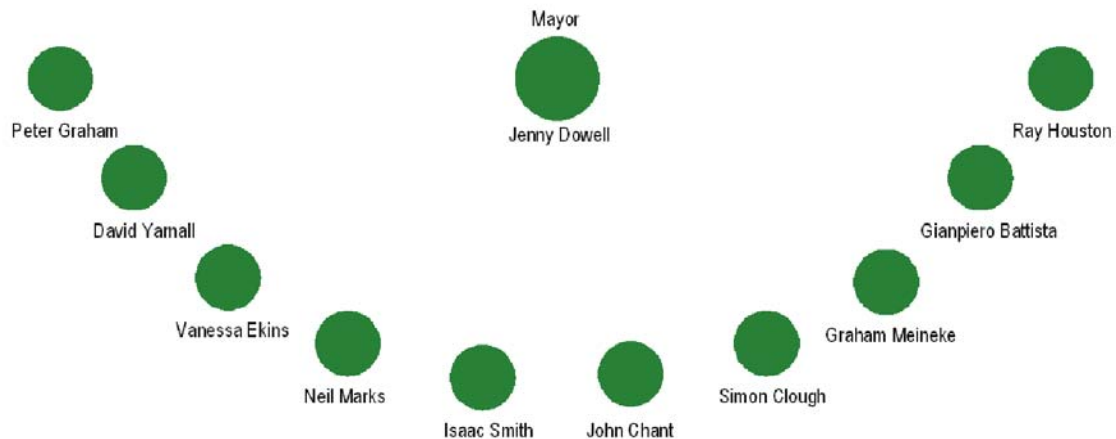


Notice of Council Meeting



Extra Ordinary Meeting

An EXTRA ORDINARY MEETING of LISMORE CITY COUNCIL will be held at the COUNCIL CHAMBERS, Oliver Avenue, GOONELLABAH on
Tuesday, 20 October 2009, 6:00pm
and members of Council are requested to attend.

Paul G. O'Sullivan
General Manager

13 October 2009



Agenda

Opening of Meeting and Prayer (Mayor)

Apologies and Leave of Absence

Disclosure of Interest

Public Access Session

Condolences

Mayoral Minutes

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Lismore City Council Community Strategic Plan 2008 - 2018



Guiding Principles	Outcomes
Social Inclusion and Participation	That all Lismore residents enjoy equal opportunities within a strong, inclusive community.
Sustainable Economic Growth and Development	That Lismore's economy is vibrant and development is environmentally and socially sustainable.
Protect, Conserve and Enhance the Environment and Biodiversity	That Lismore's natural ecology is protected and maintained in a healthy and robust state for future generations
Best-Practice Corporate Governance	That best-practice management principles pervade our business; that we are innovative, ethical, and our use of resources provides maximum benefits to the community.

Community Strategic Priorities	Outcomes
Enhance Lismore as a Regional Centre	That Lismore retains and builds on its regional service centre role, including the provision of key medical, legal and tertiary education functions
Foster Youth Development	That young people are included in our community and can safely pursue their interests and aspirations.
Support an Ageing Population	That older people have access to appropriate services and facilities to enhance their health and wellbeing.
Provide Sustainable Land-use Planning	That land-use planning is founded on principles of sustainability.
Improve Catchment Management	That catchment management is integrated and holistic, in order to achieve a sustainable and balanced use of natural resources.
Revitalise the CBD	That the CBD becomes a vibrant meeting place and a cultural and entertainment hub for the Northern Rivers region.
Integrated Waste Cycle Management	That Lismore minimises waste to landfill by reducing, reusing and recycling.
Improve Roads, Cycleways and Footpaths	That Lismore has an extensive transport network and is an accessible, safe and efficient city for motorists, cyclists and pedestrians.
Mitigate Climate Change at a Local Level	That Lismore is a leader in reducing carbon emissions and minimising the impacts of climate change.
Develop and Support Art, Cultural, Sporting and Tourism Activities	That our regional art, cultural and sporting facilities remain a major component of Lismore life and an increasingly popular attraction for domestic tourists.
Integrated Water Cycle Management	That Lismore maintains long-term water security for its growing population through the efficient use of this precious resource.
Provide Greater Housing Choices	That Lismore offers a diverse range of housing options to accommodate a variety of households.
Improve Passive and Active Recreational Facilities	That Lismore retains and builds on its regional recreation centre to attract major events and tournaments.

Corporate Foundations	Outcomes
Efficient Use of Council Resources	That we maximise the value of our resources, continually review our operations to ensure best value, eliminate waste and duplication, and gain the full service potential from our assets
Engage With the Community	That the community is informed and consulted about the issues that are relevant to their lives and we are fully accountable to the community for our operations.
Promote a Constructive Corporate Culture	That customers and staff experience a supportive organisation, with a strong sense of integrity, which responds to their needs and provides innovative and creative services.
Whole of Council Corporate Planning	That we have clear goals and act as one in their co-ordinated implementation, in order to maximise the return on resource investment and staff expertise.
Providing Excellent Customer Service	That our primary focus is to understand and respond to the needs of the community we serve.

Report

Subject	Proposed Senior's Living Development, 175 Dawson Street, Girards Hill
File No	DA07/465:ED09/16527
Prepared by	Senior Development Assessment Planner
Reason	Requirement of Council resolution 52/09
Objective	Council Determination of Development Application.
Strategic Plan Link	Provide Sustainable Land-use Planning
Management Plan Project	Development Assessment

Overview of Report

Council resolved to refuse the Development Application (DA) for six units at 175 Dawson Street and to refer the matter to the Minister to seek the Ministers agreement to refuse the DA. Council granted delegated authority to negotiate with the Ministers representative on certain matters but these delegations contained the caveat that the entire matter be referred back to Council for determination.

The negotiations occurred and Council's Development Assessment Planner pressed Council's case for refusal or redesign to the Minister's representative. Subsequent to the negotiations the Minister for Planning has written to Council advising of her intention not to agree with Council's proposed refusal of the DA and requiring Council to provide recommended conditions of consent to enable the approval of the application.

It should be noted that Council has minimal power to impose conditions. If the Minister considers a condition to be unreasonable then the Minister may strike that condition out. Council is advised that it should not attempt to refuse the development by way of imposing conditions that prevent the development from proceeding as shown on the plans as submitted by the applicant.

The purpose of this report is for Council to endorse the proposed conditions of consent.

Background

Resitech, on behalf of the Office of Community Housing, lodged the Development Application 2007/465, seeking development consent for the erection of six (6) self-contained units, on-site car parking, earthworks, landscaping and infrastructure works, under the provisions of SEPP (Seniors Living) 2004.

The Council, at its meeting of May 12, 2009, considered the subject Development Application and resolved:

52/09 **RESOLVED** that:

1. Council, as the consent authority, seek written approval from the Minister to refuse Development Application 2007/465 for the Erection of a SEPP (Seniors Living) 2004 Development, comprising: Six (6) self-contained units, on-site car parking, earthworks, landscaping and infrastructure works, for the following reasons:
 - 1.1 **Neighbourhood Amenity and Streetscape** – The proposed development does not contribute to the quality and identity of the area, does not retain, compliment or sensitively harmonise with the Girards Hill Heritage Conservation Area and does not adopt building heights at the street frontage that are compatible in scale with adjacent development (*SEPP (Seniors Living) 2004 – Clause 31 and Chapter 12 – Heritage Conservation of the Lismore DCP, LEP and EP&A Act s79C(1)(b) & (c)*).
 - 1.2 **Accessibility** – The accessible pathways within the proposed development do not provide convenient wheelchair access from Units 2 and 3 to the common areas and facilities associated with the development (*SEPP (Seniors Living) 2004 – Clause 36 and EP&A Act s79C(1)(b) & (c)*); and
 - 1.3 **Public Interest** – The proposed development is contrary to the Public Interest as it has incremental detrimental affect on the heritage conservation area (EP&A Act – s79C(1)(e)).
2. Council delegate authority to the General Manager or his appointed representative to, as required by Section 116E of the Environmental Planning and Assessment Act 1979, negotiate amendments to the development with the applicant that:
 - 2.1 Reduces the density and scale of the proposed development to be consistent with the character and streetscape of the conservation area; and
 - 2.2 Provides convenient accessible pathways from the ground floor units to the common areas of the development.
 - 2.3 The applicant be encouraged to submit an application that complies with the density in Councils DCP Chapter 1 i.e. 200 metres square/1bedroom unit and 250 metres square/2 bedroom unit.
3. This matter be referred back to Council for determination.

In accordance with the Council's resolution, Council's former Planning Services section wrote to the Minister for Planning on the May 22, 2009 requesting that, in accordance with s116C of the EP&A Act 1979, the Minister provide written approval to refuse the subject Development Application.

Subsequently, in accordance with s116E(1) of the EP&A Act, a negotiation meeting was convened between representatives of the Department of Planning, the Applicant (Resitech) and Council (Senior Development Assessment Planner) for the purpose of negotiating, as far as possible, a determination of the development application that is acceptable to both Council and the Applicant.

During the meeting, the Applicant did not propose any amendments to the proposed development to address Council's concerns. Given no amendments were proposed to the application, Council's representative maintained Council's objection to the development in accordance with the Council resolution.

Given no agreement was reached at the meeting, the Department of Planning was required to make recommendations to the Minister for a determination of the application. In making their recommendation, the Department of Planning reviewed the merits of the development, particularly the matters on which Council sought refusal of the application, namely: neighbourhood amenity and streetscape, accessibility and the public interest.

