

**STRATEGY AND POLICY REVIEW COMMITTEE**  
**2 FEBRUARY 2009** **GOVERNANCE AND COMPLIANCE**

A9

MID YEAR BUDGET 2008/2009

LOCATION/ADDRESS:

RESPONSIBLE EXECUTIVE DIRECTOR:

DAVID FILMALTER, CHIEF FINANCIAL OFFICER

AUTHOR:

DAVID FILMALTER, CHIEF FINANCIAL OFFICER

FILE NO.:

ATTACHMENTS:

1. SUMMARY OF OPERATING BUDGET FORECAST CHANGES (ATTACHMENT 1)
  2. REVISED RATE DETERMINATION STATEMENT (ATTACHMENT 2)
  3. CAPITAL WORKS EXPENDITURE VARIATIONS (ATTACHMENT 3)
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**1. KEY ISSUES**

- 1.1. Council officers carried out a structured mid year review of their budgets in accordance with directions from the Executive Team and the Chief Financial Officer.
- 1.2. This review emphasised the importance of ensuring that the revenue and expenditure forecasts fairly present the expected full year financial results and the amended revenue and expenditure forecasts have been reviewed by the Executive Team and the Chief Financial Officer.
- 1.3. Attachment 1 summarises the operating budget changes that have been recommended as a result of this review. The review has identified \$2.480M of expenditure savings and additional revenue which will be applied towards unfavourable permanent budget variances of \$2.905M.
- 1.4. The overall impact of the revenue and expenditure review (for both operating and capital budgets) combined with the 2007/08 carry over surplus is a projected \$121K accumulated budget surplus for the full year. This is a \$262K decrease on the original budget that projected a surplus of \$383K for the full year. This is summarised in Attachment 2.

- 1.5.** The mid year budget includes a number of forecast changes to the original budget, with the most significant changes being categorised as follows:

Service Initiatives (External)

- 1.5.1. Increased service levels for the provision of Home Care - \$246K
- 1.5.2. A review of the Clarendon Child Care Centre's ability to expand available child car places in light of the collapse of ABC Child Care - \$20K
- 1.5.3. Increased administrative requirements in relation to the management of the child care waiting lists - \$63K
- 1.5.4. Drought mitigation costs for the South Beach Reserve - \$20K
- 1.5.5. Consultancy costs in relation to Council's Skate Parks - \$78K

Service Initiatives (Internal)

- 1.5.6. Development of a business case in regards to Council's "Records Knowledge Management" - \$50K.
- 1.5.7. Redevelopment of Council's intranet and internet - \$120K

Controls & Compliance

- 1.5.8. The purchase of additional TRIM (Records Management software) licenses - \$29K
- 1.5.9. Increased compliance costs in relation to Council's tendering processes - \$70K
- 1.5.10. Legal fees principally associated with Freedom Of Information requests - \$50K
- 1.5.11. Business continuity planning across the organisation - \$50K
- 1.5.12. Increased internal audit costs - \$40K
- 1.5.13. A review of Council's governance operations and requirements - \$50K

Global Financial Crisis

- 1.5.14. Reduced parking income as a result of higher petrol prices and the global economic slowdown - \$900K

Financial and Other

- 1.5.15. Increased rate income due to the impact of supplementary rates - \$800K
- 1.5.16. Greater than expected grant income from the Victorian Grants Commission - \$220K.
- 1.5.17. Reduced insurance premiums due to Council's favourable claims experience - \$220K

- 1.6.** Full details of the proposed changes to the budget are set out in Attachment 1.

**1.7.** The proposed forecast changes will have an unfavourable impact on the 2008/09 operating budget of \$425K. In addition, the capital works program is seeking additional net funding of \$195K. The capital works program is also looking to defer several projects (thereby reducing the 2008/09 budget) and to carry over a project to the 2009/10 works program.

**1.8.** An additional transfer from general reserves of \$359K, being expenditure commitments completed in prior years, partially offsets the unfavourable mid year adjustments for operating and capital expenditure.

**3. CONTEXT**

The original 2008/2009 budget contained stringent expenditure targets that were set by the Executive Team and approved by Council, following the extensive reviews of past and future performance.

**4. PROPOSAL**

That Council adjusts its budget forecast to reflect the changes in the full year expenditure and revenue estimates that have arisen as consequence of this review.

**5. POLICY IMPLICATIONS**

This report and the recommendations arising from it do not have a direct impact on Council policy.

**6. RESOURCE IMPLICATIONS**

The operating variances identified by the mid year review have been classified as one offs (\$1.032M net favourable) and ongoing (\$1.457M net unfavourable).

All ongoing variances will be taken into account for the purpose of setting forward revenue and expenditure budget targets.

**7. INTERNAL CONSULTATION**

Councillors

Executive Team

**8. EXTERNAL CONSULTATION**

N/A.

**9. IMPLEMENTATION**

Council approval of the mid year budget forecasts will result in future financial performance being reported against the revised budget forecast.

This will be implemented with effect from the January Monthly Financial Report and March Quarterly Financial Report, which will be presented to Council in the April reporting cycle.

**10. CONCLUSION**

Financial performance for the balance of the financial year will be reported against the revised budget forecast.

**11. COMMUNICATION**

Following Council adoption of the mid year budget forecast, detailed advice will be provided internally to affected officers by the Finance & Investments department.

**12. RECOMMENDATION**

That Council adopt the 2008/09 mid year budget forecast as outlined in the body of this report and Attachments 1 and 2, and approve the favourable and unfavourable variances as outlined in these Attachments.

Council adopt the changes recommended to the Capital Works program as outlined in Attachment 3.