

ANNUAL BUDGET MID YEAR REVIEW 2002/2003

Committee Finance, Corporate Services and Governance Committee

Presenter Councillor Chamberlin

Purpose

1. To present to Council the proposed revised Operating Budget for the twelve months 1 July 2002 to 30 June 2003 for approval, in accordance with the requirements of the Local Government Act 1989 (“the Act”).

Consideration at Committee

2. As a result of consideration at Committee:
 - 2.1. paragraph 3.3 was amended to read as follows:

“3.3 approve a 20 cents per day increase in on-street all-day parking meter fees in both CBD and outside CBD areas;”
 - 2.2. paragraph 3.13 was amended to read as follows:

“3.13 note the transfer of \$17,000 in grants from the Lord Mayor’s Charitable Fund race day to the Lord Mayor’s Charitable Fund Bush Fire Appeal.”
3. In addition the Committee noted that the contribution to the Regional Library Board had been amended to provide for the additional funds of \$28,000 in accordance with the adopted contribution formula.

Recommendation

4. That Council:
 - 4.1. approve the Proposed Revised Operating Budget for the financial year ending 30 June 2003 (refer Attachments 1, 2 and 3) for the purpose of giving notice of the preparation of the proposed revised budget in accordance with Section 144(A) of the Local Government Act 1989;
 - 4.2. approve a 20 cents per hour increase in on-street parking meter fees in both CBD and outside CBD areas;
 - 4.3. approve a 20 cents per day increase in on-street all-day parking meter fees in both CBD and outside CBD areas;
 - 4.4. approve a fee increase to the Elgin Street car park to \$2.00 per hour;
 - 4.5. approve the proposed fee increase for towaways to \$225.00 per vehicle;
 - 4.6. approve the transfer of \$46.0 Million for the Lt Collins Street redevelopment to the Investment Fund;

- 4.7. approve the transfer of the balance of funds received for the settlement on the sale of the QVHS being \$7.335Million to the Environmental and Strategic Reserve;
- 4.8. authorise the Chief Executive Officer to give public notice (refer Attachment 11) of the preparation of the proposed revised budget in the form of the schedule attached in accordance with Section 146 of the Act;
- 4.9. make available copies of the proposed revised budget from each of the following places:
 - 4.9.1. Melbourne City Council, Town Hall, Ground Floor at front desk;
 - 4.9.2. North Melbourne Library;
 - 4.9.3. East Melbourne Library;
 - 4.9.4. Carlton Baths Community Centre; and
 - 4.9.5. Council's Web Page;
- 4.10. convene a special meeting of the Finance, Corporate Services and Governance Committee to be held at 5.00pm on Thursday, 20 February 2003 in the Council Meeting Room, 2nd Floor Town Hall, to consider submissions received on the proposed revised 2002/2003 Budget;
- 4.11. delegate to the Finance, Corporate Services and Governance Committee the power to consider, at its meeting to be scheduled at 5.00pm on Thursday, 20 February 2003 in the Council Meeting Room, 2nd Floor Town Hall, any written submission which is received by the Council by no later than 5.00pm on 17 February 2003 and to hear any person wishing to be heard in support of his or her submission or person acting on his or her behalf and report back to Council at its meeting scheduled for the 27 February 2003; and
- 4.12. after consideration of the report from the Finance, Corporate Services and Governance Committee on any public submission, consider the adoption of the revised Operating Budget on 27 February 2003.
- 4.13. note the transfer of \$17,000 in grants from the Lord Mayor's Charitable Fund race day to the Lord Mayor's Charitable Fund Bush Fire Appeal.

Council Report Attachment:

1. Finance, Corporate Services and Governance Committee, Agenda item 3.1, 30January 2003

**FINANCE, CORPORATE SERVICES AND
GOVERNANCE COMMITTEE REPORT
COVER SHEET**

Agenda Item 3.1

30 January 2003

ANNUAL BUDGET MID YEAR REVIEW 2002/2003

Division Financial & Business Services

Presenters Michael Malouf, Chief Executive Officer; and
Mark Anderson, Director Financial & Business Services

Purpose

To present to Council the proposed revised Operating Budget for the twelve months 1 July 2002 to 30 June 2003 for approval, in accordance with the requirements of the Local Government Act 1989 ("the Act"), and the Local Government Regulations 2001, ("the Regulations").

Time Frame

Following Council approval, the proposed revised budget will be advertised. After considering public submissions at the special Finance, Corporate Services and Governance Committee meeting on the 20 February 2003, the proposed revised budget is expected to be adopted by Council on 27 February 2003.

Finance

The financial implications of the proposed revised budget for 2002/03 are discussed throughout the report.

Legal

The process detailed in the report accords with the requirements of the Local Government Act and the Local Government Regulations.

Council has the power to increase parking fees under the Act, Section 207, and Schedule 11, clause 1

Recommendation

That the Finance, Corporate Services and Governance Committee recommend that Council:

- approve the Proposed Revised Operating Budget for the financial year ending 30 June 2003 (refer Attachments 1, 2 and 3) for the purpose of giving notice of the preparation of the proposed revised budget in accordance with Section 144(A) of the Local Government Act 1989;
- approve a 20 cents per **hour** increase in on-street parking meter fees in both CBD and outside CBD areas;
- approve a 20 cents per **day** increase in on-street parking meter fees in both CBD and outside CBD areas;
- approve a fee increase to the Elgin Street car park to \$2.00 per hour;