On the September 30, 2009, Council received a letter from the Minister for Planning which stated:

“On consideration of the issues associated with the application, I do not agree with your proposed refusal. The construction of a seniors living development is considered to be appropriate given its acceptable impacts on neighbourhood amenity and streetscape, and considerable social and public benefits.

Consequently, in accordance with the provisions of section 116E(4)(c) of the EP&A Act, I request that you submit draft conditions of consent to the department within 21 days of the date of this letter.”

When considering the above, it is clear that, contrary to Council, the Department of Planning and the Minister are of the opinion that the proposed development:

- results in a density and scale that is consistent with the character of the heritage conservation area and the streetscape;
- does provide convenient wheelchair access from Units 2 and 3 to the common areas of the development; and
- is in the public interest, in that it results in considerable social benefits.

In accordance with the Minister’s direction, **Attached** are draft conditions of consent for the development that are proposed to be submitted to the Department of Planning. The proposed conditions are largely standard conditions, apart from the following which require minor amendments to the proposal:

- Condition No. 4, which requires Unit 3 to be provided with wheelchair access, in the same manner as Units 1 and 2; and
- Heritage Conservation Conditions No. 24 to 26, which require: the use of quad profile gutters, appropriate weatherboard cladding and the submission of a schedule of colours to be approved by Council’s Heritage Planner.

Following receipt of Council’s draft conditions of consent, section 116E(5) of the EP&A Act states that:

“... the Minister must notify the consent authority and the applicant in writing:

- *whether the Minister approves the imposition of any of the conditions submitted by the consent authority during the 21 day period, and if so, which conditions, or*
- *of the conditions that may be imposed with the Minister’s approval,*

or both, and that the consent authority must determine the application in accordance with the Minister’s notification on or before the date notified by the Minister for the purpose”.

Comments

Financial Services

Not required.

Other staff comments

Not required.

Public consultation

Not required.

Conclusion

The Minister for Planning has written to Council advising of its intention not to agree with Council's proposed refusal of the development application and subsequently has requested Council submit any conditions it recommends be imposed as conditions of consent. The process under the Act is that Council may only refuse a Crown application with the approval of the Minister.

As the Minister has declined to allow Council to refuse the application Council must approve the application. Council remains the consent authority but Council may only impose conditions on the consent with the Ministers agreement. On this basis any condition that attempted to significantly alter the consent or that was considered to be a defacto attempt at refusal would be struck out by the Minister. The draft conditions recommended by the staff are considered to reasonably regulate a Crown application.

Following receipt of Council's draft conditions of consent, the Minister will notify Council in writing that they as the consent authority must determine the Development Application in accordance with the Minister's notification.

Recommendation

- A. The Council note the Minister for Planning's:
- intention not to agree with Council's proposed refusal of the Development Application; and
 - request to submit draft conditions of consent for the development.

AND

- B. The Council, in accordance with section 116E(4)(c) of the EP&A Act, submit the **attached** conditions to the Department of Planning as conditions of consent to be imposed on the proposed development.

AND

- C. That Council grant delegated authority to the General Manager, subject to the concurrence of the Development Assessment Panel, to determine the development application in accordance with the Ministers notification pursuant to section 116E(5) of the EP&A Act.

Proposed Conditions of Consent

STANDARD

1 In granting this development consent, Council requires:

- All proposed buildings be constructed in accordance with any amendment or modification outlined in these conditions
- All proposed works be carried out in accordance with any amendment or modification outlined in these conditions
- Any proposed use of buildings or land be in accordance with any amendment or modification outlined in these conditions

and be substantially in accordance with the stamped approved plan(s) No:

- Site Layout
- Sheet A01 of 07 Rev C
- Sheet A02 of 07 Rev D
- Sheet A03 of 07 Rev D
- Sheet A04 of 07 Rev C
- Sheet A05 of 07 Rev C
- Sheet A06 of 07 Rev C
- Sheet A07 of 07 Rev A

and/or supporting documents submitted with the application. Copies of the approved plan are attached to this consent.

Reason: *To correctly describe what has been approved. (EPA Act Sec 79C)*

SENIORS LIVING REQUIREMENTS

- 2 Occupation of the development to be restricted to those persons identified under Clause 20(1) of SEPP (Seniors Living) 2004.

Reason: *To comply with the provisions of Clause 20(2) of SEPP (Seniors Living) 2004.*

- 3 The development is to fully comply with the applicable Access and Useability standards set down in Division 4 of Part 4 of the SEPP (Seniors Living) 2004 (cl. 52 – 72 inclusive) at all times.

Reason: *To comply with the provisions of Clause 20(2) of SEPP (Seniors Living) 2004.*

- 4 Unit 3 is to be provided with wheelchair access, as required by Clause 52 of SEPP (Seniors Living) 2004.

Reason: *To comply with the provisions of SEPP (Seniors Living) 2004.*

DRAINAGE

- 5 Hard surface areas, landscaped areas, roof water and subsoil drainage systems shall be designed by a suitably qualified person experienced in hydraulic design. All roof water from any proposed building and/or surface water from paved areas shall be directed to the existing Council drainage system. All piped drainage lines over adjoining land are to be located within drainage easements. Drainage is to direct all water to a drainage system to prevent intensification of discharge runoff onto adjoining land.

Reason: *To ensure that the land or adjoining land is not damaged by the uncontrolled discharge of concentrated runoff from any buildings and paved areas that may be constructed on the land. (EPA Act Sec 79C(b))*

- 6 The stormwater detention measures as proposed within Peter Lucena & Associates report dated 27 September 2006, or other equivalent measures that ensure the discharge of stormwater from the site shall be limited to the pre-development flow (rural flow) for an ARI of 10 years and a time of concentration of 6 minutes, shall be implemented prior to occupation of the development.

Reason: *To ensure that the land or adjoining land is not damaged by the uncontrolled discharge of concentrated runoff from any buildings and paved areas that may be constructed on the land. (EPA Act Sec 79C(b))*

STORMWATER/SEDIMENT CONTROL

- 7 Prior to **commencement of works** it must be demonstrated that adequate stormwater treatment has been proposed to ensure that all stormwater arising from the development and its future embellishment, will comply with the water quality management objectives contained in Section 5 of Council's Stormwater Management Plan.

Reason: *To protect the environment.*

- 8 Erosion and sediment control measures must be put in place and be maintained to prevent soil erosion and the transportation of sediment from the site into natural or constructed drainage lines or watercourses. Control measures are to remain in place until the site has been adequately revegetated or landscaped to prevent soil erosion.

Reason: *To prevent erosion of materials from the site.*

VEHICULAR ACCESS

- 9 **Prior to commencement of works** evidence is to be provided to the Council indicating the pre development condition of the surrounding public infrastructure.

Prior to the occupation of the development the proponent shall repair any damage to infrastructure within the road reserve arising during the construction of the proposed development. Any damage arising from construction activities to roads, kerb and gutter, footpaths or any other infrastructure within the road reserve shall be reinstated in accordance with Council's Development, Design and Construction Manuals (as amended) to Council's satisfaction.

Reason: *To ensure an adequate road network in accordance with adopted standards. (EPA Act Sec 79C(a))*

- 10 **Prior to the occupation of the development** any redundant road pavement, kerb and gutter, foot paving, including redundant existing entrances shall be reinstated in accordance with Council's Development, Design and Construction Manuals (as amended).

Reason: *To ensure an adequate road network in accordance with adopted standards. (EPA Act Sec 79C(a))*

- 11 Driveways, access aisles and parking areas shall be provided with a bitumen sealed or equivalent surface and adequately maintained at all times.

Reason: *To provide adequate off street parking space for the anticipated traffic that will be generated by the development. (EPA Act Sec 79C(a))*

- 12 Vehicular access from the road pavement to the development shall be provided by the construction of a suitable vehicle crossing. All works shall be in accordance with the Council's Design and Construction Specification for Vehicular Access.

Reason: *To ensure adequate access to and from the development. (EPA Act Sec 79C(c))*

SERVICES

- 13 **During construction and upon completion of construction** provision shall be made for the supply of the following services to number 173 Dawson Street:

- water supply
- telephone
- power.

Upon completion of the construction each service shall have available a 100mm diameter conduit.

Reason: *To ensure adequate protection of services. (EPA Act Sec 79C(c))*

STREET NUMBERING

- 14 **Prior to occupation** the proponent shall place street number identification at the road frontage of the property to indicate the property addresses.

Reason: *To provide visual identification of lot boundaries (EPA Act Sec 79C(e)).*

ENVIRONMENTAL

- 15 The hours of work for any noise generating activity of the proposed development are to be limited to the following time restrictions:

Monday to Friday - 7.00am to 6.00pm
Saturday - 8.00am to 1.00pm

No noise generating activities are to take place on Sundays or public holidays.

Reason: *To preserve the environment and existing or likely future amenity of the neighbourhood. (EPA Act Sec 79C(b))*

- 16 The construction activity shall not interfere with the amenity of the locality by reason of the emission of noise, vibration, smell, fumes, smoke, vapour, steam, soot, ash, dust, waste water, waste products or grit, oil or otherwise.

Reason: *To preserve the environment and existing or likely future amenity of the neighbourhood. (EPA Act Sec 79C(b))*

- 17 The installation and operation of all external and security lighting must comply at all times with the requirements of AS4282 – “Control of the Obtrusive Effects of Outdoor Lighting”.

Reason: To protect the amenity of the neighbourhood.

