,133 was identified for these works, however, given the nature of the works has not been finalised, it was deemed that an allocation of \$200,000 would be sufficient for the present time.

- Darwin Entertainment Centre Maintenance \$49,821

A carry forward of \$169,821 for maintenance programs was identified, however, as the agreed level of additional funding was \$120,000 it was deemed that any amount over and above should be reallocated to contribute to the funding shortfall.

- Community Services Operational Projects \$12,930

There are various small community projects carried forward for community services and it was deemed that they could be funded from one general allocation and the smaller allocations should be reallocated to the funding shortfall.

- Traffic Management \$8,000

There was a carry forward of \$8,000 identified for training held early in July but it was deemed that this could be funded from the 2009/10 budget allocation.

- Other \$1,774

Untied funding identified as available to be reallocated to the funding shortfall.

- Total \$314,304

While it would still be preferable to be reimbursed for the value of the general rate income shortfall prudency denotes that Council must address the funding issue so that it does not risk putting itself into a funding deficit.

Discussion around the remaining budget variations follows.

Variations considered noteworthy are detailed below.

Increase in Revenue

- \$1,669,996 – Blackspot funding to be received in 2009/10 for Woolner Road and Bishop Street construction works
- \$545,000 – Carparking shortfall contribution received in 2009/10 to be transferred to CBD Carparking Shortfall Reserve
- \$32,500 – NTG grant monies for stage one of Parap Site Redevelopment Master Plan

Decrease in Expense

- \$27,000 – Remaining funds from Westlane Arcade air conditioner replacement to be transferred back to Offstreet Parking Reserve

Increase in Expense – Funded from grants, savings or additional income

- \$1,669,996 – Expenditure of Blackspot funding for Woolner Road and Bishop Street construction to be received in 2009/10
- \$79,000 – Christmas Events
 - \$64,000 Christmas Decorations
 - \$10,000 Here Comes Santa Clause event
 - \$5,000 Santa in the Mall
- \$75,000 – Funds required for Pre-Cyclone cleanup to be funded from Waste Management Reserve:
- \$49,000 – Drainage works at Lot 5064 Coonawarra Road to be funded from minor capital works
- \$32,500 – Increased expenditure to offset NTG grant monies for stage one of Parap Site Redevelopment Master Plan
- \$30,000 – WW2 Interpretative Signage to be funded from Bi Park Master Plan works
- \$25,000 – Environmental assessment at 103 Smith St (Hertz site) offset by anticipated lease income
- \$21,350 – Upgrade Parap Recreation Facility
- \$15,000 – Vickers Vimy 90th Anniversary Sponshorship

Decrease in Revenue

- \$2,027,273 – grant monies for CBD Revitalisation Project received in 2008/09 to be transferred from CBD Revitalisation Reserve
- \$314,000 – reduction in general rate revenue resulting from revised land valuations

FINANCIAL IMPLICATIONS:

Council's original 2009/10 budget is based on a nil surplus carried forward from 2008/09.

As part of the 2009/2010 Budget Process and the adoption of the 2009/2010 Municipal Plan, Council adopted the agreed level of services and projects to be delivered in the 2009/2010 Financial Year.

As a result of all variations, Council is carrying forward a very small budget surplus of \$304.

Summary Table

Budgeted Funding Surplus/(Deficit) 2009/2010	\$0
Funded 1 st Quarter Budget Variations	\$0
Unfunded 1 st Quarter Budget Variations	\$314,000
Funding from Carry Forward Budget	\$314,304
Available Surplus/(Deficit) Carried Forward	\$304

Deferred Budget Considerations

As there was no further funding available, the residents publication budget review request for \$80,700 on Council decision 20\2049 and the Beach Patrol funding for \$33,000 on Council decision 20\1777 are both recommended for deferral to the Second Quarter Review.

The variations propose the following transfers to and from Reserves –

Transfers to Reserves

- \$545,000 – Transfer carparking shortfall contribution to CBD Carparking Shortfall Reserve
- \$27,000 – Transfer to Offstreet Carpark Reserve unused funding from Air conditioner replacement at Westlane Arcade Carpark

Transfers from Reserves

- \$2,027,273 – Transfer from CBD Revitalisation Reserve grant monies budgeted in 2009/10 but received 2008/09
- \$75,000 – Transfer from Waste Management Reserve to fund additional costs of Pre Cyclone clean up

CONSULTATION:

- Chief Officer's Group
- Relevant officers responsible for budgets

RECOMMENDATIONS:

THAT it be a recommendation to Council:-

- A. THAT Report Number 09A0189 entitled 1st Quarter Budget Review 2009/2010 be received and noted.
- B. THAT Council resolve in to vary the budget as listed in Attachments A & B of Report Number 09A0189 entitled 1st Quarter Budget Review 2009/2010.

KELLY STIDWORTHY
FINANCE MANAGER

FRANK CRAWLEY
GENERAL MANAGER
CORPORATE SERVICES

Any queries on this report may be directed to Kelly Stidworthy extension 5523 or email k.stidworthy@darwin.nt.gov.au.