- approve the proposed fee increase for towaways to \$225.00 per vehicle;
- approve the transfer of \$46.0 Million for the Lt Collins Street redevelopment to the Investment Fund;
- approve the transfer of the balance of funds received for the settlement on the sale of the QVHS being \$7.335Million to the Environmental and Strategic Reserve;
- authorise the Chief Executive Officer to give public notice (refer Attachment 11) of the preparation of the proposed revised budget in the form of the schedule attached in accordance with Section 146 of the Act;
- make available copies of the proposed revised budget from each of the following places:
 - Melbourne City Council, Town Hall, Ground Floor at front desk;
 - North Melbourne Library;
 - East Melbourne Library;
 - Carlton Baths Community Centre; and
 - Council's Web Page;
- convene a special meeting of the Finance, Corporate Services and Governance Committee to be held at 5.00pm on Thursday, 20 February 2003 in the Council Meeting Room, 2nd Floor Town Hall, to consider submissions received on the proposed revised 2002/2003 Budget;
- delegate to the Finance, Corporate Services and Governance Committee the power to consider, at its meeting to be scheduled at 5.00pm on Thursday, 20 February 2003 in the Council Meeting Room, 2nd Floor Town Hall, any written submission which is received by the Council by no later than 5.00pm on 17 February 2003 and to hear any person wishing to be heard in support of his or her submission or person acting on his or her behalf and report back to Council at its meeting scheduled for the 27 February 2003; and
- after consideration of the report from the Finance, Corporate Services and Governance Committee on any public submission, consider the adoption of the revised Operating Budget on 27 February 2003.

Attachments:

1. Rate Determination Statement
2. Statement of Financial Performance
3. Reconciliation between the Financial Statement of Performance and the Rate Determination Statement
4. Statement of Cash Flow
5. Statement of Financial Position
6. Revenue Details
7. Operating Expenditure Details
8. Council Works Details
9. Statement of Cash Flow Details
10. Statement of Financial Position Details
11. Public Notice

30 January 2003

ANNUAL BUDGET MID YEAR REVIEW 2002/2003

Division Financial & Business Services

Presenters Michael Malouf, Chief Executive Officer; and
Mark Anderson, Director Financial & Business Services

Purpose

1. To present to Council the proposed revised Operating Budget for the twelve months 1 July 2002 to 30 June 2003 for approval in accordance with the requirements of the Local Government Act 1989 ("the Act"), and the Local Government Regulations 2001, ("the Regulations").

Background

2. Council approved the annual budget for the twelve months 1 July 2002 to 30 June 2003 on 30 May 2002. Following consideration of public submissions, Council adopted the budget on 27 June 2002.
3. Section 144(A) of the Act provides for the preparation and presentation of a revised budget to Council.
4. The mid year budget review is an update of the approved annual budget, to take into account any changes and events that have taken place in the first half of the financial year or are anticipated in the second half of the financial year.
5. The mid year review maintains the strong financial position brought forward from the previous financial year and retains the surplus for consideration by Council for future budgets.

Issues

6. The proposed revised 2002/03 annual operating budget is comprised of four statements:
 - 6.1. the Rate Determination Statement (Attachment 1);
 - 6.2. the Statement of Financial Performance (Operating Statement) (Attachment 2);
 - 6.3. the Statement of Cash Flows (Attachment 4); and
 - 6.4. the Statement of Financial Position (Balance Sheet) (Attachment 5).

Rate Determination Statement

7. The Rate Determination Statement is the traditional method used by Councils to present their budget. This cash based budget is principally used to set the rates for the municipality. The Rate Determination Statement incorporates all cash items including asset sales and the funding of the Capital Works Program, but does not include non-cash items such as depreciation.

8. The revised 2002/03 annual operating budget has been detailed in Attachment 1 and can be summarised as follows:

	Approved Budget \$000s	Revised Budget \$000s	Movement \$000s
Revenue	\$195,768	\$253,748	\$57,980
Operating Expenditure	\$160,311	\$164,887	(\$4,577)
Capital Expenditure	\$36,374	\$37,554	(\$1,180)
Transfer to Reserves (including Strategic & Environmental Res)	\$6,787	\$58,749	(\$51,962)
Surplus	\$0	\$7	\$7

9. The revised 2002/03 Rate Determination Statement shows a balanced financial position for the 2002/03 year. This result retains the brought forward surplus from the 2001/02 year of \$7,449k.

Revenue

10. On-street parking fee rates have not increased (other than for GST) since August 1997. On-street parking fees are to increase by 20 cents to \$2.40 per hour. Taking account of CPI increases over the same period the rise in fees is considered modest and makes the CBD comparable to other capital cities around Australia.
11. The hourly rate for parking at Council's Elgin Street Car park will increase to \$2.00 per hour. This will encourage a higher turnover of vehicles and create greater availability of parking for patrons of the Lygon street shopping precinct. The price is still competitive to alternative carparking facilities available in the area.
12. Fees for the release of towaway vehicles are to be increased from \$170.50 to \$225.00. The increase in the fee is aimed at recovering the higher costs associated with holding and processing vehicles for release.
13. Additional revenue of \$57,980k has been included in the Mid Year Review. See Attachment 6 for full details. The major gains have been (or will be) from:
- 13.1. receipt of proceeds from the sale of the Queen Victoria Hospital Site (\$53,335k);
 - 13.2. a modest increase of 20cents in the hourly and daily rate of on-street parking meter fees, and higher utilisation of on-street parking bays occupancy rates (\$473k);
 - 13.3. increase of the hourly rate at Elgin Street car park to \$2.00 and higher utilisation of the City Square Car Park (\$350k);
 - 13.4. a lump sum settlement from Wyndham City Council (\$1,480k) for the transfer of rights at the refuse disposal facility in Werribee;
 - 13.5. the sale of valuation data to the State Revenue Office (\$1,089k); and
 - 13.6. higher interest income (\$308k).