CONTAMINATION

- 18 As the site is potentially contaminated prior to the commencement of works, an assessment of the potential contamination of the site must be carried out in accordance with the NSW *Managing Land Contamination Guidelines* and Council's *Regional Policy for the Management of Contaminated Lands*. The contaminated site assessment must identify the status of the development site in relation to site contamination, any remediation strategy and the suitability of the site for the intended use. A copy of the assessment must be submitted to Council.

Reason: To assess potential land contamination and to ensure effective management of any contaminated land.

WATER & SEWER

- 19 A single, adequately sized water meter is required at the boundary to serve this development. Disconnection of existing supply piping or new connections shall comply with Council's design & construction water supply specification. The internal plumbing should be arranged so that each unit can be individually metered. The body corporate is responsible for supplying, installing, reading and maintaining private metering.

Reason: To comply with Council's; Policy 6.1.1 - Water Meters – Multiple Occupancy. All unit meters be installed and maintained by the body corporate and, Specification for the Design & Construction of Water Reticulation Pipe-work July, 1999.

- 20 A single connection to Council's sewerage main is required. An appropriately designed internal sanitary drainage system shall be installed so that each dwelling has its own individual sanitary branch line, inspection shaft and overflow relief gully.

Reason: To comply with; Part B – 4.10 of the NSW Code of Practice for Plumbing and Drainage 3rd Edition 2006 and, Specification for the Design & Construction of Water Reticulation Pipe-work July, 1999.

- 21 The proponent is required to engage licensed plumbers to carry out any plumbing work. All plumbing works shall be the subject of a Plumbing Permit issued by Lismore City Council **prior to commencement of works**. Applications for Plumbing Permits may take up to twenty (20) days to process and significant, additional inspection fees may apply.

Reason: To comply with Section 20 of the Local Government (General) Regulation 2005.

- 22 The proponent shall pay to Council all Water and Sewerage levies deemed necessary by Council and in accordance with Section 64 of the Local Government Act 1993. The rates and amounts applying at the date of this notice, totaling **\$27,504**, are set out in the schedule for your information. Such levies shall be paid, as required by Council, **prior to the commencement of works**.

The levies are those applicable as at the date of the original consent. If these levies are not paid within twelve (12) months of the date of the original consent, the rates shall be increased on an annual basis in accordance with the prevailing Australian Bureau of Statistics Consumer Price Index (Sydney), as applicable at the time of payment.

Reason: To provide funds for the provision of services and facilities identified in Lismore City Council's Section 64 Contributions Plan as required by the increased population or activity. (Water Management Act 2000, Sec 306)

LANDSCAPING

23 A detailed landscaping plan (in duplicate) shall be submitted to and approved by Council **prior to the commencement of works**. Landscaping plans shall be in accordance with Council's Landscape Guideline and relevant Development Control Plans. Species identified in Council's Landscape Guideline shall be planted wherever possible. Landscaping plans shall indicate:

- location of Council's sewer.
- proposed location for planted shrubs and trees.
- botanical name of shrubs and trees to be planted.
- mature height of trees to be planted.
- location of grassed areas.
- location of paved areas.
- location of trees identified for retention in the development application plans.

Approved landscaping shall be completed **prior to occupation** and maintained at all times to the satisfaction of Council.

Reason: To ensure that appropriate landscaping is provided. (EPA Act Sec 79C(c))

HERITAGE CONSERVATION

24 A revised Schedule of Colours for the development is to be submitted to and approved by Council's Heritage Planner **prior to the commencement of works**.

Reason: To conserve the significance of the locality.

25 Quad profile gutters are to be used on the building.

Reason: To conserve the significance of the locality.

26 The external weatherboard cladding is to be provided of either: timber, compressed sheeting, or cement profiled weatherboards.

Reason: To conserve the significance of the locality.

FLOODING

27 All habitable floor levels of the dwelling shall be at or above a level of RL 12.8m (AHD) which is 500 mm above the adopted standard flood level (AHD).

Reason: To ensure adequate protection from frequent flooding. (EPA Act Section 79C(c))

28 Before the walls or portals are erected, a practising qualified surveyor shall certify that the floor level of the development, as constructed, is at or above that required by Condition No. 27.

Reason: To ensure adequate protection from frequent flooding. (EPA Act Section 79C(c))

29 A risk analysis report shall be prepared by a structural engineer certifying the design criteria adopted for the building will withstand the impacts of floodwaters and debris for floods up to the 1 in 500 year ARI and PMF events. A copy of this report is to be submitted to Council.

Reason: To comply with Development Control Plan No. 1, Part A, Chapter 7.

30 Bulk fill to within 300mm of the finished surface level is to be sourced from on site, from the preferred excavation area or from another area of the floodplain.

Reason: To minimise the impacts of filling on the capacity of the floodplain.

CONTRIBUTIONS

31 Payment of contributions levied under Section 94 of the Environmental Planning and Assessment Act and Lismore Contributions Plan 1999 (as amended) are required. Such levies shall contribute towards the provision of public services and/or amenities identified in the attached schedule. Such levies shall be calculated at the rate(s) in effect on the date the **construction commences**. The rates and amounts applying at the date of this notice, totalling **\$18,652**, are set out in the schedule for your information. Where the total contribution payable exceeds \$20,000 payment to Council must be by bank cheque or cash. Personal cheques are not acceptable. All contributions, bonds etc. shall be paid **prior to the commencement of works**.

The levies are those applicable as at date of original consent. If these levies are not paid within twelve (12) months of the date of original consent, the rates shall then be increased on an annual basis in accordance with the prevailing Australian Bureau of Statistics Consumer Price Index (Sydney), as applicable at the time of payment.

The contributions set out in the schedule are exclusive of any GST (if any) and where the provision of any services or the construction of any infrastructure or any other thing with those contributions occurs, then in addition to the amount specified above the Applicant will pay to the Council the GST (as defined below) which is payable by the Council in respect of the provision of such services or construction of any infrastructure or any other thing.

If the contributions set out in the schedule, or part thereof, are to be met by the dedication of land or other approved Material Public Benefit, then the Applicant will pay to Council the GST (defined below) applicable to the value of land dedicated or (Material Public Benefit) which is payable by the Council in respect of the provision of such services or construction of any infrastructure or any other thing.

GST means any tax levy charge or impost under the authority of any GST Law (as defined by the GST Act) and includes GST within the meaning of the GST Act.

The GST Act means A New Tax System (Goods and Services Tax) Act 1999 or any amending or succeeding legislation.

Reason: *To provide funds for the provision of services and facilities identified in Lismore City Council's Section 94 Contributions Plan dated July 1999 as required by the increased population or activity. (EPA Act Sec 94)*

INFORMATION TO APPLICANTS**ADVISORY NOTES**

NOTE 1: In accordance with clause 98(1) of the Environmental Planning and Assessment Regulation, it is a condition of Development Consent for development that involves any building work that the work must be carried out in accordance with the requirements of the Building Code of Australia.

NOTE 2: If the provision of services or the construction of any infrastructure or any other thing required by this consent occurs, and a GST is payable by Council, the applicant will pay to the Council the GST (as defined below) which is payable by the Council in respect of this consent.

NB: GST means any tax levy charge or impost under the authority of any GST law (as defined by the GST Act) and includes GST within the meaning of the GST Act.

The GST Act means a New Tax System (Goods and Services Tax) Act 1999 or any amending or succeeding legislation.

NOTE 3: This development approval does not guarantee compliance with the Disability Discrimination Act and the developer should therefore investigate their liability under the Act. Council can assist developers by directing them to Parts 2, 3 and 4 of Australian Standard 1428 - Design for Access and Mobility (Part 1 is mandatory in the BCA).

Report

Subject	2008/09 Financial Reports
File No	EF09/581:ED09/16775
Prepared by	Principal Accountant
Reason	Legislative requirement - Section 413, Local Government Act 1993
Objective	Adopt the 2008/09 Financial Reports
Strategic Plan Link	Best Practice Corporate Governance
Management Plan Project	Finance

Overview of Report

Council is required to 'form an opinion' on the financial reports and the auditor relies on this as part of the independent audit process. The purpose of this report is to provide Council with an overview of the reports and for Council to form its opinion.

A copy of the Draft 2008/09 Financial Reports is provided.

At the time of preparing this report for the Council's auditor had not finalised the Independent Audit Reports or the Long Form Audit Report in accordance with Section 417 (2) & (3) of the LGA.

Council's Auditor from Thomas Noble & Russell will present his audit report to the November 10 2009 to adopt the 2008/09 Financial Reports and will answer any questions relating to the Audit Report, the Financial Statements or any other matters relating to the Audit of Council's financial records for the year ended 30th June 2009.

The following is a summary of the key financial results with more information provided in the body of this report:

- The Operating Result from Continuing Operations is a \$1.55 million surplus
- Total Expenses from Continuing Operations increased by \$7.67 million to \$81.10 million
- Total Revenues from Continuing Operations increased by \$9.67 million to \$82.65 million.
- Cash, Cash Equivalents and Investments total \$28.89 million.
- Net Assets increased by \$8.64 million.
- Unrestricted Current Ratio 1.39:1, Debt Service Ratio 6.34% and Outstanding Rates & Annual Charges 11.19%.

Background

The 2008/09 Financial Reports have been prepared and in accordance with the *Local Government Act 1993 (Act)*, Council is required to 'form an opinion' on them.

