



Vincent Street
CESSNOCK 2325

22 September 2008

To All Councillors

You are hereby notified that the next Meeting of the Corporate & Community Committee will be held in the Council Chambers, on Wednesday, 8 October 2008, immediately following the conclusion of the Infrastructure & Services Committee Meeting, for the purpose of transacting the undermentioned business.

**B R MORTOMORE
GENERAL MANAGER**

AGENDA:

PAGE NO.

(1) APOLOGIES.

(2) CONFIRMATION OF MINUTES.

Minutes of the Corporate & Community Committee Meeting
held on 3 September 2008

(3) OFFICERS' REPORTS

DIRECTOR CORPORATE & COMMUNITY

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(4) QUESTIONS WITHOUT NOTICE.

OFFICER'S REPORTS

DIRECTOR CORPORATE & COMMUNITY REPORT NO. 74/2008

SUBJECT: CORRESPONDENCE FROM THE LGSA

SUMMARY

Council adopted the following recommendations at the Council Meeting held on Wednesday 16 July 2008:

That Council:

1. Reject the additional 5% increase in the LGA subscription and Austroads membership for the 2008-2009 financial year.
2. Support the 3.2% increase in the LGA subscription and Austroads membership for the 2008-2009 financial year.
3. Write to the LGSA asking for the associations to clearly demonstrate why Councils in NSW should wear the additional 5% increase, when Councils have the same dilemma as the LGSA and will have to reduce services to its residents and ratepayers in order to meet the cost shifting by the LGSA.
4. Request the LGSA to send a replacement tax invoice for the 2007-2008 fees plus the 3.2% increase.

BACKGROUND

Council wrote to the LGSA as per recommendation 3 above. The letter requested for the LGSA to clearly demonstrate why Councils in NSW should wear the additional 5% increase.

The LGSA wrote back to Council on the 21st August 2008 making a reasonable case for the additional 5% increase. Additionally, if Council decides not to pay the increase we will be unable to vote at the upcoming LGA Conference. The letter along with the original letter from the LGSA and the original tax invoice are included as enclosures to this report.

It is now recommended that Council pay the additional 5% increase in order to allow Council to vote at the upcoming LGA Conference at Broken Hill. Council is proposing to send (6) delegates to the conference.

CONSULTATION

The following Council Officers have been consulted during the preparation of this Council report:

General Manager
Director City Planning
Director Infrastructure and Services

STATUTORY IMPLICATIONS

Legislative Implications

Nil.

Financial Implications

The additional 5% increase will cost Council an additional \$1,640 over and above the 3.2% increase. The current Management Plan for the 2008-2009 financial year has an allowance for a 3.2% increase to the subscription and membership fees. The additional 5% increase would have to be found from savings in expenditure or increases in revenue.

The additional 5% will need to be found as part of the September Quarterly Review.

Policy Implications

Nil

CONCLUSION

Council should pay the additional 5% increase, otherwise Council will be unable to vote at the Local Government Association Conference to be held at Broken Hill this month.

RECOMMENDATION that Council pay the full subscriptions for the 2008-2009 financial year.

To: **The General Manager**
Corporate & Community
Committee – 8 October 2008

C T BENNETT
DIRECTOR CORPORATE & COMMUNITY
22 September 2008

**DIRECTOR CORPORATE & COMMUNITY
REPORT NO. 75/2008**

SUBJECT: SUMMARY OF RATES AND CHARGES COLLECTED

Financial & Administrative Services Manager, Robert Maginnity, reports:-

SUMMARY

A report on the level of outstanding rates and charges after the due date for payment of the 1st rate instalment for the 2008/2009 rating year.

BACKGROUND

The main rates and charges levy is processed in July each year with ratepayers having the option of paying the debt by four equal instalments due at the end of August, November, February and May. Supplementary levies are raised throughout the year in instances where a categorisation change has occurred, a new service has been added or where a new valuation has come into effect, with the same principles applying as to the main levy.

Interest at the rate of 10% per annum is charged on arrears rates and charges, being those charges unpaid at the due date for payment.

The table below is presented for Councils information detailing the amount of rates unpaid from the 2007/2008 rating year as at 1 July, the net levy for the 2008/2009 rating year, the total pension rebate applied to ratepayer accounts, the total collectible for the year, the balance outstanding at the date of the report and the percentage collected for the year. It should be noted that a number of ratepayers elect to pay rates in full, whilst others elect to pay by quarterly instalments.