Operating Expenditure

14. Operating expenditure has increased by \$4,577k. See Attachment 7 for full details. The major factors include:
 - 14.1. higher employee costs of \$971k associated with new services provided and provision for the higher than budgeted EBA;
 - 14.2. relocation costs associated with the accommodation project are budgeted at \$2,198k in line with the report adopted by Council in November 2002;
 - 14.3. expenditure of \$302k (offset by revenue) associated with the Celebrating Melbourne awards;
 - 14.4. higher grants and contributions \$585k; and
 - 14.5. increased Fire Brigade Levy of \$517k.

Council Works Program

15. An increase of \$1,180k is reported against the Council Works Program. This has largely resulted from the inclusion of the Queensbridge Precinct Development (\$1,100k). Included, for the first time, in the Council Works Program is the establishment of the Capital Reserve (\$1,500k). This reserve has been established to recognise projects, which will not be fully completed in this financial year and will be committed in next year's budget. Details of the Council Works Program are provided in Attachment 8.

Reserves

16. Proceeds of \$53,335k from the sale of the Queen Victoria Hospital Site to QV Pty Ltd is expected to be received during the period.
17. The proceeds will be used too partially fund redevelopment of the Lt.Collins Street precinct (accommodation project) (\$46,000 transferred to the Investment Fund Reserve) and future Council works identified in the 5-year financial plan (\$7,335k transferred to the Strategic and Environmental Reserve).
18. Offsetting transfers to the Strategic and Environmental Reserve is \$1,100k to fund development of the Queensbridge Square project and \$273k to meet the negotiated outcome of the 3 year Enterprise Bargaining Agreement. The net result is an increase of \$51,962k in Reserves.

Statement of Financial Performance (Operating Statement)

19. The Statement of Financial Performance (Operating Statement) is an accrual-based statement and is prepared in accordance with Australian Accounting Standards (in particular AAS27 Financial Reporting by Local Government) and generally adopted accounting principles. The Statement of Financial Performance includes non cash items such as depreciation charges but does not include asset sales and capital works funding.
20. The reduction in the Statement of Financial Performance deficit to \$2,219k is due to:
 - 20.1. an extension of the settlement date agreed by Council in December 2002 for the Queen Victoria Hospital site resulting in additional proceeds from sale of assets (\$1,857k); and
 - 20.2. the movements in revenue excluding the proceeds from the sale of the Queen Victoria Hospital site (increased by \$5,651k) and operating expenditure (increased by \$4,166k) included in the Rate Determination Statement as outlined in Attachments 4 and 5.

21. A reconciliation between Rate Determination Statement and Operating Statement is provided in Attachment 3.

Statement of Cash Flow

22. The Statement of Cash flow (Attachment 4) although not required by the Local Government Regulations 2001 has been included in the budget report. The increase in the cash held by \$42,616k is mainly due to the proceeds from the sale of the Queen Victoria Hospital Site (\$53,335k) slightly offset by the investment of \$5,000k in the Sustainable Melbourne Fund. Full details provided in Attachment 9.

Statement of Financial Position

23. The Statement of Financial Position is a representation of the Assets and Liabilities of the Council as at the year ending June 2003. Full details are provided in Attachment 10.
24. Attachment 5 includes the impact of the recently completed infrastructure asset revaluation (Financial Statements 2001/02) which has resulted in a significant increase in the written down replacement cost of infrastructure assets.

Time Frame

25. Following Council approval, the proposed revised budget will be advertised. The advertisement provides details of the budget and gives the opportunity to the public to make submissions. The Finance, Corporate Services and Governance Committee will consider any public submissions at 5pm on 20 February 2003. The proposed budget is expected to be submitted for adoption by Council on 27 February 2003.
26. The Council has the opportunity to make any additions or deletions to the proposed budget prior to final adoption. Should Council make any material changes to the proposed revised budget at its meeting on 27 February 2003, then the budget will need to be readvertised.

Relation to Council Policy

27. The revised budget has been prepared in accordance with Council Policy, the strategic direction as set out in the Corporate Plan, the Capital City Policy and City Plan.

Consultation

28. Consultation will occur as a result of the public submission process provided for in the Local Government Act.

Recommendation

29. That the Finance, Corporate Services and Governance Committee recommend that Council:
 - 29.1. approve the Proposed Revised Operating Budget for the financial year ending 30 June 2003 (refer Attachments 1, 2 and 3) for the purpose of giving notice of the preparation of the proposed revised budget in accordance with Section 144(A) of the Local Government Act 1989;
 - 29.2. approve a 20 cents per **hour** increase in on-street parking meter fees in both CBD and outside CBD areas;

- 29.3. approve a 20 cents per **day** increase in on-street parking meter fees in both CBD and outside CBD areas;
- 29.4. approve a fee increase to the Elgin Street car park to \$2.00 per hour;
- 29.5. approve the proposed fee increase for towaways to \$225.00 per vehicle;
- 29.6. approve the transfer of \$46.0 Million for the Lt Collins Street redevelopment **to** the Investment Fund;
- 29.7. approve the transfer of the balance of funds received for the settlement on the sale of the QVHS being \$7.335Million **to** the Environmental and Strategic Reserve;
- 29.8. authorise the Chief Executive Officer to give public notice (refer Attachment 11) of the preparation of the proposed revised budget in the form of the schedule attached in accordance with Section 146 of the Act;
- 29.9. make available copies of the proposed revised budget from each of the following places:
 - 29.9.1. Melbourne City Council, Town Hall, Ground Floor at front desk;
 - 29.9.2. North Melbourne Library;
 - 29.9.3. East Melbourne Library;
 - 29.9.4. Carlton Baths Community Centre; and
 - 29.9.5. Council's Web Page;
- 29.10. convene a special meeting of the Finance, Corporate Services and Governance Committee to be held at 5.00pm on Thursday, 20 February 2003 in the Council Meeting Room, 2nd Floor Town Hall, to consider submissions received on the proposed revised 2002/2003 Budget;
- 29.11. delegate to the Finance, Corporate Services and Governance Committee the power to consider, at its meeting to be scheduled at 5.00pm on Thursday, 20 February 2003 in the Council Meeting Room, 2nd Floor Town Hall, any written submission which is received by the Council by no later than 5.00pm on 17 February 2003 and to hear any person wishing to be heard in support of his or her submission or person acting on his or her behalf and report back to Council at its meeting scheduled for the 27 February 2003; and
- 29.12. after consideration of the report from the Finance, Corporate Services and Governance Committee on any public submission, consider the adoption of the revised Operating Budget on 27 February 2003.