The Act requires Council to prepare annual financial reports and their format/content. In particular:

- a) Section 413, 415 and 416 requires a council to prepare financial reports each year. Financial reports including a 'Statement by Councillors and Management' must be prepared for both the General Purpose Financial Reports and Special Purpose Financial Reports. They must be independently audited by the 31 October each year.
- b) Section 413 states that the Financial Reports must be accompanied by a Statement of Council's opinion on them made pursuant to a resolution of Council and signed by the Mayor, at least one other Councillor, General Manager and the Responsible Accounting Officer. The content supporting Council's opinion is prescribed and both forms are attached to this report.
- c) Fix a meeting date to present the financial reports to the public; and
- d) Advertise, for a minimum period of seven days prior to the meeting, that the financial reports and the auditor's report are available for public inspection.

In order to comply with these requirements, Council will need to 'form an opinion' at this meeting. A copy of the 2008/09 Financial Reports and audit reports will be forwarded to the Department of Local Government by November 7, 2009 and their availability to the public advertised from October 29, 2009 for seven days, and finally the formal adoption after advertising at the November 10, 2009 Council meeting.

A copy of the Draft 2008/09 Financial Reports is provided.

Council's Auditor is required to prepare the following reports on Council's 2008/09 Consolidated Financial Statements:

1. an Independent Audit Report for the General Purpose Financial Reports (Section 417 (2) of the Local Government Act 1993 (LGA)),
2. an Independent Audit Report for the Special Purpose Financial Reports, and
3. A Long Form Audit Report in accordance with Section 417 (3) of the LGA. This report will include additional statements regarding the conduct of the audit, operating result for the year, significant items within the statements, an analysis of the General Fund's operating result, capital grants and contributions, restricted cash and investments, borrowings, performance indicators and other matters.

At the time of preparing this report for the Council's auditor had not finalised these reports to enable distribution to the Council.

A full report on Council's Audited Financial Statements will be presented to the November Council meeting on November 10 2009.

In respect to the actual content of the financial reports, it is normal practice for a detailed analysis of the year's results, as part of the financial reports document, to be provided. This attachment also provides commentary on other sections of Council's operations as well as a completed Local Government Financial Health Checks assessment. This information is titled "2008/09 Financial Reports Review" and the following key financial data information has been reproduced from this document:-

Key Financial Data – Summary

Qualified Financial Audit Reports

Council is required to have its financial reports independently audited. The auditor is required to express an opinion on the financial reports based on the audit as to the whether the reports are free of material misstatement.

For the 2008/09 Financial Reports, the auditor will provide a Qualified Independent Audit Report. The qualification specifically relates to investments held at the June 30 that have been impacted by the volatility within the financial markets over the past twelve months. Council's investment portfolio at June 30 includes Collateralised Debt Obligation (CDO) instruments which do not have a current active trading market and therefore cannot be independently valued. This lack of independent valuation has resulted in the Auditor qualifying their Independent Audit Report as an assurance can not be provided that the 2008/09 Financial Reports are not materially misstated in regards to the carrying value of investments.

Investments and Liquidity

The market value of Council's investments has deteriorated by a further \$2.3 million over the past twelve months. A number of Council's investments have stopped paying coupons which is impacting upon future income streams.

Some of Council's investments have been deemed to have no current market value however it is anticipated there will be some redemption at maturity date. As a result a large portion of Council investment portfolio is deemed to be held to maturity thus placing pressure on Council's cash flow and its ability to undertake planned future works.

The impact of reduced income streams and liquidity of investments is continually being assessed and programmed works revised to ensure Council's can best meet its priorities with the funds available.

Roads, drains and bridges fair valuation.

In accordance with the Department of Local Government requirements, Council is required to adjust its carrying value of Roads, Drains and Bridges to fair value as at June 30, 2010. This will increase the value base of assets held by Council and also dramatically increase the depreciation expense in future years. The increase in depreciation expense will result in Council's net operating result in future years, reported as a surplus in 2008/09 of \$1.552 million, being a significant deficit. Council will be required to develop long term asset management plan and complimentary financial plans to improve this result.

General Purpose Financial Reports

Income Statement

The net operating result for 2008/09 is a \$1.552 million surplus. The following table displays the summarised information from 2006/07 to 2008/09:-

Item	2008/09 (\$'000)	% Change	2007/08 (\$'000)	% Change	2006/07 (\$'000)
Revenues from continuing operations	82,239	12.69 %	72,979	6.86%	68,297
Expenses from continuing operations	81,098	10.44%	73,431	28%	57,500
Net operating result for the year	1,552	443.36%	(452)	-104%	10,797
Net operating result before capital grants and contributions	(9,263)	-15.18%	(8,042)	-363.4%	3,053

A summary of the movements follows:

Increase in revenues from operations being \$9.7 million with the major movements being:

- Increase in Grants and Contributions from 2008 of \$6.1 million (capital by \$3.2 million with operating increasing by \$2.9million).
- Increase in rates and annual charges \$1.1million.
- Increase in revenues from user fees and charges of \$1.7 million
- Increase in other revenues of \$800k

This has been offset by an increase in the expense from operations with the major movements being:

- Borrowing costs have increased by \$700k representing the impact of loans drawn 2006/07. Council's loan program each year incorporates only one loan repayment in the year of the loans being drawn, with the full annual payment reflected in the following years. It is forecast that will be a further increase in 2009/10 as the impact full impact of loan drawn in 2008/09 is realised.
- A substantial increase in depreciation expenses of \$3.7 million attributable to the indexation in the fair value of Water and Wastewater assets and the annual depreciation impact of the fair value of buildings recognised in 2007/08.
- Material and Contracts increasing by \$2.8 million due to additional works undertaken from grant funds, production costs increasing to generate higher revenues from user fees and charges and carried forward works from 2008 being finalised.

In general, revenues from continuing operations increased by 12.69% or \$9.3 million however, expenses from continuing operations increased by 10.44% or \$7.6million. From a cash perspective, this change has been either funded or budgeted.

The 2008/09 reporting period includes increased depreciation expenses which are \$3.7 million higher than in previous years. This is due to the fair values indexation of Water and Wastewater infrastructure assets, the increased depreciation expense from the increased fair value of building recognised in 2008 and an adjustment in depreciation expenses for assets that were not depreciation in 2008. It is expected that depreciation expenses will increase over the few next years as the fair value of all Council's assets are brought to account in accordance with the Department of Local Government requirements. Once asset management plans are completed for all infrastructure Council will need to consider how it will fund the required works. This is likely to be well beyond Council's financial capacity and will require significant contribution from other tiers of government.

Balance Sheet

The Balance Sheet is used to summarise the total net assets under Council's control. As at June 30, 2009, total net assets were \$652 million. During 2008/09, net assets increased by \$8.6m with \$1.6 million increase attributable to continuing operations and \$7.0 million increase attributable to the revaluation of Water and Wastewater assets (indexation of fair value).

Fair value is defined as being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This is not necessarily the market-selling price of the asset, but rather the maximum value that Council would rationally pay to acquire an asset all things reasonably considered.

The major component of Council's net assets relates to infrastructure assets. Net infrastructure assets total \$522.2m and include the following categories and amounts:

Infrastructure Assets	At Cost	Accumulated Depreciation	Written Down Value	Accumulated Depreciation/ At Cost
	(\$m)	(\$m)	(\$m)	%
Roads, Bridges, Footpaths & Earthworks	474.4	214.3	260.1	45
Stormwater Drainage	25.9	8.0	17.9	30
Water Supply Network	138.4*	66.1	72.3*	48
Sewerage Network	314.1*	142.2	171.9*	45
Total Infrastructure Assets	952.8	430.6	522.2	45

* Fair Value

The Roads, Bridges, Footpaths & Earthworks and Stormwater Drainage and Other Structures components will also be re-valued at fair value by June 30, 2010.

Income from continuing operations (Note 3)

Income from continuing operations increase by \$9.7m or 13% compared to 2007/08. A summary of the individual categories and comparisons for the last three years is provided below:

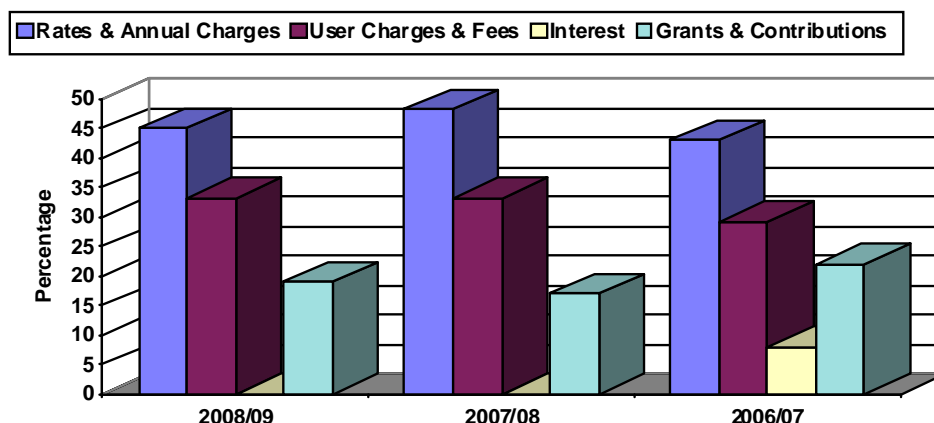
Type	2008/09 (\$'000)	% Change	2007/08 (\$'000)	% Change	2006/07 (\$'000)
Rates & Annual Charges	32,239	4	31,145	5	29,690
User Charges & Fees	23,441	8	21,746	11	19,656
Interest	0	n/a	0	n/a	2,634
Other revenues	2,343	49	1,570	85	850
Grants & Contributions – Operating	13,812	26	10,928	8	10,076
Grants & Contributions – Capital	10,815	42	7,590	20	4,744
Gain on Disposal of Assets	0	n/a	0	n/a	647
Total	82,650	13	72,979	7	68,297