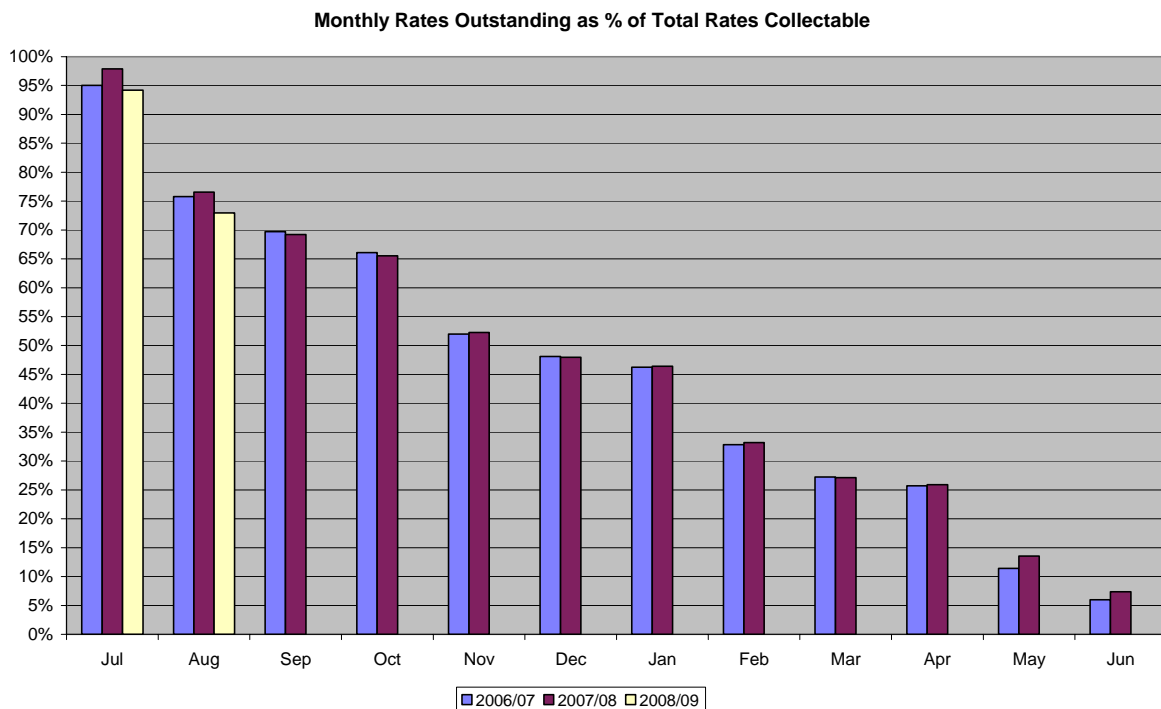
Description	Arrears B/fwd 30/06/08 \$'000	Net Levy 2008/09 \$'000	Pension Rebates 2008/09 \$'000	Total Payable 2008/09 \$'000	Balance Owing 04/09/08 \$'000	% Collected
Residential	1,000	13,621	858	13,763	10,120	26.47%
Rural Residential	144	2,248	51	2,341	1,699	27.42%
Residential Vintage	26	486	0	512	351	31.54%
Farmland	27	1,058	11	1,074	731	31.99%
Farmland Mixed Use	14	338	0	352	257	26.93%
Farmland Low Intensity	236	2,300	34	2,502	1,812	27.58%
Farmland Business Rural	10	167	0	177	139	21.06%
Business	155	3,779	0	3,935	2,720	30.88%
Business Golf	8	108	0	116	85	26.62%
Business Gold Public	3	30	0	33	30	7.62%
Business Vineyards	30	607	0	637	377	40.77%
Mining	0	614	0	614	503	18.04%
General Rates	1,654	25,374	972	26,056	18,825	27.75%
HCRCMA	34	402	0	436	321	26.52%
Waste Management	401	6,203	351	6,254	4,620	26.12%
Stormwater Levy	30	442	0	472	353	25.20%
On Site Sewer Systems	20	192	0	212	158	25.63%
Sub Total	2,139	32,614	1,323	33,429	24,276	27.38%
Interest & Legals	98	59	0	157	228	-44.84%
Total Rates & Charges	2,237	32,673	1,323	33,586	24,503	27.04%

Council receives a 55% subsidy from the Department of Local Government on the amount of statutory pension rebates granted, excluding the voluntary rebates applied by Council of approximately \$120,000. The subsidy is due to be claimed by 1 October 2008.

The opening balance figure for interest and legal includes all assessments which had a credit balance (prepayments etc) at the end of the 2008 rating year. Credits are held within the interest field within Councils rating software and are automatically applied to levy amounts once the levy is calculated.

The amount of unpaid rates brought forward from the 2008 rating year was \$2,236,829 and has been added to the net levy for 2009 resulting in a total collectible figure of \$33,586,356. Payments made against properties with rate arrears are allocated to arrears prior to allocation to current year charges in accordance with the Local Government Act 1993.

The following graph shows the percentage of rates outstanding in relation to the total amount collectible on a monthly basis for the last 3 years and shows council to be on par with previous years.