CITY OF MELBOURNE
Rate Determination Statement
Year Ending 30 June 2003

	Rate Determination Statement		
	Full Year		Movement between Budget & MYR
	Budget 2002/03 (\$000's)	MYR 2002/03 (\$000's)	
Revenue			
Net Rates	107,072	107,321	249
Grants & Subsidies	5,494	5,536	42
Parking Fees	23,527	24,539	1,012
Fines	26,858	27,029	171
Property Rentals	4,447	4,359	(88)
Sundry Fees, Permits & Charges	11,233	11,142	(91)
Intercompany Revenue	9,607	9,798	191
Finance Income	5,444	5,752	308
Sales & Recoveries	1,086	3,936	2,850
Proceeds from sale of non current assets	1,000	54,335	53,335
Total Revenue	195,768	253,748	57,980
Expenditure			
Employee Costs	58,065	59,036	(971)
Materials and Services	89,266	91,750	(2,484)
Finance and Insurance Costs	2,976	2,983	(7)
Grants & Contributions	8,275	8,860	(585)
Government Taxes & Levies	1,729	2,259	(530)
Total Operating Expenditure	160,311	164,887	(4,577)
Capital Works Allocation	36,374	37,554	(1,180)
Total Expenditure	196,684	202,441	(5,757)
Transfer (to)/from Reserves	(6,787)	(58,749)	(51,962)
Brought Forward Surplus	7,703	7,449	(254)
Operating Surplus (Deficit)	0	7	7

CITY OF MELBOURNE
Statement of Financial Performance
Year Ending 30 June 2003

	Financial Performance		
	Full Year		Movement between Budget & MYR
	Budget 2002/03 (\$000's)	MYR 2002/03 (\$000's)	
Revenue			
Net Rates	107,071	107,321	250
Grants & Subsidies	9,095	10,141	1,046
Parking Fees	23,527	24,539	1,012
Fines	26,858	27,029	171
Property Rentals	4,447	4,359	(88)
Sundry Fees, Permits & Charges	11,233	11,142	(91)
Intercompany Revenue	9,606	9,798	192
Finance Income	5,444	5,752	308
Sales & Recoveries	1,086	3,936	2,850
Proceeds from sale of non current assets	1,000	2,857	1,857
Total Revenue	199,367	206,875	7,508
Expenditure			
Employee Costs	58,066	59,036	(970)
Materials and Services	89,263	91,750	(2,487)
Finance and Insurance Costs	2,977	2,983	(6)
Depreciation	35,630	35,630	0
Grants & Contributions	8,274	8,860	(586)
Government Taxes & Levies	1,729	2,259	(530)
Maintenance Costs	7,989	7,576	413
Carrying amount of non-current assets sold	1,000	1,000	0
Total Operating Expenditure	204,928	209,094	(4,166)
Result from Ordinary Activities	(5,561)	(2,219)	3,341

CITY OF MELBOURNE
Mid Year Budget Review Estimate
Year Ending 30 June 2003

Reconciliation Between Financial Statement of Performance and Rate Determination Statement	Annual Budget 2002/03 (\$000's)	Mid Year Budget 2002/03 (\$000's)	Movement (\$000's)
FINANCIAL STATEMENT OF PERFORMANCE SURPLUS	(5,561)	(2,219)	3,341
Change in Revenue			
Net Rates			
Grants & Subsidies	(3,601)	(4,605)	(1,004)
Parking Fees			
Fines			
Property Rentals & Hire			
Sundry Fees & Charges			
Intercompany Revenue			
Finance Income			
Sales & Recoveries			
Proceeds from Sale of Assets		51,478	51,478
	(3,601)	46,873	50,474
Change in Expenditure			
Employee Costs			
Materials and Services			
Finance and Insurance Costs			
Depreciation	35,630	35,630	
Grants & Contributions			
Government Taxes & Levies			
Maintenance Costs	7,989	7,576	(413)
WDV of assets sold	1,000	1,000	
Capital Works Allocation	(36,374)	(37,554)	(1,180)
	8,246	6,653	(1,593)
Change in Net Surplus	4,645	53,526	48,881
Transfers to Reserve	(6,787)	(58,749)	(51,962)
Surplus/Deficit Bought Forward	7,703	7,449	(254)
RATE DETERMINATION STATEMENT SURPLUS		7	7

