

AGENDA

Finance and Governance Committee

Monday, 08 May 2023

6:00pm

Waratah Room

Georges River Civic Centre

Hurstville



OATH OF OFFICE OR AFFIRMATION OF OFFICE

All Georges River Councillors are reminded of their Oath of Office or Affirmation of Office made at the time of their swearing into the role of Councillor.

All Councillors are to undertake the duties of the office of Councillor in the best interests of the people of the Georges River Council area and are to act faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act 1993 or any other Act to the best of their ability and judgement.

DISCLOSURES OF INTEREST

All Georges River Councillors are reminded of their obligation to declare any conflict of interest (perceived or otherwise) in a matter being considered by Council or at any meeting of Council.

FINANCE AND GOVERNANCE COMMITTEE

ORDER OF BUSINESS

OPENING

ACKNOWLEDGEMENT OF COUNTRY

APOLOGIES / LEAVE OF ABSENCE

REQUEST TO JOIN VIA AUDIO VISUAL LINK

NOTICE OF WEBCASTING

DISCLOSURES OF INTEREST

PUBLIC FORUM

CONFIRMATION OF MINUTES OF PREVIOUS MEETING

MINUTES: Finance and Governance Committee - 11 April 2023 (SF23/691)

CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

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CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Item: FIN017-23 Confirmation of the minutes of the previous meeting held on 11 April 2023

Author: Executive Services Officer

Directorate: Office of the General Manager

Matter Type: Previous Minutes

FIN017-23

RECOMMENDATION:

That the Minutes of the Finance and Governance Committee Meeting held on 11 April 2023 be confirmed.

ATTACHMENTS

Attachment 1 Unconfirmed Minutes - Finance and Governance Committee - 11 April 2023

MINUTES

Finance and Governance Committee

Tuesday, 11 April 2023

6:00pm

Waratah Room

Georges River Civic Centre

Hurstville

UNCONFIRMED MINUTES



GEORGES RIVER COUNCIL

PRESENT

COUNCIL MEMBERS

The Mayor Nick Katris, Councillor Elise Borg (Chairperson), Councillor Veronica Ficarra, Councillor Christina Jamieson, Councillor Peter Mahoney and Councillor Colleen Symington.

COUNCIL STAFF

Acting Director Business and Corporate Services - Danielle Parker, Acting General Counsel – Sue Weatherley, Chief Audit Executive – Juliette Hall, Head of Strategic Property – Bernard Morabito, Acting Executive Manager – Vicki McKinley, Executive Services Officer – Marina Cavar, (Minutes) Acting Team Leader Technology Business Support– Mark Tadros.

OPENING

The Chairperson, Councillor Borg, opened the meeting at 6.03pm.

ACKNOWLEDGEMENT OF COUNTRY

Councillor Borg acknowledged the Bidjigal people of the Eora Nation, who are the Traditional Custodians of all lands, waters and sky in the Georges River area. I pay my respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples who live, work and meet on these lands.

APOLOGIES/LEAVE OF ABSENCE

There were no apologies or requests for leave of absence.

REQUEST TO ATTEND MEETING VIA VISUAL AUDIO LINK

There were no requests to attend via Audio Visual Link

NOTICE OF WEBCASTING

The Chairperson, Councillor Borg, advised staff and the public that the meeting is being recorded for minute-taking purposes and is also webcast live on Council's website, in accordance with Section 4 of Council's Code of Meeting Practice. This recording will be made available on Council's website.

DISCLOSURES OF INTEREST

There were no disclosures of interest made.

PUBLIC FORUM

There were no registered speakers.

CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

FIN011-23 Confirmation of the minutes of the previous meeting held on 13 March 2023
(Report by Executive Services Officer)

RECOMMENDATION: Councillor Symington and Councillor Mahoney

That the Minutes of the Finance and Governance Committee Meeting held on 13 March 2023 be confirmed

Record of Voting:

For the Motion: Unanimous

COMMITTEE REPORTS

FIN012-23 Investment Report as at 28 February 2023
(Report by Acting Senior Financial Accountant - Reporting)

RECOMMENDATION: Councillor Mahoney and Councillor Symington

That the Investment Report as at 28 February 2023 be received and noted by Council.