The graph shows the year end outstanding rates and charges to be 7.36% and 5.97% for the rating years 2008 and 2007 respectively. It is stressed that the above outstanding percentages includes all rates and charges, which differs slightly from the published figures in the Department of Local Government Comparative publications and Council’s Annual Statements as these reports exclude a number of items including legal costs and onsite septic systems charges.

The economic impact on all sectors of the community over the last 12 months has been significant (including rising fuel prices, food costs and increased interest rates) which has contributed to the increase in the outstanding debt percentage for 2007/2008. Rate recovery is continuing in line with normal debt recovery procedures and although the level of debt in dollar terms has risen over prior years, it is considered to be at an acceptable level and is expected to further improve over time.

Should council desire to significantly reduce this level further then a significant increase of both staff resources and legal costs would be required, as well as a change to the existing debt recovery procedures to enforce the provisions of the Local Government Act more stringently. It is considered that this course of action if taken would unduly impact on those ratepayers least able to afford additional costs and would generate a negative response to Councils endeavours to recover outstanding rates. A continuation of current debt recovery processes should see the debt improve to a level below 5% and is considered more prudent at this time.

CONSULTATION

The following Council Officers were consulted during the preparation of this report:

Revenue Accountant

STATUTORY IMPLICATIONS

Financial Implications

Income from rates and charges levied are included in Council's Management Plan and Budget. Interest income is earned on outstanding rates and charges with an interest rate of 10% per annum applicable and an estimated amount for interest is included in Council's Management Plan and Budget. Any amendment to budgeted rates and charges and interest income is effected through the Quarterly Budget Review process.

Legislative Implications

Rates and charges and interest income are raised and collected in accordance with provisions of the Local Government Act 1993, the Revenue Rating Guidelines and the Local Government (General) Regulation 2005.

Policy Implications

The report has no direct policy implications.

RECOMMENDATION that the report be received and the information noted.

To: **General Manager**
Corporate & Community
Committee – 8 October 2008

C T BENNETT
DIRECTOR CORPORATE & COMMUNITY
22 September 2008

DIRECTOR CORPORATE & COMMUNITY REPORT NO. 76/2008

SUBJECT: INVESTMENTS REPORT – AUGUST 2008

Financial & Administrative Services Manager, Robert Maginnity, reports:-

SUMMARY

Clause 212 of the Local Government (General) Regulation 2005 requires a monthly report to Council detailing all money invested under Section 625 of the Local Government Act 1993.

BACKGROUND

Details of investments held by Council as at 31 August 2008 are set out below.

Inv. No.	Form Held With	Type	Coupon Term (Days)	Next Coupon Date ²	Maturity Date ³	Current Coupon Rate ⁴	LTD Interest Rate ⁵	Amount \$'000
	Commonwealth Bank	Cash ¹				6.85%		564
	Commonwealth Bank	At Call ¹				7.15%		3,963
1001q	Greater Building Society	FRN	92	27-Nov-08	27-Nov-08	8.99%	7.99%	500
1010p	Wide Bay Capricorn BS	FRN	91	15-Sep-08	15-Dec-08	9.44%	7.78%	500
1020q	Credit Suisse First Boston	CDO	92	05-Nov-08	05-May-11	9.59%	8.17%	1,000
1029q	Credit Suisse First Boston	CDO	92	05-Nov-08	05-May-11	9.59%	8.17%	1,500
1069n	RIMsec	CDO	93	08-Oct-08	08-Oct-11	9.76%	8.22%	2,000
1102j	Commonwealth Bank	AN	92	16-Sep-08	16-Dec-10	0.00%	4.08%	500
1126g	Commonwealth Bank	AN	92	06-Nov-08	06-Nov-11	9.25%	7.88%	500
1132g	JP Morgan Chase Bank	CDO	94	22-Sep-08	20-Dec-09	8.82%	7.86%	500
1133a	Commonwealth Bank	ELD	364	22-Dec-08	20-Dec-09	3.00%	7.87%	1,000
1138a	Commonwealth Bank	ELD	365	05-Mar-09	05-Oct-10	3.00%	3.00%	500
1142e	Lehman Brothers	CDO	94	22-Sep-08	20-Mar-11	9.12%	8.25%	1,000
1143b	ANZ Banking Group	ELD	365	30-Jun-09	30-Mar-13	0.00%	1.95%	500
1146d	Merill Lynch International	CDO	94	22-Sep-08	20-Jun-10	8.82%	8.07%	1,000
1147a	Commonwealth Bank	ELD	365	05-Jun-09	07-Oct-10	3.00%	3.00%	500
1161c	Illawarra Mutual BS	TD	56	02-Oct-08	02-Oct-08	7.68%	7.68%	500
1177a	Maitland Mutual BS	TD	105	16-Oct-08	16-Oct-08	8.34%	8.34%	500
1178a	Maitland Mutual BS	TD	91	09-Oct-08	09-Oct-08	8.33%	8.33%	500
1180	Newcastle Permanent BS	TD	30	25-Sep-08	25-Sep-08	7.57%	7.57%	1,000
1181	Newcastle Permanent BS	TD	37	02-Oct-08	02-Oct-08	7.57%	7.57%	500
1182	Illawarra Mutual BS	TD	51	16-Oct-08	16-Oct-08	7.52%	7.52%	500
1183	Illawarra Mutual BS	TD	58	23-Oct-08	23-Oct-08	7.53%	7.53%	500
20,027								