- **Rates and Annual charges** have increased by 4% which is line with rate pegging and anticipated growth.
- **User Charges & Fees** have increased by 8% (\$1.7m) predominately due to:
 - Other fees and charges increasing by \$1.2 million - Quarry sales increased by \$1.8 million, \$200k in new revenues from the Goonellabah Sports and Aquatic Centre which opened in 2009, declines in revenues for ordered works (RTA) on roads \$600k million and decline in waste revenues \$200k.
 - Statutory/Regulatory charges declining by \$200k – a decline in development application fees \$110k and private works requested \$100k.
 - Specific User Charges increasing by \$700k. – Water user charges are the major item that has increased.
- **Other revenues** increased by 49% or \$800k with the majority movement being attributable to \$400k in insurance claims received for damage to Council Buildings as a result of storms. The increase in insurance revenues was offset by increased costs of repairs to Council buildings with the costs of repairs being in excess of revenues received. Increased revenues from parking control \$80k, legal expenses recouped from collection of outstanding debts \$40k, revenues received in advance for Master Games to be held in September 2009 \$100k and insurance rebates such as for risk management improvements and fund year rebates \$100k.
- **Grants & Contributions capital** – Grants and Contributions for capital purposes increased from 2008 by \$3.2 million with new grants totalling \$2.4 million and an increase on existing grants \$800k. New grants were received for the Margaret Olley Art Centre \$110k, R&LCIP Nesbitt Park development \$200k, Woodlark Street revitalisation \$1.375 million and the Goonellabah Youth Plaza \$700k. Additional grants and contributions were received from existing sources and projects such as Section 94/64 developer contributions \$500k and RTA Timber Bridge Replacement program \$500k. In addition non-cash contributions from developers has decreased by \$325k with the major movements being Wastewater – decline by \$1.1million, a decline in Water by \$300k offset by an increase in roads by \$1 million..
- **Grants & Contributions operating** - Grants and Contributions for Operating purposes increased from 2008 by \$2.9 million. The major items being the 1st instalment of the 2009/10 Federal Assistance Grant received in advance \$1.5 million, Natural Disaster grant for emergency works \$220k, R&LCIP Rural Halls \$140k and the Lismore Flood Levee \$140k. The balance of the increase comprises several new grants totalling \$300k and an increase in recurring grants from 2008 of \$400k.

- **Interest revenues** for the year amounted to \$1.6 million, but a market value write off of investments for \$2.3 million has reduced this to a loss of \$700k. This loss is reflected in expenses from continuing operations.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing income 2008/09, 2007/08 and 2006/07. It clearly supports the trend of Council's ability to generate additional revenue.

Major income types as a % of total income from continuing operations



Expenses from continuing operations (Note 4)

Expenses from continuing operations have increased by \$7.7m or 10.4% from 2007/08 to 2008/09. A summary of the individual categories and comparisons for the last three years is provided below:

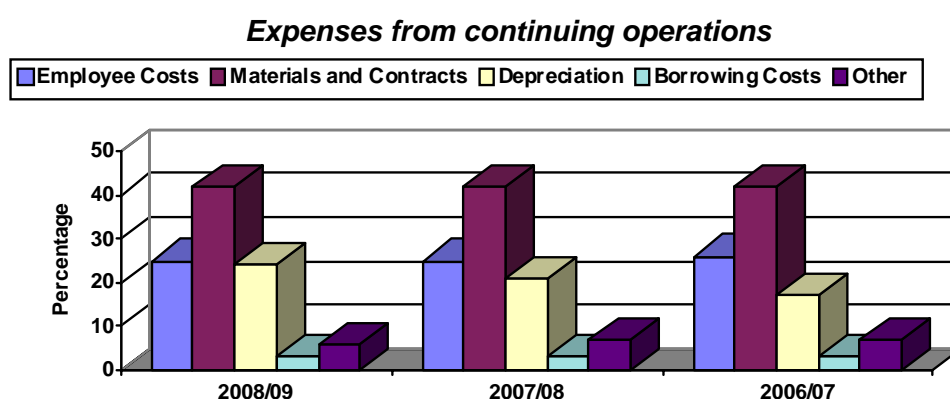
Type	2008/09 (\$'000)	% Change	2007/08 (\$'000)	% Change	2006/07 (\$'000)
Employee Costs	19,901	7	18,599	5	17,672
Borrowing Costs	2,502	37	1,826	15	1,507
Materials & Contracts	33,755	9	30,968	27	24,295
Depreciation	19,390	24	15,652	58	9,821
Other	4,820	(2)	4,924	17	4,205
Loss on Disposal of Assets	14	(97)	557	n/a	0
Interest & Investment Losses	716	(21)	905	n/a	0
Total	81,098	10	73,431	32	55,602

- Employee costs have increased in line with initial wage/salary growth projections. In addition the number of full time equivalent (FTE) employees has increased by 7 with some positions not being filled due to resignations in 2008. There were still a number of positions not filled in 2009 however are expected to be filled in 2010.
- Materials and Contracts have increased from previous years and can be attributed to increased quarry production costs \$2.4 million, works associated with insurance repairs \$1 million; these amounts were partly offset by increased sales revenue, insurance revenues and grants received.
- Depreciation has increased by \$3.7million with \$3.3million in General Fund, Wastewater infrastructure \$200k and Water infrastructure \$160k. Within General Fund, the movements were in buildings with a \$1.3million increase as result of fair values adjustments made in 2008, infrastructure assets \$800k relating to an increase in assets for bridges/roads being brought to account, and plant assets \$800k. In addition, Tip and Quarry impairment depreciation was increased from 2008 by \$200k. It is anticipated that this trend of increasing depreciation costs will continue over the next two years as all non current assets are recognised at their fair value (roads, footpaths, drainage and other structures in 2009/10).

- A Loss on Disposal of Assets of \$72k has also been recognised. The majority of this relates to the replacement of Water and Wastewater infrastructure that was replaced prior to being fully depreciated \$350k and an offset of profit on the sale of land \$290k.
- In regards to Interest & Investment Losses, Council is required to report investments at their market value as at June 30 each year. This valuation is based on their estimated value at that date and is not reflective of the expected capital return if held to maturity. In accordance with requirements, a \$2.3 million decline in the fair value of investments is reported. Throughout the year Council received an income stream from investments totalling \$1.6 million. When netted against the market value adjustment, the result is an interest and investment loss of \$700k.

Investment markets remain volatile and this uncertainty continues to erode the confidence and operations of investment and credit markets which in turn can negatively impact the market value and income streams from investments.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2008/09, 2007/08 and 2006/07:



Cash, Cash Equivalents and Investments (Note 6a, 6b & 6c)

Council has total cash, cash equivalents and investments of \$28.9m as at June 30, 2009. Compared to 2007/08, this is a decrease of \$2m. Typically, Council's total cash, cash equivalents and investments are reasonably stable, but can fluctuate depending on the timing of cash flows and investment decisions.

Investments held are recorded at their market value and therefore include the market value adjustment referred to above of a negative \$2.3m.

The majority of funds are either restricted by external legislation e.g. developer contributions - Section 94 (\$4.9m) and Section 64 (\$6.5m), Wastewater Services (\$6.6m), Unexpended Grants (\$4.4m), Trust (\$299k) and Domestic Waste Collection (\$115k) or internal policy e.g. unexpended loans (\$1.4m) and the general reserves.

Statement of performance measures (Note 13)

To clarify the meaning and implication, a simple definition of each indicator is listed below:

- Unrestricted Current Ratio – the total cash or cash convertible assets available to meet liabilities

within the next twelve months, or current period, expressed on a dollar for dollar basis excluding assets and liabilities.

- b) Debt Service Ratio – The amount used to repay borrowings as a percentage of total income from continuing operations excluding capital contributions and capital grants, and specific purpose contributions and grants.
- c) Rate & Annual Charges Coverage Ratio – The amount received from rates and annual charges revenues as a percentage of total operating revenues.
- d) Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage – This percentage is based on the amount outstanding as a percentage of the amount to be collected for rates and annual charges for the current year and outstanding from previous years.
- e) Building & Infrastructure Renewal Ratios – The capital expenditure on the replacement, refurbishment or upgrade to an existing asset as a percentage of total depreciation, amortisation and impairment.

The following table is a summary of the key performance indicators from 2005/06 to 2008/09:

Performance Indicator	2008/09	2007/08	2006/07	2005/06
Unrestricted Current Ratio	1.39:1	2.04:1	2.57:1	3.20:1
Debt Service Ratio Percentage	6.34%	5.33%	4.54%	4.77%
Rate Coverage Ratio Percentage	39.01%	42.68%	43.47%	47.70%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	11.19%	10.89%	10.23%	9.75%
Building & Infrastructure Renewals Ratio	65.28%	109.38%	n/a	n/a

Council's performances indicators are overall within acceptable levels however do require further monitoring. Although there has been a further decline in Council's liquidity position (Unrestricted Current Ratio), it is still satisfactory to meet all current liabilities as and when required.

The Debt Service Ratio, which was at 5.33% for 2007/08, has increased to 6.34%. This increase is anticipated and attributed to the full impact of repayments from the 2007/08 and partial 2008/09 borrowing program. This ratio will increase as full repayments from the 2008/09 and 2009/10 borrowing program (\$8.69m) impact.