CITY OF MELBOURNE
Statement of Cash Flow
Year Ending 30 June 2003

	Cash Flow		
	Budget	MYR	Movement
	2002/03	Estimate	between
	(\$000's)	2002/03	Budget &
		(\$000's)	MYR
Cash flows from operating activities			
Receipts			
Rates, fees and charges (including GST)	172,966	179,094	6,128
Grants and other contributions	9,095	12,526	3,431
Interest	5,444	5,752	308
Dividends	7,714	7,863	149
Tax equivalents-subsiidiaries	1,892	1,935	43
Other (including sales & recoveries)	1,087	3,936	2,849
Payments			
Employee costs	(57,276)	(59,591)	(2,315)
Materials and services (including GST)	(88,725)	(98,563)	(9,839)
Financial costs	(2,977)	(2,983)	(6)
Other	(17,992)	(18,695)	(703)
Net cash provided by operating activities	31,229	31,273	44
Cash flows from investing activities			
Proceeds from sale of non-current assets	1,000	56,192	55,192
Payments for non-current assets	(35,257)	(40,040)	(4,783)
Purchase of investments		(5,000)	(5,000)
Net cash (used in) investing activities	(34,257)	11,152	45,409
Cash flows from financing activities	(3,028)	42,425	45,453
Net increase/(decrease) in cash held	(3,028)	42,425	45,453
Cash at beginning of the financial year	107,003	114,958	7,956
Cash at end of the financial year	103,975	157,384	53,409

CITY OF MELBOURNE
Statement of Financial Position
as at 30 June 2003

	Financial Position		
	Budget	MYR	Movement
	2002/03	Estimate	between
	(\$000's)	2002/03	Budget &
		(\$000's)	MYR
<u>Assets</u>			
Receivables	71,042	23,425	(47,617)
Inventories	19	19	0
Investments - Cash	103,975	157,447	53,472
Investments in other entities	32,530	32,553	23
Property, Plant & Equip	1,702,344	1,925,579	223,235
Other Assets	4,611	3,454	(1,157)
Total Assets	1,914,521	2,142,477	227,956
<u>Liabilities</u>			
Trade Creditors	26,757	27,438	682
Provisions	14,362	14,585	223
Total Liabilities	41,119	42,023	905
Total Capital Employed	1,873,402	2,100,453	227,051
<u>Equity</u>			
Accumulated surplus	1,419,670	1,451,351	31,681
Surplus/(deficit) for the year	(5,561)	(2,219)	3,341
Reserve transfer	2,185	1,065	(1,120)
	1,416,294	1,450,194	33,900
Reserves	457,108	650,259	193,151
Total Equity	1,873,402	2,100,453	227,051

Revenue Details

	2002/03 Budget \$M	2002/03 MYR \$M	Variance \$M
Rates	\$107.072	\$107.321	\$0.249
Grants & Subsidies	\$5.494	\$5.536	\$0.042
Parking Fees	\$23.527	\$24.539	\$1.012
Fines	\$26.858	\$27.029	\$0.171
Property Rentals	\$4.447	\$4.359	(\$0.088)
Sundry Fees, Permits and Charges	\$11.233	\$11.142	(\$0.091)
Intercompany Revenue	\$9.607	\$9.798	\$0.191
Finance Income	\$5.444	\$5.752	\$0.308
Sales & Recoveries	\$1.086	\$3.936	\$2.850
Proceeds from sale of non current assets	\$1.000	\$54.335	\$53.335
Total	<u>\$195.768</u>	<u>\$253.748</u>	<u>\$57.980</u>

Net Rates

1. Net Rates shows an increase of \$249k due to an increase in supplementary rates.

Grants & Subsidies

2. The increase of \$42k in Grants and Subsidies is due to:
 - 2.1. sponsorship to be received for the Celebrating Melbourne Awards (\$302k) and Melbourne Spring Fashion Week (\$80k);
 Slightly offset by:
 - 2.2. reduction in sponsorship anticipated for Melbourne Moomba Waterfest (\$150k) and Osaka Yacht Race (\$150k); and
 - 2.3. subsidies received for Child Care Services (\$100k).

Parking Fees

3. Parking fees shows an increase of \$1,012k mainly due to:
 - 3.1. an increase in the hourly rate from \$2.20 to \$2.40 and an increase in the daily rate from \$3.30 to \$3.50 for onstreet parking meters (\$350k);
 - 3.2. an increase in the hourly rate at Elgin Street car park to \$2.00 (\$150k);
 - 3.3. higher occupancy rates for onstreet parking meters (\$123k);
 - 3.4. greater patronage at the City Square Car park (\$200k); and
 - 3.5. higher anticipated revenue from tow away fees (\$67k).

Fines

4. The increase in fines of \$171k is anticipated from an increase in the number of parking infringement notices issued.

Property Rentals

5. Property Rentals decreased by \$88k as a result of vacancies.

Sundry Permits, Fees & Charges

6. The revised budget shows a reduction in Sundry Permits, Fees & Charges of \$91k. The reduction is mainly the result of:
 - 6.1. the inclusion in the 2002/03 budget for revenue anticipated from the successful conclusion to a long running dispute with National Rail concerning the payment of rates. The dispute was settled in 2001/02. The revised 2002/03 budget shows the reduction in revenue of \$696k for the revenue recognised last financial year; and
 - 6.2. the reduction in revenue from Food Act registrations (\$132k) due to staggering the registrations of food premises at quarterly intervals over the year to better comply with the requirements of the Food Act.

Partly offset by additional revenue anticipated from:

6.3. Food Safety training revenue	\$215k
6.4. Services provided to the Dockland Authority	\$179k
6.5. building, planning and street activity permits	\$226k
6.6. parks permits	\$ 52k.

Intercompany Revenue

7. Increase in intercompany revenue of \$191k has resulted from the extension of the lease of waste transfer trucks to City Wide (\$145k) and additional health services provided to Melbourne Wholesale Fish Market (\$46k).

Finance Income

8. Additional interest revenue of \$308k resulted in receiving the proceeds from the sale of the Queen Victoria Hospital Site.