Definitions:

¹ Cash & At Call – funds held with the CBA are subject to variable interest rate calculated on the daily net closing balance. At call interest is calculated on balances over \$10K. Cash account interest rate is variable depending on the balance held in the account. Rates are linked to the RBA cash rate. Rates shown are indicative rates applicable at the date of the report only.

² Coupon Date – is the next scheduled date for the calculation and payment of interest

³ Maturity Date – is the final date that the investment becomes due for redemption

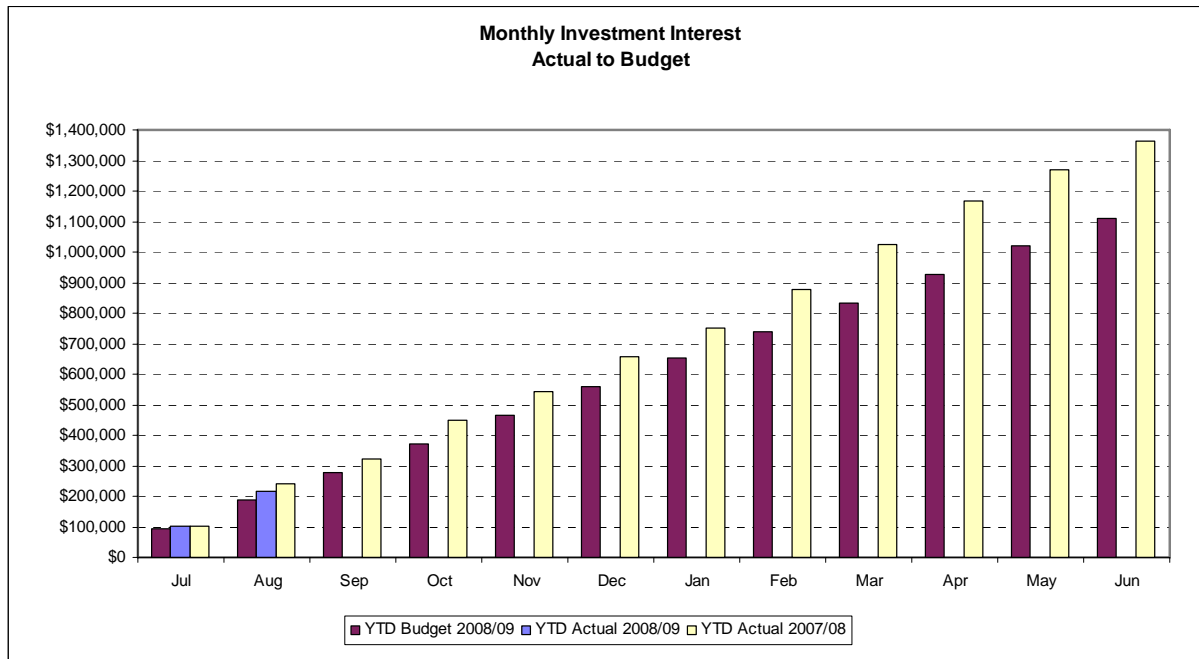
⁴ Current Coupon Rate – is the current coupon interest rate to be received on the investment

⁵ LTD Interest Rate – is the interest rate return achieved on the investment since purchase

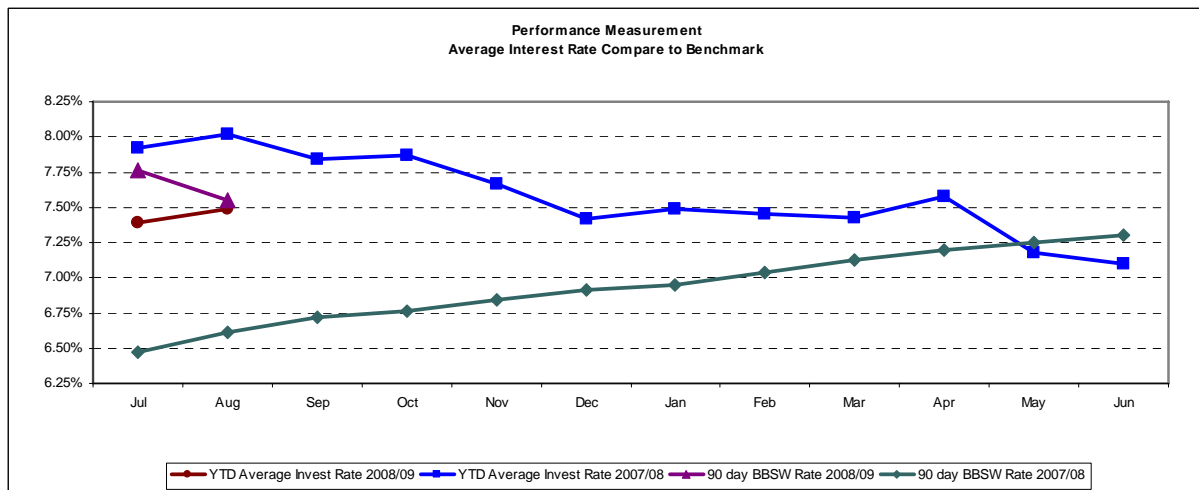
As Responsible Accounting Officer, I, Robert Maginnity, hereby certify that this report is produced in accordance with Clause 212 of the Local Government (General) Regulation 2005 and that all investments have been made in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and Council's investment policy.