Rates Coverage Ratio Percentage for 2008/09 when compared to 2007/08 shows a reduction in reliance upon rates and annual charges. This is as a result of the increase in fees and user charges.

The Rate, Annual Charges, Interest and Extra Charges Outstanding percentage has remained above 10%. A comprehensive approach to debt recovery has been implemented with in-house collection initially and more difficult or non compliant cases being referred to a mercantile agent for legal proceedings. These actions should cause this indicator to improve in future years. It is important to note that Council has a policy of not taking legal action against pensioners except in extreme cases. This policy may result in this ratio increasing.

The Building & Infrastructure Renewals Ratio indicates that funds are not being expended to renewing existing assets at the same rate as depreciation. This has been impacted in 2008/09 by the new Goonellabah Sports and Aquatic Centre being completed and brought to account, therefore increasing the ratio of expenditure on new capital works instead of renewing existing assets. This ratio will deteriorate in future years as all infrastructure assets are fair valued and depreciation costs are based on current replacement costs.

Special Purpose Financial Reports

Return on Capital

Based on National Competition Policy guidelines, the following activities of Council have been nominated as business activities - Lismore Water, Lismore Wastewater, Northern Rivers Quarry & Asphalt, Northern Rivers Waste – Collection and Disposal, Lismore Memorial Gardens, Koala Child Care Centre, Commercial Properties and Industrial Estate Development.

National Competition Policy guidelines stipulate that Council must declare Water and Wastewater as business activities, even though there is some dispute as to whether these funds operate for commercial benefit or to ensure an essential service is provided at a reasonable cost. In regards to Northern Rivers Waste - Collection, as it has no assets, a return on capital cannot be calculated. The other activities have been declared as they meet the criteria established for business activities, primarily because there are competitors in the market place for which Council actively competes for market share.

The following provides a summary of the return on capital for Council's business activities during 2008/09. Based on the summary and using the 10 Year Government Bond Rate as a guide, only the Lismore Memorial Gardens is returning a positive return. Based on these results, a review of the financial plans for these business units would be appropriate to ensure expectations are achievable.

Water & Wastewater have been significantly impacted by the increased depreciation expense associated with the fair value adjustment of assets in 2006/07, given the enormity of the increased depreciation costs it is not anticipated that these businesses will achieve an acceptable return in the medium term.

Business Unit	Return %	Business Unit	Return	Business Unit	Return
Water	-2.6	Northern Rivers Waste – Collection	n/a	Koala Child Care Centre	-11.5
Wastewater	-2.6	Northern Rivers Waste – Disposal	-6.0	Lismore Memorial Gardens	1.6
Northern Rivers Quarry & Asphalt	-17.7	Properties Held for Public Benefit	-2.8	Real Estate	n/a

Subsidy from Council

Council is deemed to have made a subsidy to a business unit if the capital return is less than the 'risk free rate'. The risk free rate is considered to be equivalent to the 10 Year Government Bond Rate applicable at June 30, 2009 of 5.25%.

Summarised below are the calculated subsidies applicable to these business units. This is based on competitive neutrality guidelines and reflects the 'true cost' of Council's subsidy. It is important to note that this is not a direct cash contribution from Council.

Business Unit	\$'000	Business Unit	\$'000	Business Unit	\$'000
Water	6,039	Northern Rivers Waste – Collection	n/a	Koala Child Care Centre	74
Wastewater	14,221	Northern Rivers Waste – Disposal	648	Lismore Memorial Gardens	83
Northern Rivers Quarry & Asphalt	1,200	Properties Held for Public Benefit	248	Real Estate	n/a

Management Information

The financial reports are useful in respect to the fact that they provide financial information on Council's consolidated performance and position. The purpose of this section is to provide information on specific aspects of Council's operations in more detail which is not readily available in the financial reports.

Loan Indebtedness

Council's overall loan debt increased during 2008/09 by \$6.1million to \$38.3 million. During the year, total borrowings of \$8.1million were drawn with approximately 66% or \$5.35million of these funds for the self funding activities - Quarry \$350k, Industrial and Commercial Land \$3 million and \$1 million for Wastewater and \$1 million for Water construction programs.

It is considered that the current level of debt is manageable, but this needs to be considered on an ongoing basis in light of all other expenditure commitments. Movements in total loan indebtedness by Fund for 2008/09 follow:

Fund	Balance 30/6/08	New Loans Raised	Principal Repaid	Balance 30/6/09	Movement - Increase / (Decrease)
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General	30,883	6,094	1,826	35,150	4,267
Wastewater	1,280	1,000	57	2,223	943
Water	0	1,000	25	975	975
Total	32,163	8,094	1,908	38,348	6,185

Other staff comments

Not required

Public consultation

The 2008/09 Financial Reports will be advertised calling for public submissions for seven days from October 29, 2009 and will be further considered by Council at the November 10, 2009 meeting

Conclusion

In order to comply with the statutory requirements, Council must 'form an opinion' at this meeting on the 2008/09 Financial Reports. A copy of the 2008/09 Financial Reports and audit reports will then be forwarded to the Department of Local Government. Their availability to the public will be advertised from October 29, 2009 for seven days and finally they will need to be formally adopted by Council at the November 10, 2009 meeting.

Generally, Council remains in a sound financial position with cash, cash equivalents and investments remaining relatively stable and liabilities such as loans at a manageable level. To ensure long term financial viability, it remains essential for Council to continue to examine ways in which revenue can be increased, expenses decreased or a combination of both to meet anticipated asset management demands.

During 2009/10, Council's investment portfolio and investment income stream will continue to be challenged as liquidity in financial market continues to be tight. This may require Council adjusting future works program linked to this income stream.

The operating surplus for 2008/09 was positively impacted by several new grants for various projects which are non-recurring, thus reducing Council's income for 2009/10. In addition to the lower grant income Council is required to adjust roads, footpaths, drainage and other structures to fair value by June 30, 2010, with the resulting impact being an increase in the depreciation expense for 2009/10 and future years. As usual, a strong focus on meeting budget expectations is essential and opportunities to reduce costs or increase revenues must be explored.

With lower income and a marked increase in depreciation expenses Council's net operating result will deteriorate. The development and implementation of long term asset management plans and associated financial plans will be required to rationalise Council's forward outlook and strategies.

Recommendation

That Council:

1. In accordance with Section 413 (2) (c) of the Local Government Act 1993 and clause 215 of the Local Government (General) Regulation 2005, adopt the 2008/09 Financial Reports and form an opinion based on the attached 'Statement by Councillors and Management' for both the General Purpose Financial Reports and Special Purpose Financial Reports.
2. Delegate to the Mayor and Deputy Mayor to sign the 'Statement by Councillors and Management' on behalf of Council.
3. Submit the 2008/09 Financial Reports to the NSW Department of Local Government and the Australian Bureau of Statistics.
4. Advertise the presentation of the 2008/09 Financial Reports to the public from October 29, 2009 and invite both inspection and submission.
5. That Council present the audited Financial Reports, together with the Auditor's Reports, to the public at the ordinary Council meeting to be held on 10 November 2009, and invite the Council's Auditor from Thomas Noble & Russell Chartered Accountants to the November Council meeting to present the Audit Report for 2008/2009.

Report

Subject	2008/09 Reserves (Internally Restricted Assets)
File No	EF09/581:ED09/16777
Prepared by	Principal Accountant
Reason	In accordance with Policy 1.5.10
Objective	To inform Council of reserve movements and balances for the financial year 2008/09
Strategic Plan Link	Best Practice Corporate Governance
Management Plan Activity	Various

Overview of Report

As at June 30, 2009, reserves totalled \$22.58 million, comprising \$9.40 million held as cash reserves, \$3.51 million as working capital and \$9.67 million in internal loans. The working capital portion represents amounts that were held as debtors as at the June 30, 2009 but which form part of the operating result for 2009. There has been an overall increase in reserves from 2007/08 of \$4.4 million with the major increases being the Federal Assistance Grant received in advance of \$1.5 million, \$800k increase in Transport Infrastructure, Wastewater and Water reserves \$1.9 million. The reserves are held in General, Wastewater and Water Funds being \$16.19 million \$5.52 million and \$872,000 respectively.

All reserves held at June 30, 2009 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose or the variance is manageable.

As well as providing Council with the reserves information, the opportunity has been taken to review and update the policy. The recommended changes are minor and have been highlighted.

Background

Policy 1.5.10 - Reserves (Internally Restricted Assets) requires a separate report to be submitted to Council each year detailing all movements and appropriate levels and clarification as to needs for reserves. This report has been prepared to meet that requirement for 2008/09.

As at June 30, 2009, reserves totalled \$22.58 million, comprising \$9.40 million held as cash reserves, \$3.51 million as working capital and \$9.67 million in internal loans. The working capital portion represents amounts that were held as debtors as at the June 30, 2009 but which form part of the operating result for 2009.

There has been an overall increase in reserves from 2007/08 of \$4.4 million with the major increase being the Federal Assistance Grant received in advance of \$1.5 million, \$800k increase in Transport Infrastructure, Wastewater and Water reserves \$1.9 million. The reserves are held in General, Wastewater and Water Funds being \$16.19 million \$5.52 million and \$872,000 respectively.

For 2008/09, in accordance with the policy, interest was applied to the 'average' reserve balance held as cash unless the balance was created during 2008/09, has a zero balance at the end of the year or has specific holding requirements. The interest rate applied to the General Fund reserves was the CPI increase for the period of 1.34% and for Wastewater the average return on Council's investment portfolio of 4.36%. This equates to \$92,000 and \$239,000 for General and Wastewater Funds respectively.