Sales & Recoveries

9. The revised budget shows an increase in Sales & Recoveries of \$2,850k. The major reasons for this increase are:
 - 9.1. the sale of valuation information to the State Revenue Office (\$1,089k); and
 - 9.2. the anticipated receipt of \$1,480k from the settlement of the tri party agreement between City of Melbourne, City of Port Phillip and City of Wyndham following the adoption of the Western Regional Waste Management group plan which covers municipal waste disposal.

Proceeds from the sale of non current assets

10. The proceeds from the sale of the Queen Victoria Hospital site (\$53,335k) are to be received in May 2003. This explains the large increase in proceeds from the sale of non current assets. The proceeds are to be transferred to the reserves.

Operating Expenditure Details

	2002/03 Budget \$Millions	2002/03 MYR \$Millions	Variance \$Millions
Employee Costs	\$58.065	\$59.036	(\$0.971)
Materials & Service Costs	\$89.266	\$91.750	(\$2.484)
Finance and Insurance Costs	\$2.976	\$2.983	(\$0.007)
Grants & Subsidies	\$8.275	\$8.860	(\$0.585)
Government Taxes & Levies	\$1.729	\$2.259	(\$0.530)
Total	<u>\$160.311</u>	<u>\$164.887</u>	<u>\$4.577</u>

Employee Costs

1. The EBA increase of 5%, (budget was 4.5%) has been absorbed, except for \$273k which has been funded from last year's surplus in recognition of the employees efforts. This will continue for the 3-year life of the EBA. The increase in employee costs of \$971k is partially funded through higher revenues, additional grants or reduction in operating expenditure. The increase in employee costs is explained by the inclusion of :
 - 1.1. 4.6 full time positions \$185k
 - 1.2. 6.0 temporary positions \$118k
 - 1.3. reclassifications of existing positions \$ 27k
 - 1.4. additional requirements for the startup of Fed. Square Visitor Centre \$105k

The major increases in full time positions includes:

- 1.5. the employment of additional Kindergarten Teachers (2.0);
- 1.6. the establishment of ArtPlay at Birrarung Marr (1.0); and
- 1.7. new Divisional Finance/Business Coordinator to support City Assets and Services Division's increasing complex business (1.0).

Materials & Services

2. The increase in Materials and Services is \$2,484k explained by the inclusion of the costs associated with the relocation costs associated with the accommodation project (\$2,198k) and the Celebrating Melbourne Awards (\$302k).

Finance and Insurance Costs

3. No material changes to finance and insurance costs.

Grants and Contributions

4. The increase in Grants & Contributions of \$585k is the result of sponsorships for:
 - 4.1. cleaning and maintenance grant to Federation Square \$330k
 - 4.2. Community Groups use of the Town Hall \$105k
 - 4.3. Marketing & Corporate Affairs sponsorships \$ 50k
 - 4.4. Cultural Development Network \$ 17k
 - 4.5. Indigenous Mentorship Grants \$ 28k

4.6. Student Research Awards	\$ 4k
4.7. Family Day Care	\$ 20k
4.8. Travellers Aid Society	\$ 4k
4.9. part time coordinator for South Yarra Senior Citizens	\$ 10k
4.10. International Solid Waste Association Congress	\$ 10k
4.11. Lord Mayor's Charitable Fund Bushfire Appeal	\$ 17k
4.12. Reduction of the Lord Mayor's Charitable Fund Race Day	(\$17k)

Government Taxes & Levies

5. Increase in Government Taxes & Levies by \$530k mainly due to the increase in the Fire Brigade Levy (\$517k).

Council Works Program

\$ Millions	<i>Total Gross Funding</i>		<i>External Funding</i>		<i>Open Space Contribution. Funding</i>	
	<i>Bid</i>	<i>MYR</i>	<i>Budget</i>	<i>MYR</i>	<i>Budget</i>	<i>MYR</i>
New Works	\$16.583M	\$16.054M	\$0.615M	\$1.515M	\$0.180M	\$0.180M
Refurbishment / Upgrade	\$20.438M	\$15.764M	\$2.575M	\$2.564M	\$1.805M	\$0.685M
Strategic Projects	\$0.200M	\$1.300M			\$0.200M	\$0.200M
Capital Growth	\$1.000M	\$1.000M	\$0.110M	\$0.110M		
Maintenance	\$3.938M	\$7.576M	\$0.300M	\$0.416M		
Capital Reserve		\$1.530M				
Sub-Total	\$42.159M	\$43.224	\$3.600M	\$4.605M	\$2.185M	\$1.065M
<i>Projects outside Council Works Program</i>						
<i>(Accommodation/Trivoli Square Project)</i>						
2002/03 Expend		\$2.775				
Carried Forward		\$90,253				
Capital						
Transfer from						
Investment		(\$93.028)				
Funds						
Expend. From projects outside of project		\$0				
Total	\$42.159M	\$43.224	\$3.600M	\$4.605M	\$2.185M	\$1.065M

Full Details:

002/03 Budget Gross Funding

42,159

	Reduction in Budget	Additional / New Budget	MYR Variance
<i>Parks & Recreation</i>			
02PR075R Fawkner Park Sth Pavilion Upgrade	(300)		
02PR084R Mercedes Park Southbank Refurb (Public Open Space Fund)	(460)		
02PR104N Dog Dispenser Unit Installation Works		32	
02PR054N Alexandra Gardens Lighting		50	
02PR107N Playground in Royal Park		60	
02PR009N Holland Park Pool Enclosure		60	
02PR093R Fitzroy Gardens Pathway Upgrade Works	(130)		
02PR092R Alexandra Gardens Pathways Upgrade	(70)		
02PR108R Princes Park Pavilion Upgrade Works		300	
02PR085R Lincoln Square Carlton	(400)		
02PR086R Canning St/Palmerson St Reserve	(30)		
02PR087R Curzon & Miller St Reserve	(150)		
02PR089R Miles & Dodds Reserve	(80)		
02PR350M Riverside Quay Water Feature		66	66
	(1,620)	568	(1,052)
<i>Facilities Management</i>			
02FM023R QVM Modifications to Heritage Sheds	(50)		
	(50)	0	(50)
<i>Financial & Business Services</i>			
02VL301M Pathway Property Enhancements	(13)		
02FS000N Internet Based Receivables B2C System	(90)		
01VL000 Pathway Property Enhancements	(37)		
02IB018N Docklands IT Infrastructure	(100)		
02EB000N Electronic Procurement		60	
02IB016R Upgrade DocsOpen to PowerDocs		50	
02IB022R Help Desk Upgrade		50	
02FS003N New Proxima for Level 4 Town Hall		5	
	(240)	165	(75)

	Reduction in Budget	Additional / New Budget	MYR Variance
<u>- City Projects</u>			
02CA011R		40	
02PM303M		150	
02PM007N	(200)		
02DE023N		155	
01DE0007R	(50)		
02PM305M		130	
02PM004N		70	
02DE016N	(10)		
02DE019N	(32)		
02DE020N	(45)		
02DE021N	(15)		
02PM001N		175	
02PM002N	(50)		
02PM002N		750	
02PM303M		100	
02PM305M		50	
02DE011S		1,100	
719313	(130)		
	(532)	2,720	2,188
<u>- Governance & Resources</u>			
02GS005N		10	
		10	10
<u>- City Strategy & Development</u>			
02DS010N		30	
02DS004N	(100)		
02DS004N		250	250
	(100)	280	180
<u>- Community Services</u>			
02CS002N	(300)		
02CS009N	(300)		
02CS008N		300	
02CS010N		180	
02CS013N		130	
	(600)	610	10
<u>- Parking & Traffic</u>			
02PT302M		75	
02PT000R	(25)		
02PT001N		25	
	(25)	100	75
<u>- Engineering Services</u>			
02ES314M	(30)		
02ES310R		20	
02ES134R	(250)		
02ES302R		239	
02ES304N	(100)		
02ES317M	(100)		
	(480)	259	(221)
MYR Variance in Gross Council Works Expenditure			
	(3,647)	4,712	1,065
TOTAL GROSS COUNCIL WORKS EXPENDITURE			43,224

	Reduction in Budget	Additional / New Budget	MYR Variance
2002/03 Budget External Contributions			(3,600)
CAPITAL			
- Engineering Services			
02ES134R VGC & Roads to Recovery Program	(250)		(250)
- City Projects			
02PM002N QVM Solar Project Implementation		750	750
- Development & Stat. Services			
02DS004N B.E.S.T.		250	250
MAINTENANCE			
- Engineering Services			
02ES302R Rehabilitation of Main Roads		239	239
02ES304N Walksafe Program	(100)		(100)
02ES317M Removal of Federation Arch	(100)		(100)
- Parks & Recreation			
02PR350M Riverside Quay Water Feature		66	66
- City Projects			
02PM303M Removal of Federation Arch		100	100
02PM305M City Christmas Decorations - Maintenance		50	50
MYR Variance in External Contributions	(450)	1,455	1,005
TOTAL EXTERNAL CONTRIBUTIONS			(4,605)
2002/03 Open Space Contribution Funding			(2,185)
- Parks & Recreation			
02PR084R Mercedes Park Southbank Refurb (Public Open Space Fund)	(200)		(200)
02PR085R Lincoln Square Carlton	(400)		(400)
02PR086R Canning St/Palmerson St Reserve	(30)		(30)
02PR087R Curzon & Miller St Reserve	(150)		(150)
02PR089R Miles & Dodds Reserve	(80)		(80)
- Community Services			
02CS013 ArtPlay	(260)		(260)
MYR Variance in Open Space Contribution Funding	(1,120)	0	(1,120)
TOTAL OPEN SPACE CONTRIBUTION FUNDING			(1,065)
TOTAL NET COUNCIL WORKS PROGRAM			37,554

Projects Outside the Works Program		
- City Projects		
02PM010N Council House Redevelopment	84,873	84,873
02PM020N Tivoli Square Redevelopment	8,155	8,155
Total Capital Expenditure		93,028
Funded by:		
Transfer from Investment Funds		(2,775)
Carried forward to 2003/04		(90,253)
		(93,028)
Expenditure from projects outside program		0

It is intended that there will be no carry forward. Contract work over two or more years will be funded in one year at a time, but accommodated as committed in our 5 year program. The Capital Reserve has been established to carry forward the funds on projects that will not be required in the current financial year, but required in future years to complete committed projects.