Statistical Information

The following graph compares Councils actual YTD interest earned to budgeted YTD interest earned and last years actual interest earned:



The following graph compares Councils actual YTD average percentage interest rate to last years actual YTD average percentage rate and compares both of these against the current 90 day BBSW and last years 90 days BBSW rate:



The following table provides information on investment interest rates and interest earned this year compared to last year as well as a comparison of investment balances from this year to last year:

Performance Measures	This Year	Last Year
Portfolio Average Interest Rate (YTD) ¹	7.49%	8.02%
BBSW Average Interest Rate (YTD) ²	7.55%	6.61%
Actual Investment Interest Earned (YTD) ³	\$216,638	\$239,706
Budgeted Investment Interest (YTD) ³	\$188,684	\$184,645
Original Budget Investment Interest (Annual) ³	\$1,110,800	\$1,025,000
Revised Budget Investment Interest (Annual) ³	\$1,110,800	\$1,090,000

Investment Balances	This Year	Last Year
Opening Balance 1 July	\$20,100,000	\$17,607,000
Current Balance ³	\$20,027,000	\$18,252,000

Definitions:

¹ Portfolio Average Interest Rate is the average interest rate received for all investments for the year

² BSW is the benchmark indicative yield reference rate as issued for purchase of 90 day Bank Bills

³ Investment balances include investment returns on Section 94 & Waste Services Funds

The following table provides information on the financial institutions that Council has invested its money in, the amount invested with each financial institutions and the percentage invested with each financial institution compared to the total investments portfolio held by Council:

Financial Institution	Amount \$'000	% of Portfolio
Commonwealth Bank of Australia	7,527	37.58%
Credit Suisse First Boston Int.	2,500	12.48%
RIMsec	2,000	9.99%
Newcastle Permanent Building Society	1,500	7.49%
Illawarra Mutual Building Society	1,500	7.49%
Maitland Mutual Building Society	1,000	4.99%
Lehman Brothers	1,000	4.99%
Merill Lynch International	1,000	4.99%
ANZ Banking Group	500	2.50%
Greater Building Society	500	2.50%
JP Morgan Chase Bank	500	2.50%
Wide Bay Capricorn Bldg Society	500	2.50%
TOTALS	20,027	100.00%

The following table provides information on actual investment types, a risk assessment of each investment type and the amount and percentage invested compared to the total investment portfolio held by Council:

Investment Type	Risk Assessment		Amount \$'000	% of Portfolio
	Capital	Interest		
Cash	Low	Low	4,527	22.62%
Collateralised Debt Obligation CDO ¹	Medium	Low	7,000	34.95%
Floating Rate Note FRN ²	Low	Low	1,000	4.99%
Term Deposit TD ³	Low	Low	4,000	19.97%
Equity Linked Deposit ELD ⁴	Low	Medium	2,500	12.48%
Accrual Note AN ⁵	Low	Low	1,000	4.99%
TOTALS			20,027	100.00%

Definitions:

- ¹ CDO is a structured debt instrument where a security is backed by a diversified pool of one or more classes of debt. A CDO is a medium to long-term investment
- ² FRN is a medium to long-term investment (usually three to five years) with a variable quarterly coupon rate equal to an accepted market benchmark (usually the BBSW) plus a spread that remains constant.
- ³ TD is a fixed term investment with a fixed interest rate which applies for the duration of the investment, with the investment made with an Authorised Deposit taking Institution (bank or similar)
- ⁴ ELD is an investment paying a variable interest rate between a preset maximum and minimum, dependant on equity movements of a number of selected companies at the date of issue
- ⁵ AN is a medium to long-term investment (usually three to five years) with a fixed coupon rate contingent upon a financial benchmark (usually the BBSW) lying within a certain range. If the benchmark is within the range interest accrues at the fixed rate, where the benchmark is outside of the range no interest is accrued for that period. Coupons are calculated on a daily basis and paid quarterly

STATUTORY IMPLICATIONS

Legislative Implications

Report meets Councils statutory obligations under Clause 212 of the Local Government (General) Regulation 2005 and Section 625 of the Local Government Act 1993.