All reserves held at June 30, 2009 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose, or the variance is manageable.

A summary of all Reserves as at June 30 is provided as Attachment A

Market Value loss Investments - impacting Reserve Levels

- Council is required to recognise investments held at June 30 at their market value. As there continues to be significant volatility in financial markets, this valuation resulted in an investment loss being reported of \$2.4 million. The market value loss has been assigned to all Council's investments on a pro rata basis in line with the level of funds held in Reserves, Section 64 Funds and Section 94 Funds as a percentage of the total investments held. As a result, General Fund reserves were reduced by \$492,000, Water Fund Section 64's by \$102,000, Wastewater Fund reserves and Section 64's by \$1.21 million and Section 94's by \$559,000. Any future positive variations to the market value will be assigned back to the investments reduced.

Internally Restricted - Reserve Impacts

Transport and Infrastructure	\$ 203,400
Special Projects	\$ 288,400
Wastewater	\$ 570,600

Internal loans impacting Reserve Levels

Internal loans between reserves are utilised each year to minimise the cost of capital and provide ready cash for special projects. This loan funding is short term only with repayments of loans being undertaken in the following year. Internal funding of these projects on a short term basis is prudent as it reduces the need for Council to seek external funding at current loan rates of 7-8%, with the offset being the loss on investment income of 3%.

- Council resolved to develop the Krauss Avenue Industrial Estate and construct Krauss Avenue in 2005 using reserves as a funding source. At June 30, 2009, approximately \$4.643 million remains invested in the development and therefore equivalent funding has been deducted from the following reserves:-

Plant - Plant Operations	\$3,927,800
Transport and Infrastructure	\$ 715,100

On the sale of the developed industrial land, the reserves will be reimbursed. Should at any time these reserves require access to these funds, the reserves will be adjusted for this short term internal loan funding purpose.

- Council purchased a part of the Goonellabah Town Centre on a deferred settlement basis in 2005. The land was purchased to meet land requirements associated with the Goonellabah Sports & Aquatic Centre with the residual to be sold. Four annual progress payments have been made so far with the first two funded from funds held for GSAC. This year's progress payment and all holding costs totalling \$2.434 million are being funded by internal loans from

Property Management	\$ 565,300
Special Projects	\$ 647,900
Corporate Support	\$ 291,700
Employee Leave Entitlements	\$ 500,000
Planning Services	\$ 430,000

- As reported to Council in the June 2009 Quarterly Review the Northern Rivers Quarry & Asphalt

operated at a loss for the year ended 30 June 2009. The operating loss and other cash movements (including the payment of dividends to General Fund and recognition of working capital balances) have been quarantined within the Quarry Management reserves with full repayment over subsequent years. To offset the cash movements within the Quarry Management reserves the following internal loans have been made:

Corporate Support	\$ 824,000
Transport and Infrastructure	\$ 1,016,900
Parks and Recreation	\$ 150,000
Other Waste Management	\$ 602,500

Commentary

Provided below is a commentary on individual reserves with balances. This should be read in conjunction with Attachment A, which shows the opening balance at July 1, 2008, movement for the year and closing balance at June 30, 2009, and the reserves policy, which states the objective, methodology and funding level for each reserve.

A copy of the Reserves Policy is also attached. There are some minor changes to the policy recommended and these are highlighted.

More detailed information on reserve movements is available on request.

Corporate Support – Balance \$ 1,203,300

This reserve is comprised of:

Election Expenses - \$66,800 (\$60,000 reserved each year) for Election Expenses. The Election reserve will be accumulated to cover costs of elections when they are held.

Risk Management \$20,800 is funded from insurance premium refunds - The risk management component is used to support initiatives which potentially reduce future insurance claims or costs and fund uninsured costs associated with a claim if required.

Federal Assistance Grant (general) of \$1,115,700 -The 1st instalment of the 2009/10 grant was received in advance and has been reserved.

Staff Development – Balance \$23,900

This reserve represents the balance of funding received in 2008/09 for up-skilling employees and specific staff development programs identified in the 2009/10 Management Plan.

Special Projects – Balance \$670,300

This reserve is comprised of

Surplus Budget \$647,900 - these funds were reserved during the 2008/09 year for use in the 2009/10 Management Plan. The majority of these funds have been used to offset the increase in the Superannuation Contributions.

The balance of the reserve \$22,400 is for specific projects to be undertaken in future periods. Projects include Sister Cities review \$5,000, Mayoral Scholarship \$10,000 and the completion of the Planning Department review \$12,800.

The balance also includes internal loans of \$47,400 being seed funding for the Festival of Cricket.

Legal Expenses – Balance \$55,400

The legal expenses component is used to offset actual legal costs in years that they exceed the provided budget. The suggested maximum amount held for legal expenses at any one time is equivalent to 100%

of the recurrent budget which for 2008/09 was \$112,000.

Employee Leave Entitlements – Balance \$853,300

The current value of employee leave entitlements in General Fund as at June 30, 2009 is \$4.33 million. Based on the reserve balance of \$853,000, they are approximately 19.7% funded. This level of cash funding is below the policy level of 30% (\$1.298 million). Reviewing oncost rates and employee oncost related expenses will be targeted to increase this percentage to the 30% target over time.

Flood Mitigation – Balance \$123,600

This reserve is used to fund Council's contribution towards the Lismore Flood Levee Scheme.

Lawn Cemetery – Balance \$135,700

This reserve will be used for ongoing development of the Lawn Cemetery and Crematorium Facilities.

Other Waste Management – Balance \$859,400

This reserve comprises funds held for the non domestic or 'commercial' waste collection service and waste disposal. This reserve will be used for ongoing development of the Waste Management service.

Waste Minimisation – Balance \$93,100

This reserve represents the surplus funds held after all expenses associated with waste minimisation initiatives are deducted from the waste minimisation charge.

Parks and Recreation – Balance \$313,400

The following is a list of the major components included in this reserve: -

Name and Description	Amount
CBD Toilet Block – funds have been committed to the development of the Transit Centre in 2009/10	67,400
Seed Funding – Urban Forests	5,500
Urban Sports Facilities Fund – (uncommitted)	40,000
Rural Sports Facilities Fund – (uncommitted)	5,000
Demons Australian Football Club	5,800
Nesbitt Park (R&LCIP) – federal government grant funds committed in 2009/10	112,900
South Lismore Soccer Club	20,000
Little Athletics Club	11,000
Lions Fountain – committed 2009/10	4,400
Sundry Works	2,500
Section 94 Plan Contributions - Open Space – The funds are to be used to match contributions received as part of the 2004 Recreation and Community Services Section 94 Plan with \$26,600 specifically held for Coronation Park and \$11,200 Eltham Community Hall.	38,900

Plant Operations – Balance \$3,927,800

The cash balance of this reserve is reduced by a short term loan \$3,927,800 used to fund Council's Krauss Avenue Industrial Estate development and Krauss Avenue.

The plant operating reserve of \$3,927,800 is designated for:

Program	Amount
Bridge	492,700
Crematorium and Lawn Cemetery	86,200
Parks and Recreation	178,600
Quarry	46,300
Road	2,636,800
Waste	487,200

The Plant reserve reflects the accumulated surplus from operations after purchases and sales of plant for bridges, crematorium, park, quarry, roads and waste. These funds are used to meet ongoing plant replacement program funding requirements.

Quarry Management – Balance \$698,000

The balance of this reserve comprises entirely working capital with there being no cash reserves held. An internal loan was made from other reserves to fund Quarry's negative cash movements for 2009 of \$2.593 million.

As reported to Council in the June 2009 Quarterly Review the Northern Rivers Quarry & Asphalt operated at a loss for the year 30 June 2009. The operating loss and other cash movements (including the payment of dividends to General Fund and recognition of working capital balances) have been quarantined within the NRQ&A reserves with full repayment over proceeding years. To offset the cash movements within the NRQ&A reserves the following internal loans have been made:

Corporate Support	\$ 824,000
Transport and Infrastructure	\$ 1,016,900
Parks and Recreation	\$ 150,000
Other Waste Management	\$ 602,500

Sporting Grounds – Balance \$9,700

The Nesbitt Park component of \$5,400 accounts for the majority of this reserve. These funds are for future development at this ground.

Transportation Infrastructure – Balance \$4,259,900

The reserve in total includes a working capital portion of \$1,031,200, being amounts payable by the RTA June 30, 2009 for completed works. The amount reported includes an internal loan of \$715,100 to the Krauss Avenue Industrial Estate development and extension of Krauss Avenue; as well as a short term loan of \$1,016,900 used to fund the Quarry Management cash movement for 2009.