Record of Voting:

For the Motion: Unanimous

FIN013-23 Audit, Risk and Improvement Committee - Minutes of meeting held on 9 December 2022
(Report by Chief Audit Executive)

RECOMMENDATION: Councillor Mahoney and Councillor Symington

That the confirmed Minutes of the Audit Risk and Improvement Committee meeting held on 9 December be received and noted by Council.

Record of Voting:

For the Motion: Unanimous

Note: Councillor Jamieson arrived to the meeting at 6.08pm.

Note: Councillor Ficarra arrived to the meeting at 6.10pm.

FIN014-23 2022/23 Half Yearly Progress Report for Quarter Ending 31 December 2022.
(Report by Manager Office of the General Manager)

RECOMMENDATION: Councillor Symington and The Mayor, Councillor Katris

- (a) That Council receive and note the Half Yearly Progress Report July 2022 - December 2022.
- (b) That Council endorse the Delivery Program and Operational Plan items recommended for cancellation, being placed on hold, or altered as detailed in Attachment 1.
- (c) That a copy of the Half Yearly Progress Report July 2022 – December 2022 be published on Council's website.
- (d) That the General Manager be delegated authority to make minor editorial changes to the

Half Yearly Progress Report prior to publishing on Council's website.

Record of Voting:

For the Motion: Unanimous

FIN015-23 Property Matter - Commercial Property Portfolio Report as at 31 December 2022
(Report by Head of Strategic Property)

RECOMMENDATION: Councillor Mahoney and The Mayor, Councillor Katris

- (a) That the report "Property Matter - Commercial Property Portfolio Report as at 31 December 2022" be received and noted by Council.

Record of Voting:

For the Motion: Unanimous

FIN016-23 Property Matter - Lease of Airspace - Outdoor Terrace - Hurstville Plaza
(Report by Head of Strategic Property)

RECOMMENDATION: Councillor Symington and Councillor Jamieson

- (a) That the General Manager be authorised to enter a lease agreement for the airspace occupied by the Level 1 outdoor terrace located within Hurstville Plaza, legally described as Lot 16 in Deposited Plan (DP) 4799.
- (b) That prior to entering into lease, the proposed lease be advertised in accordance with Section 47 of the Local Government Act, 1993.

Record of Voting:

For the Motion: Unanimous

CONCLUSION

The Meeting was closed at 6.23pm.

Chairperson

COMMITTEE REPORTS

Item: FIN018-23 Investment Report as at 31 March 2023
Author: Acting Senior Financial Accountant - Reporting
Directorate: Business and Corporate Services
Matter Type: Committee Reports

FIN018-23

RECOMMENDATION:

That the Investment Report as at 31 March 2023 be received and noted by Council.

EXECUTIVE SUMMARY

1. This report details Council’s performance of its investment portfolio as at 31 March 2023 and compares its performance against key benchmarks.
2. This report also includes the estimated market valuation of Council’s investment portfolio, loan liabilities and any required update on Council’s legal action against various parties.
3. Council’s annualised rate of return as at 31 March 2023 is 2.05% which is 0.01% above benchmark with income from interest on investments totalling \$4,223,000 which is \$1,782,000 higher than the year-to-date adopted budget of \$2,441,000.

BACKGROUND

4. Council’s Responsible Accounting Officer is required to report monthly on Council’s investment portfolio and certify that the investments are held in accordance with Council’s Investment Policy, section 625 of the *Local Government Act 1993* and *Local Government (General) Regulation 2021*.

INVESTMENT PERFORMANCE COMMENTARY

5. Council’s performance against the benchmark for returns of its investment portfolio for March 2023, are as follows:

	1 Month	3 Month	12 Month
Portfolio Performance	0.26%	0.74%	2.05%
Performance Index	0.28%	0.79%	2.04%
Excess Performance	-0.02%	-0.05%	0.01%

Notes:

- (a) Portfolio performance is the rate of return of the portfolio over the specified period.
- (b) The Performance Index is the Bloomberg Ausbond Bank Bill Index.
- (c) Excess performance is the rate of return of the portfolio in excess of the (b) Performance Index.

6.