Financial Implications

All returns on investment are included in Council's Management Plan. Any amendment to budgeted interest income is effected through the Quarterly Budget Review process. Council's investment performance on its portfolio is detailed within the report with comparisons to prior year and budget. A portion of the portfolio and its associated investment income is restricted as it relates to funds held from section 94 developer contributions and Domestic Waste Management and is not available for operational projects.

Policy Implications

Investments are made in accordance with Council's adopted Investment Policy Number F12.3.

RECOMMENDATION that the report be received and noted.

To: **The General Manager**
Corporate & Community
Committee – 8 October 2008

C T BENNETT
DIRECTOR CORPORATE & COMMUNITY
SERVICES
22 September 2008

**DIRECTOR CORPORATE & COMMUNITY
REPORT NO. 77/2008**

SUBJECT: DOUBTFUL DEBT WRITE-OFF – DATE AVENUE, WESTON

Financial & Administrative Services Manager, Robert Maginnity, reports:-

SUMMARY

A report on a debt considered bad in relation to collection requiring a Council resolution for write-off in accordance with Regulation 131 of the Local Government (General) Regulation 2005, as the amount is outside of the General Managers delegated authority.

BACKGROUND

A number of years ago Council purchased the land near Weston, now know as Hebburn Estate upon which a number of residences existed with no legal entitlement to the actual land that the houses were built on. Licence agreements were formed between Cessnock City Council and the owners of the improvements on the land (i.e. the residence constructed on the land) located in Date Avenue, for continued occupation of the land pending the finalisation of the subdivision.

A condition of the agreement was that liability for rates and charges applicable rested with the owners of the building constructed on the land under Council's care known as Lot 1 in Deposited Plan 570100. To this end, separate valuations were obtained from the Valuer General's Department for each property and rated on separate assessments on Council's rating system. Council pays rates separately on the residue of the land, and this situation will continue until such time as each parcel of land has its own title.

Over time a number of houses have been demolished when the tenant vacated the premises, with the subject land then being absorbed back into the residue land for rating purposes. The following details refer to assessments on Council's rating system where the house constructed on the land has been demolished and the rates outstanding were not settled at the time of the demolition. In the case of both of the subject properties in this report the yearly rates had not been paid for a number of years and the tenants had effectively vacated a number of years prior to the licence termination and demolition.

Assessment Number	Location	Year Last Rated	Year House Demolished (approx)
87544	10 Date Avenue	2007	2006
87627	40 Date Avenue	2004	2004

Rates have not been raised on the assessments since the properties were demolished, however the outstanding debt remains and the balance has continued to attract interest charges (current rate of 10% per annum) and as such is increasing every year. Normally, Council is able to recover outstanding rates even when a ratepayer defaults and sells the property, as the rates and charges are a charge on the land and move with any transfer, and ultimately Council could recover outstanding rates by exercising its rights under Section 713 of the Local Government Act 1993 (sale of land for unpaid rates). However, in this case the rates were raised under a licence agreement to the occupier and each parcel of land does not have its own title.

Despite numerous attempts by staff over the years to recover the debt, and repeated assurances that the accounts would be paid, the debt for outstanding rates up to the time the houses were demolished remained unpaid. As the subject matter of the agreement (i.e. the residence) no longer exists, it is questionable as to whether or not liability for the outstanding rates can be ascertained either to the original person named in the agreement or alternatively to any other person (in the case of transference of the original agreement) or in the case of a deceased estate, or if legal action would be financially viable with little likelihood of recovering either the debt or the additional costs, particularly without the ability to utilise Section 713 provisions of the Act.

As part of normal operating procedures and in line with accounting requirements, there is a requirement for staff to analyse accounts raised within both the sundry and rates debtor systems to identify those accounts considered either uncollectible or not financially viable to be collected and for such to be classified as a doubtful debt. A provision has been made each year for such debts within the rating module and as recovery of these debts was considered unlikely, these form part of the annual provision for doubtful debts made.

Regulation 131 of the Local Government (General) Regulation 2005 provides the mechanism for a debt to be written off and is reproduced below for Councils information.

131 Procedures for writing off rates and charges

(1) The council must, from time to time, by resolution, fix the amount of rates and charges above which any individual rate or charge may be written off only by resolution of the council.

(2) An amount of rates or charges of or below that amount can be written off either by resolution of the council or by order in writing of the council's general manager. In the absence of a resolution under subclause (1), rates and charges can be written off only by resolution of the council.