The following is a list of the major components of this reserve:

Name and Description	
DA Contributions to Works – This relates to contributions received from developers for Council to complete specific works associated with development consent.	196,200
Contractors Reserve – Council bids for specific RTA work on a contract basis with the view to generating a profit. The profit generated is transferred to this reserve for road related works. Due to the nature of contracting, at times a loss can be generated and this reserve is used to mitigate Council's exposure to these situations. This reserve is working capital with nil cash reserve held.	847,500
Bridge – Bridge construction works	116,000
Drainage – Drainage construction works	45,000
Road Reconstruction – As has been the case in previous years, funds predominantly for capital works were not spent by June 30, primarily due to the availability of RTA funds such as for flood repairs. The decision to complete RTA works first has resulted in Council projects being carried forward to 2009/10. The Federal Assistance Grant (roads) of \$403,700 -The 1 st instalment of the 2009/10 grant was received in advance and has been reserved.	2,857,300
Special Business Rate - Security – Unexpended funds raised by the CBD special business rate and dedicated to the City Safe program.	43,500
Car Parking – Kerb Side Dining – Fees collected from kerbside dining licenses that are to be expended on the provision of car parking spaces in the CBD.	92,200
CBD Street Lighting – Funds held for works associated with major developments in the CBD.	6,900
Engineering Equipment – Survey and Design	32,400
Rural Fire Service – committed fro the 2009/10	15,100
TV Blackspots	3,800
Lismore Carboot Markets	4,000

Property Management – Balance \$835,000

The major items being held in the Property Management are:

Name and Description	Amount
Lift Historical Society – Committed to 2009/10 Management Plan Surplus.	141,000
Asbestos Management Plan – 2009/10 Management Plan	30,000
Roads and Drains and Property – Fair value assessment in accordance with DLG	100,000
Property Valuations Fair Value – 2009/10 Management Plan	39,600
Corporate Centre	100,000
City Hall	21,200
Street Lighting – general capital upgrades	61,200
Road Safety Officer – Projects - to match grant funds received 2008/09	33,900
Asset Management Plan – development of plan 2009/10	18,400
Land Acquisition Costs - completion in 2009/10	10,000
Carpark Lighting – Completion of Nimbin Project	12,900
Manager's Residence Nimbin Pool - construction of the Manager's Residence carried forward from 2007/08.	101,500
Residential Property development - used for the future development of land	120,900
Shops and Offices – on going development of Councils commercial properties	44,400

Planning Studies – Balance \$750,600

The main items included in this category are:-

- Section 94 Plan Administration Charges \$76,100. These are accumulated funds and represent

the 2.5% administration charge on all developer levies collected. They are to be used to fund the administration and review of the Section 94 Plan.

- Stormwater Management Services Charges \$538,200. This represents unexpended collected funds.
- Environmental Health specific projects \$136,300. Various project funds and matching grant contributions.

Remediation Programs – Balance \$91,500

This reserve is for the remediation of the former gasworks site, which remains a work in progress.

Information Services – Balance \$404,400

These funds are to be used for the future development and replacement of the corporate information system, software and hardware.

The majority of these funds will be used to complete the implementation of TRIM (electronic document management system) \$83,000, enhancing Council reporting \$49,400, Data communications upgrade as per 2009/10 budget - \$50,000, and Council's system replacement program \$187,100.

Community Services – Balance \$120,600

The following is a list of the major reserves included in this category: -

Name and Description	Amount
Youth Activities – Funds carried forward from 2008/09	17,100
Incentive Matching Federal Attorneys Grant – To be used as leverage to attract further grant funding	20,000
Shearman Park – Funds carried forward from 2008/09.	28,800
Lismore Master Plan	30,000

Child Care – Balance \$24,800

The category includes \$2,800 for Gingerbread House, \$21,000 for the Koala Day Care Centre and \$1,000 for the After School Hours Service. These funds are the accumulated surplus results to be used to offset deficit results, replacement of equipment, building improvements, etc.

Art Gallery – Balance \$102,300

This reserve comprises specific components for the art gallery foundation \$9,500, building donations \$66,500, building reserves (for repairs and maintenance) \$14,700 and general reserves for exhibitions in 2009/10 \$11,600.

The building donations component represent donations for a new art gallery made to the Lismore Regional Art Gallery in its capacity as an ATO registered tax deductible recipient.

Economic Development – Balance \$410,300

The following is a list of the major components included in this reserve:

Name and Description	Amount
Wilson River Bank Development – Represents works to be completed during 2009/10.	12,400
Lismore Promotion – Unexpended funds collected from the Special Business Rate Variation Levy for promotion.	97,800
Economic Development Projects – the major component are funds held to match grant funding received for the Wilson River Experience Walk Phase 1&2 \$122,800	157,900
Economic Incentive for Investments	97,900
Master Games – To be used during 2009/10 for events.	44,300

Airport – Balance \$54,600

This reserve is predominately for future capital works at the Lismore Regional Airport.

Domestic Waste Management – Balance \$168,500

This reserve represents the surplus funds held after all expenses associated with Domestic Waste Management are deducted. It can only be used for Domestic Waste Management purposes. The balance includes a working capital amount of \$53,900, with the remaining funds being cash reserves.

Wastewater Services – Balance \$5,518,600

The balance reflects the cash position of the fund to June 30 and will be used with all other revenues to operate, manage and maintain a high quality wastewater service.

The balance includes a working capital amount of \$472,100 with the remaining funds being cash held reserves.

Given the need and demand for significant capital works as outlined in the 2009/10 Management Plan, such as Raising Main 3, it is likely that the majority of these funds will be utilised in the short to medium term.

Water Supplies – Balance \$872,100

The balance of this reserve comprises entirely working capital with there being no cash reserves held.

Other staff comments

Not required

Public consultation

Not required

Conclusion

The report and attachments detail Council's reserve movements and balances for 2008/09. As at June 30, 2009, reserves totalled \$22.58 million, comprising \$9.40 million held as cash reserves, \$3.51 million as working capital and \$9.67 million in internal loans. The working capital portion represents amounts that were held as debtors as at the June 30, 2009 but which form part of the operating result for 2009.

There has been an overall increase in reserves from 2007/08 of \$4.4 million with the major increase being the Federal Assistance Grant received in advance of \$1.5 million, \$800k increase in Transport Infrastructure, Wastewater and Water reserves \$1.9 million. The reserves are held in General, Wastewater and Water Funds being \$16.19 million \$5.52 million and \$872,000 respectively.

All reserves held at June 30, 2009 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose, or the variance is

manageable.

Councils' Policy on Internally Restricted Assets – Policy 1.5.10, has been reviewed and some minor amendments recommended.

Recommendation

That Council note the reserve balances for June 30, 2009 of \$22,579,400, comprising \$9,396,000 held as cash reserves, \$3,512,200 as working capital and \$9,671,200 in internal loans held as detailed on the attached summary, and amend Policy 1.5.10 - Reserves (Internally Restricted Assets) to reflect that as attached.

DETAILS - RESERVES (INTERNALLY RESTRICTED ASSETS) AS AT JUNE 30, 2009

Reserve	Reserves Bal 01/07/08	Transfer To	Interest	Sub-Total	Transfers From	Balance 30/6/09	Being held as :		
							Cash - Reserves	Debtors - Outstanding	Internal Loans
Corporate Support	199,000	1,595,700	1,900	1,796,600	593,300	1,203,300	87,600	0	1,115,700
Staff Development	96,800	66,200	800	163,800	139,900	23,900	23,900	0	0
Special Project	432,800	1,251,100	1,100	1,685,000	1,014,700	670,300	22,400	0	647,900
Legal Expenses	31,600	23,200	600	55,400	0	55,400	55,400	0	0
Employee Leave Entitlements	630,300	310,100	7,400	947,800	94,800	853,000	353,000	0	500,000
Flood Mitigation	40,600	140,000	1,100	181,700	58,500	123,200	123,200	0	0
Lawn Cemetery & Crematorium Development	60,000	128,900	1,300	190,200	54,500	135,700	7,700	128,000	0
Other Waste Management	1,249,100	199,100	14,000	1,462,200	602,800	859,400	0	256,900	602,500
Waste Minimisation	52,900	72,800	1,000	126,700	33,600	93,100	93,100	0	0
Parks & Recreation	153,500	304,100	3,100	460,700	147,300	313,400	163,400	0	150,000
Plant Operations	3,656,300	1,928,600	0	5,584,900	1,657,100	3,927,800	0	0	3,927,800
Quarry Management	91,200	2,593,400	0	2,684,600	1,986,600	698,000	0	698,000	0
Sporting Grounds	41,700	5,100	400	47,200	37,500	9,700	9,700	0	0
Transport Infrastructure	3,063,400	3,386,300	25,200	6,474,900	2,215,000	4,259,900	1,496,700	1,031,200	1,732,000
Property Management	761,300	11,637,400	7,300	12,406,000	11,571,000	835,000	269,700	0	565,300
Planning Studies	616,900	321,200	6,200	944,300	193,700	750,600	320,600	0	430,000
Gasworks Remediation	90,300	0	1,200	91,500	0	91,500	91,500	0	0
Information Services	819,400	235,600	8,200	1,063,200	658,800	404,400	404,400	0	0
Community Services	95,000	85,800	1,400	182,200	61,600	120,600	120,600	0	0
Child Care	21,600	11,600	300	33,500	8,700	24,800	24,800	0	0
Regional Art Gallery	74,500	48,300	1,500	124,300	22,000	102,300	102,300	0	0
Economic Development	459,700	441,200	5,400	906,300	496,000	410,300	410,300	0	0
Community Facilities	699,800	0	0	699,800	699,800	0	0	0	0
Aerodrome	104,200	3,800	1,100	109,100	54,500	54,600	54,600	0	0
Domestic Waste Management	68,900	98,000	1,600	168,500	0	168,500	114,600	53,900	0
Wastewater Services	4,524,024	1,325,876	239,300	6,089,200	570,600	5,518,600	5,046,500	472,100	0
Water Supplies	0	872,100	0	872,100	0	872,100	0	872,100	0
TOTAL RESERVES	18,134,824	27,085,476	331,400	45,551,700	22,972,300	22,579,400	9,396,000	3,512,200	9,671,200