ATTACHMENT A

RECURRENT BUDGET VARIATIONS 2009/10 WITH IDENTIFIED FUNDING

Department	Request Number	Project Name	Council Decision	Budget Number	Revenue	Reserve	Loan	Subsidies
CEO								
Communications & Marketing		Funding required for Council decisions 20\2046 and 20\2047 funded from carry forward funding.		05/322060/180/100	-70,000			
				05/221040/300/305	-24,000			
	18	Vickers Vimy 90th anniversary sponsorship.	20\2046	05/130000/300/320	15,000			
	19.1	Funds required for "Here Comes Santa Clause" event.	20\2047	05/130001/300/100	10,000			
	19.2	Funds required for Santa in the Mall.	20\2047	05/130001/300/100	5,000			
	19.3	Funds required for Christmas Street Decorations.	20\2047	05/130040/300/105	64,000			
CEO Total					0	0	0	0
Climate Change & Environment								
Waste Management	13.1	Balance of funding required for pre-cyclone cleanup to be funded from Waste Management Reserve.		05/421408/451/499		-75,000		
				05/333006/180/105		75,000		
Climate Change & Environment Total					0	0	0	0
Community & Cultural Services								
Community & Cultural Services	23	Provision of occasional child care review at Parap pool funded from unused facilities upgrade funding.	20\1744	05/332085/180/105	-8,000			
				05/223001/300/105	8,000			
General Library Services	16	Recognition of grant funding from Dept Health & Families to fund programs for seniors month.		05/235030/750/721				-800
				05/235000/300/104				800
Animal Management	15	Transfer employee budget from Animal Control to Parking and Infringements to reflect multi-skilling across programs.		05/241000/300/001	-83,530			
Parking/Generals	15	Transfer employee budget from Animal Control to Parking and Infringements to reflect multi-skilling across programs.		05/242003/300/001	69,124			
				05/242000/300/001	14,406			
Off Street Parking	26	Recognise carparking shortfall contribution income and associated transfer to CBD Shortfall Carparking Reserve.		05/423130/550/551		-545,000		
				05/421410/451/499		545,000		
Community & Cultural Services Total					0	0	0	0
Corporate Services								
Accounting Services	27	Reduction of general rate income due to revised land valuations; affected suburbs: Cullen Bay, Bayview, Millner, Rapid Creek, Stuart Park. Funding required for general rate income reduction funded from carry forward funding.		05/423030/500/503	314,000			
				05/441004/300/001	-162,646			
				05/332081/180/104	-79,133			
				05/210001/150/100	-49,821			
				05/224001/300/104	-12,930			
				05/311000/320/342	-8,000			
				05/331030/750/723	-1,200			
Business Services	22	Funding required for environmental assessment of 103 Smith St (Hertz site) offset by anticipated lease income.		05/221040/300/305	-574			
				05/455130/580/592	-25,000			
				05/455000/300/305	25,000			
Corporate Services Total					-304	0	0	0
Grand Total					-304	0	0	0

ATTACHMENT B

CAPITAL BUDGET VARIATIONS 2009/10 WITH IDENTIFIED FUNDING

Department	Request Number	Project Name	Council Decision	Budget Number	Revenue	Reserve	Loan	Subsidies
Community & Cultural Services								
Community & Cultural Services	9	Recognition of grant funding from NTG to develop Parap recreational facility masterplan.		05/210030/750/739				-32,500
				05/221060/180/104				32,500
Community & Cultural Services	1	Upgrade of Parap recreation facility to enable tenancy funded from aquatic facilities masterplan allocation.	20\1846	05/221061/180/105	-21,350			
				05/223004/300/105	21,350			
Community & Cultural Services Total					0	0	0	0
Infrastructure								
Technical Services	24	Blackspot funding for Woolner Rd & Bishop St construction to be received in 2009/10.		05/322064/180/105				1,669,996
				05/322031/750/782				-1,669,996
	5	Transfer of unused LATM funding to construction of central concrete island at Lakeside Drive and Stasinowski Street intersection.		05/322064/180/105	-4,454			
				05/322064/180/105	4,454			
	6	Council contribution to construction of drain at Lot 5064 Coonawarra Rd, Winnellie to be funded from minor capital works.	20\0652	05/322064/180/100	-49,000			
				05/322060/180/104	49,000			
	20	Recognition of contribution received for stormwater drainage at Lot 5064 Conawarra Rd, Winnellie and transfer of funding to stormwater drainage construction program.		05/322033/700/719	-15,000			
				05/322060/180/105	15,000			
Parks & Reserves	4	Funds required to complete foreshore fencing project funded from parks infrastructure refurbishment program.		05/341060/180/104	-3,573			
				05/341061/180/104	3,573			
Building Services	7	Funding required to engage consultant for WW2 Interpretative Signage project funded from Road Ancillary Bi Park Master Plan Work.		05/341060/180/100	-30,000			
				05/332063/180/104	30,000			
	21	Transfer unspent funding from Westlane Arcade airconditioner replacement to Offstreet Parking Reserve.		05/332060/180/105		-27,000		
				05/421410/451/499		27,000		
Infrastructure Projects	25	Recognise CBD Revitalisation grant funding that was received in 2008/09 and transferred to CBD Revitalisation Reserve.		05/421427/451/499		-2,027,273		
				05/322032/750/799		2,027,273		
Infrastructure Total					0	0	0	0
Grand Total					0	0	0	0