	Reduction in Budget	Additional / New Budget	MYR Variance
Capital Reserve			
Projects not fully completed in 2002/03			
- Parks & Recreation			
02PR092R Alexandra Gardens Pathways	(60)		(60)
02PR059N Fitzroy Gardens Playground	(100)		(100)
02PR033N Disabled Access to Pioneer Womens Garden	(35)		(35)
02PR008N Powlett Reserve Playground	(120)		(120)
02PR108R Princes Park Pavilion Upgrade	(40)		(40)
- Community Service			
02CS010N City Library Establishment	(350)		(350)
02CS013N ArtPlay	(350)		(350)
- Engineering Services			
01ES020R Cohen Place Restoration	(270)		(270)
- Financial Services			
02FS000N Internet Based Receivables	(65)		(65)
- CAS Directorate			
02AS000N IB Asset Management Modules	(140)		(140)
	(1,530)		(1,530)
Transfer to Capital Reserve	1,530		1,530

Statement of Cash Flow Details

	2002/03 Budget \$Millions	2002/03 MYR \$Millions	Variance \$Millions
Net cash provided by operating activities	\$31.229	\$31.273	\$0.044
Net cash (used in) investing activities	(\$34.257)	\$11.152	\$45.409
Net increase/(decrease) in cash held	(\$3.028)	\$42.425	\$45.453
Cash held at year end	\$103.975	\$157.384	\$53.409

Cash at the end of the Year

1. Overall, total cash and investments is forecast to increase by \$42,425k to \$157,384k as at the 30 June 2003. The increase in cash is largely the result of the receipt of proceeds from the sale of the Queen Victoria Hospital Site (\$53,335k), slightly offset by the establishment of the Sustainable Melbourne Fund (\$5,000k).

Net cash provided by operating activities

2. Net cash provided by operating activities of \$31,273k has increased by \$44k from the 2002/03 budget.

Net cash provided by investing activities

3. Net cash provided by investing activities of \$11,152k has increased significantly (by \$45,409k) from the 2002/03 budget explained by:
 - 3.1. The receipt of the proceeds from the sale of the Queen Victoria Hospital Site (\$53,335k) and
 - 3.2. The establishment of the Sustainable Melbourne Fund (\$5,000k).

Statement of Financial Position Details

	2002/03 Budget \$Millions	2002/03 MYR \$Millions	Variance \$Millions
Assets	\$1,914.521	\$2,142.477	\$227.956
Liabilities	\$41.119	\$42.023	\$0.905
Total Capital employed	\$1,873.402	\$2,100.453	\$227.051
Accumulated Surplus	\$1,416.294	\$1,450.194	\$33.900
Reserves	\$457.108	\$650.259	\$193.151
Equity	\$1,873.402	\$2,100.453	\$227.051

Assets

1. The increase in assets by \$227.956M is largely due to the revaluation of major asset classes at the 30 June 2002 (\$189.579M) to ensure the value of the assets at the end of the financial year are at fair value and the addition of Birrarung Marr land received from the State Government in 2001/02 (\$27.1M).

Liabilities

2. Only a minor increase of \$0.905M in the liabilities.

Equity

3. The increase in equity of \$227.051M results directly from the revaluation of major asset classes at the 30 June 2002 (\$189.579M)
4. In addition to this change an amount of \$1.065M will be transferred from Council reserves to accumulated surplus. This reflects the usage of the Public Open Space Reserve to fund some projects in the Council Works Program. As this transfer is a movement between balances within equity, it has no impact on the total balance of the equity.

PUBLIC NOTICE
CITY OF MELBOURNE
PREPARATION OF REVISED ANNUAL BUDGET FOR 2002/2003

At its meeting on 30 January 2003, the Council resolved to prepare a Revised Budget (Operating Budget) for the financial year 2002/2003.

In accordance with Section 146 of the Local Government Act 1989, the Council hereby gives public notice of this revised budget. The Council will meet on 27 February 2003 to formally adopt the revised budget.

In addition to income and expenditure category details, the following relevant information is applicable to the budget:

- (a) total amount borrowed as at 30 June 2001 = Nil;
- (b) total amount to be borrowed during the financial year or the total amount borrowed immediately before the preparation of the revised budget other than borrowings to refinance existing loans = Nil;
- (c) the total amount to be redeemed during the financial year = Nil;
- (d) the projected total amount of borrowings as at 30 June 2003 = Nil;
- (e) the projected cost of servicing the borrowings during the financial year = Nil;
- (f) the proposed rate in the dollar to be levied for each type of rate to be levied:

Class of Land	Differential Rate
Residential	5.66 cents in the dollar
Non-Residential	6.41 cents in the dollar

- (h) the proposed municipal charge = Nil;
- (i) the proposed unit amount for each type of change to be levied under Section 162 of the Act = Nil;
- (j) A summary of reasons for the preparation of the revised budget is:

The revised budget has been completed to take into account the proceeds received from the Queen Victoria Hospital site, the increase in parking meter fees by 20 cents per hour in the CBD and to incorporate changes arising in revenue and expenditure items for the remaining part of the financial year; and

The proceeds from the sale of the QVHS has been retained in reserves and other changes are explained in Attachment 1 through 10 contained in the report to Council, copies of which are available for inspection at locations identified in this public notice.

PUBLIC INSPECTION

Copies of the revised budget are available for inspection on weekdays 8.30 am to 5.00 pm from 1 February 2003 until and including the 17 February 2003 at the following locations:

Ground Floor Foyer of the Council's Administrative offices, Swanston Street, Melbourne;
North Melbourne Library, 66 Errol Street, North Melbourne;
East Melbourne Library, 122 George Street, East Melbourne;
Carlton Baths Community Centre, 248 Rathdowne Street, Carlton; and
Council's Internet Site: www.melbourne.vic.gov.au

Any person may make a written submission to the Council within the period ending 17 February 2003, on any proposal in the annual budget. The postal address for written submissions is:

Manager Governance Services
The City of Melbourne
GPO Box 1603M
MELBOURNE VIC 3001

The Finance, Corporate Services and Governance Committee of Council will consider any written submissions and will hear any person who wishes to be heard in support of their submission or any person acting on his or her behalf, at a special meeting to be held on 20 February 2003 at 5.00pm in the Council Meeting Room, 2nd Floor Town Hall, Swanston Street, Melbourne.

Michael Malouf
Chief Executive Officer