(3) A resolution or order writing off an amount of rates or charges must:

- (a) specify the name of the person whose debt is being written off, and
- (b) identify the account concerned, and
- (c) specify the amount written off,

or must refer to a record kept by the council in which those particulars are recorded.

(4) An amount of rates or charges can be written off under this clause only:

- (a) if there is an error in the assessment, or
- (b) if the amount is not lawfully recoverable, or
- (c) as a result of a decision of a court, or
- (d) if the council or the general manager believes on reasonable grounds that an attempt to recover the amount would not be cost effective.

(5) The fact that an amount of rates or charges is written off under this clause does not prevent the council concerned from taking legal proceedings to recover the amount.

(6) The general manager must advise the council of rates and charges written off by written order of the general manager.

CONSULTATION

The following Council Officers were consulted during the preparation of this report:

Revenue Accountant
Management Account
Property Officer
Debt Recovery Officer

STATUTORY IMPLICATIONS

Financial Implications

A provision for a doubtful debt has been provided for in past financial years and any write-off would be charged against that provision. It is considered unlikely that any further legal action would result in recovery of the outstanding amount and would only incur more costs charged to the rate assessment.

The fact that an amount of rates and charges is written off does not prevent council from taking legal proceedings to recover the amount and should a recovery be made in the future then that would be recognised as income at that stage.

Legislative Implications

The debts are able to be written off under the provisions of Regulation 131 of the Local Government (General) Regulation 2005.

Policy Implications

The report has no direct policy implications.

CONCLUSION

The rates raised under licence for assessments 87627 and 87544 where the premises have been demolished are considered doubtful in relation to collection due the uncertainty in relation to the liability and that further attempts to recover the amounts would not be cost effective and should be written off in accordance with the provisions of Regulation 131 of the Local Government (General) Regulation 2005.

RECOMMENDATION that the amount of \$10,980.68 for Assessment Numbers 87544 and 87627 be considered "bad" and be written off in accordance with Regulation 131 of the Local Government (General) Regulation 2005.

To: **General Manager**
Corporate & Community
Committee – 8 October 2008

C T BENNETT
DIRECTOR CORPORATE & COMMUNITY
22 September 2008

DIRECTOR CORPORATE & COMMUNITY REPORT NO. 78/2008

SUBJECT: FINANCIAL ASSISTANCE GRANT 2008/2009

Management Accountant, Mr Paul Grosbernd, reports:-

SUMMARY

A report detailing the amount of the Financial Assistance Grant (FAG) to be received by Council for the 2008/2009 financial year.

BACKGROUND

The Commonwealth Minister for Local Government has approved the Local Government Grants Commission's recommendation for the 2008/2009 Financial Assistance Grant (FAG) and Council has been allocated \$5,956,779. This represents \$206,979 more than budget.

The grant consists of two components being the general purpose component and a local roads component. The local road grant comprises a road and bridge component. A comparison of the budgeted amounts and actual grants received is shown below.

	2008/09 Grant	2008/09 Budget	Variance
General Purpose Component	\$4,624,376	\$4,482,100	\$142,276
Roads	\$1,181,516	\$1,122,300	\$59,216
Bridges	\$150,887	\$145,400	\$5,487
Sub Total Local Roads Component	\$1,332,403	\$1,267,700	\$64,703
Total Financial Assistance Grant	\$5,956,779	\$5,749,800	\$206,979

A comparison of amounts received in the past 3 years is shown below.

	2005/06	2006/07	2007/08
General Purpose Component	\$4,036,628	\$4,234,324	\$4,330,537
Local Roads Component	\$1,166,273	\$1,202,792	\$1,245,306
Total Financial Assistance Grant	\$5,202,901	\$5,437,116	\$5,575,843

Councils 2008/2009 budget estimate for FAG allowed for an increase of 3.12% over the 2007/08 allocation. As can be seen Councils FAG has increased by \$380,936 or 6.83% over the 2007/2008 allocation. This has resulted in an additional \$206,979 being available over the 2008/2009 budget figure (Note that in 2007/2008 there was a shortfall on the budgeted FAG of \$73,857 which had to be absorbed into the budget in 2007/2008).

Traditionally, any surplus funds received over the budgeted FAG amount in relation to roads and bridges have been restricted for use on roads and bridges either through increased allocations in current projects or by transfer to restricted asset for future works. The general purpose component is usually transferred to restricted assets for Special Projects.

Financial and Administrative Services Manager Commentary

Under Clause 202 of the Local Government (General) Regulation 2005 the Responsible Accounting Officer is to maintain a system for budgetary control and "if any instance arises where the actual income or expenditure of the council is materially different from its estimated income or expenditure, report the instance to the next meeting of the council".

Whilst this report deals with the additional funds to be received from FAG allocations, a concern exists in relation to the claim for funding associated with the June 2007 floods. A claim has been submitted to the Commerce Department for assessment and a number of meetings held, however at this stage no commitment as to the amount of funding has been made. Recently, advice has been received that portions of the claim may no longer meet the guidelines for funding (a situation which is affecting all Hunter Councils).