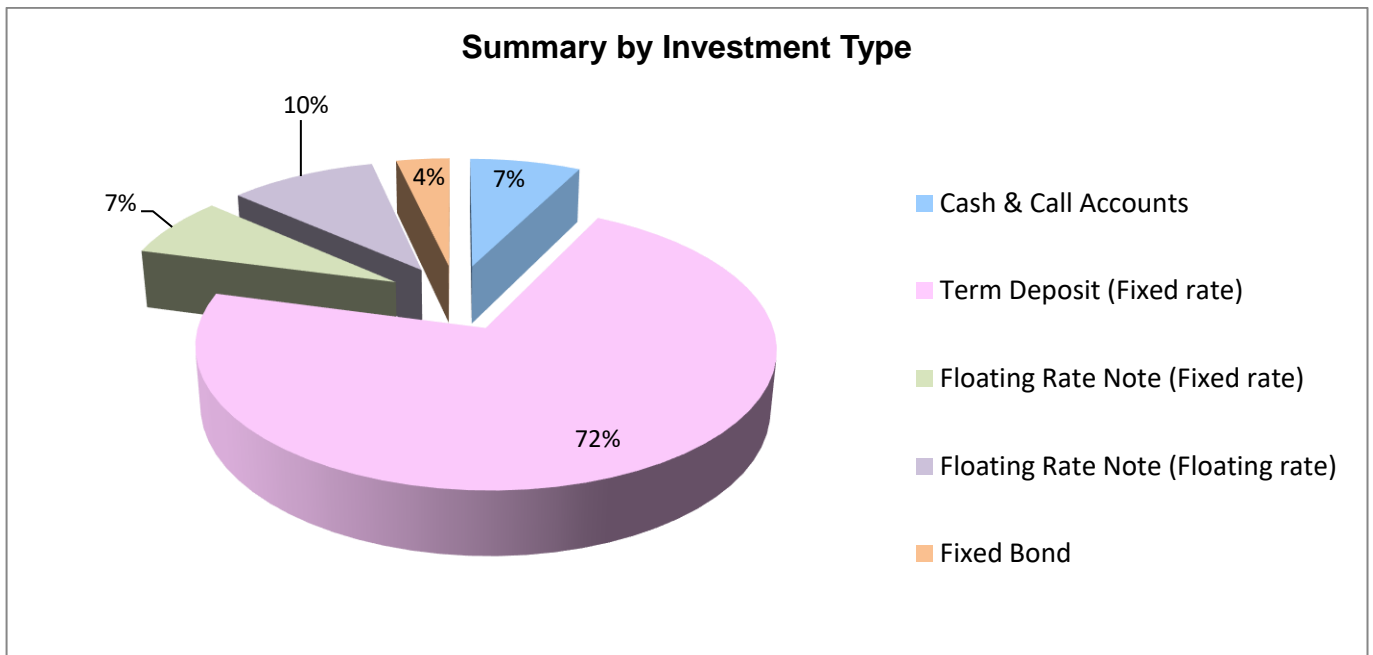
Council’s investment portfolio as at the end of March 2023 was as follows:

Security Type	Market Value \$000's	% Total Value
At Call Deposit	2,190	0.99%
Consolidated Cash Fund	14,439	6.50%
Term Deposit (Fixed rate)	159,000	71.63%
Floating Rate Note (Fixed rate)	16,350	7.37%
Floating Rate Note (Floating rate)	21,998	9.91%
Fixed Bond	8,000	3.60%
Portfolio Total	221,977	100%

FIN018-23

7. At the end of March 2023, total cash and investments were \$222 million, which was a decrease of \$5 million from the previous month (February 2023: \$227 million).
8. Council continues to utilise the Federal Government’s current guarantee (\$250,000) investing in term deposits with a range of Authorised Deposit Taking Institutions (ADI’s).