At this stage no determination has been made on Council's claim, but I believe it prudent to restrict the surplus, with the exception of the bridges component of \$5,487, so as to provide a source of funds should Council be required to fund a part of the claim from its own sources.

A debtor to the Commerce Department was raised in the 2006/2007 and 2007/2008 financial years to offset expenses in relation to the emergency works and if the final funding is less than the debtor an alternate source of funds (reserve or programs) will need to be identified.

CONSULTATION

The following Council Officers were consulted during the preparation of this report:

Financial and Administrative Services Manager
Financial Controller Infrastructure & Services

STATUTORY IMPLICATIONS

Legislative Implications

There are no statutory implications under the Local Government Act 1993 in relation to this matter. Meets the requirements under Clause 202 of the Local Government (General) Regulation 2005 in relation to material budget variations.

Financial Implications

An estimate amount for the Financial Assistance Grant is included in Council's Management Plan. The additional income and the transfers to restricted assets will be effected through the Quarterly Budget Review process. Quarantining the additional funds received will allow Council to offset some or all of the costs associated with the continued uncertainty in relation to the Natural Disaster Funding associated with the June 2007 floods.

Policy Implications

This report has no direct policy implications.

RECOMMENDATION that:

1. The information be noted.
2. The additional Financial Assistance Grant of \$206,979 be internally restricted for the purposes of Bridges \$5,487 and Special Projects \$201,492.

To: **The General Manager**
Corporate & Community
Committee – 8 October 2008

C T BENNETT
DIRECTOR CORPORATE & COMMUNITY
SERVICES
22 September 2008

**DIRECTOR CORPORATE & COMMUNITY
REPORT NO. 79/2008**

SUBJECT: 2007/2008 ANNUAL FINANCIAL STATEMENT OF ACCOUNTS

Management Accountant, Mr Paul Grosbernd, reports:-

BACKGROUND

Council has prepared the draft financial reports for the year ended 30 June 2008, to be referred to Council's auditors Prosperity Advisors for audit in accordance with Section 413 of the Local Government Act, 1993.

REPORT

Council is required under Section 413(1) of the Local Government Act, 1993 to prepare financial reports each year, and refer them for audit. The financial reports must include:

- (a) a general purpose financial report, and
- (b) any other matter prescribed by the regulations; and
- (c) a statement in the approved form by the Council as to its opinion on the general purpose financial report.

Items (a) and (b) have been referred to Council's auditors, with the audit taking place in the week beginning 29 September 2008.

The statement as to the opinion of Council must be signed in accordance with a Council resolution and must be signed by the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer.

When the audit is completed a full report will be made to Council detailing all relevant financial information.

Extracts of the draft financial statements are included as enclosures to this report, along with the sample statements by Councillors and Management required.

CONSULTATION

The following Council Officers were consulted during the preparation of this report:

Financial and Administrative Services Manager
Senior Finance Officer

STATUTORY IMPLICATIONS

Legislative Implications

Council's financial reports have been prepared in accordance with Section 413 of the Local Government Act, 1993.

The referral of the financial reports to Council's auditors, including Council's statement as to its opinion on the financial reports, is in accordance with Section 413 of the Local Government Act, 1993.

Financial Implications

The audit of the 2007/08 financial reports was covered within Council's Management Plan.

Policy Implications

This report has no direct policy implications.

RECOMMENDATION that:

1. In accordance with Section 413(2)(c) of the Local Government Act, 1993 (as amended) the following statement of Council be adopted:
 - a. The attached General Purpose Financial Report has been prepared in accordance with:
 - The Local Government Act 1993 (as amended) and the Regulations made thereunder.
 - The Australian Accounting Standards and professional pronouncements.
 - The Local Government Code of Accounting Practice and Financial Reporting.
 - b. To the best of our knowledge and belief, this Report:
 - Presents fairly the Council's operating result and financial position for the year, and
 - Accords with Council's accounting and other records.
 - c. We are not aware of any matter that would render this Report false or misleading in any way.
2. In accordance with the Local Government Code of Accounting Practice and Financial Reporting the following statement of Council be adopted:
 - a. The attached Special Purpose Financial Reports have been prepared in accordance with:
 - NSW Government Policy Statement "Application of National Competition Policy to Local Government".
 - Department of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality".
 - The Local Government Code of Accounting Practice and Financial Reporting.
 - b. To the best of our knowledge and belief, these Reports:
 - Present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
 - Accord with Council's accounting and other records.
 - c. We are not aware of any matter that would render the reports false or misleading in any way.

To: **The General Manager**
Corporate & Community
Committee – 8 October 2008

C T BENNETT
DIRECTOR CORPORATE & COMMUNITY
SERVICES
25 September 2008