TYPE OF INVESTMENTS

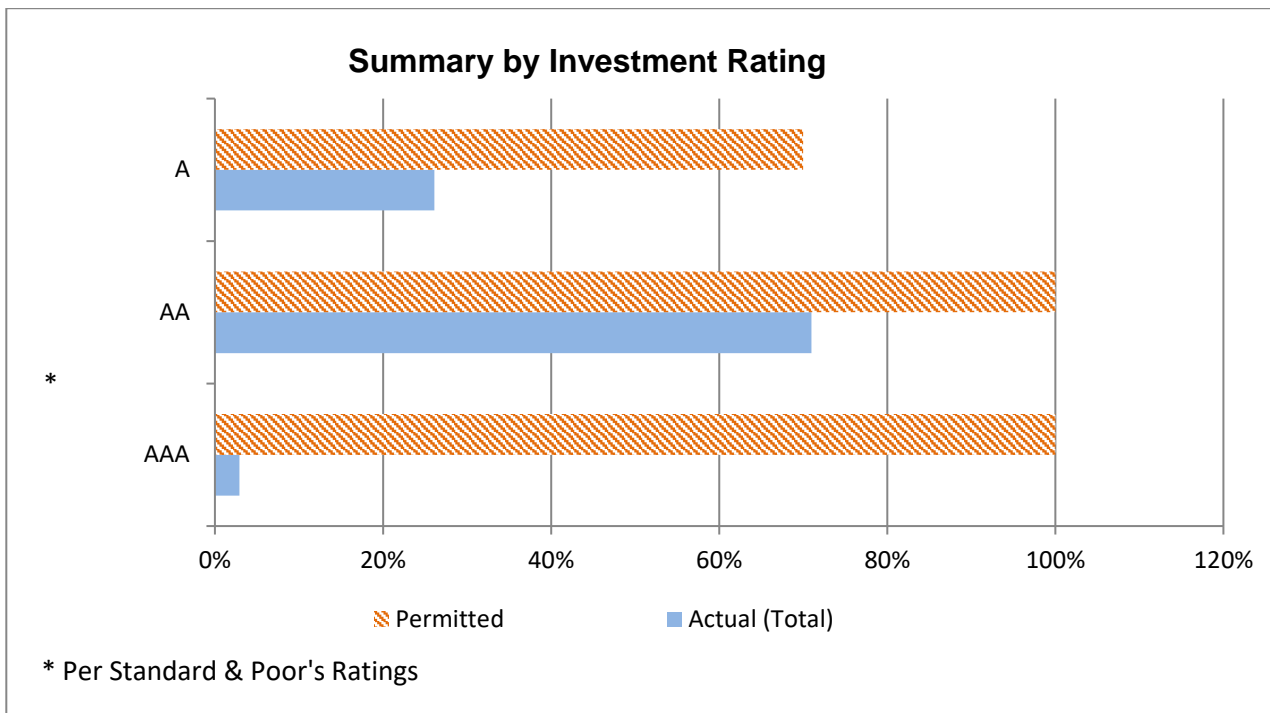


9. The majority of Council’s investment portfolio is made up of fixed term deposits, which account for approximately 72% of total investments.
10. Bank Floating Rate Notes (FRN) can offer liquidity and a higher rate of income accrual, which is highly recommended by our Investment Advisors (CPG Research & Advisory).
11. The following are the types of investments held by Council:
 - a) Cash and Call Accounts refer to funds held at a financial institution and can be recalled by Council either same day or on an overnight basis.
 - b) An FRN is a debt security issued by a company with a variable interest rate. This can either be issued as Certificates of Deposit (CD) or as Medium-Term Notes (MTN). The interest rate can be either fixed or floating, where the adjustments to the interest rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.

- c) A Term Deposit is a debt security issued by a company with a fixed or floating interest rate over the term of the deposit, where the adjustments to the interest rate are usually made quarterly and are tied to a certain money market index such as the Bank Bill Swap Rate.
- d) A Fixed Bond is a debt security issued by a government in a form of fixed rate of interest at a specified time.

POLICY LIMITS

12. The graph below shows the investment rating limits, as a percentage of total cash investments, which are allowed under Council’s Investment Policy. All funds invested are within the limits set in the Investment Policy.



INVESTMENT INCOME

- 13. Income from interest on investments totals \$4,223,000 which is \$1,782,000 higher than the year-to-date adopted budget of \$2,441,000.
- 14. Investments have been made in accordance with the *Local Government Act 1993*, Minister’s Guidelines, Regulations and Council’s Investment Policy.

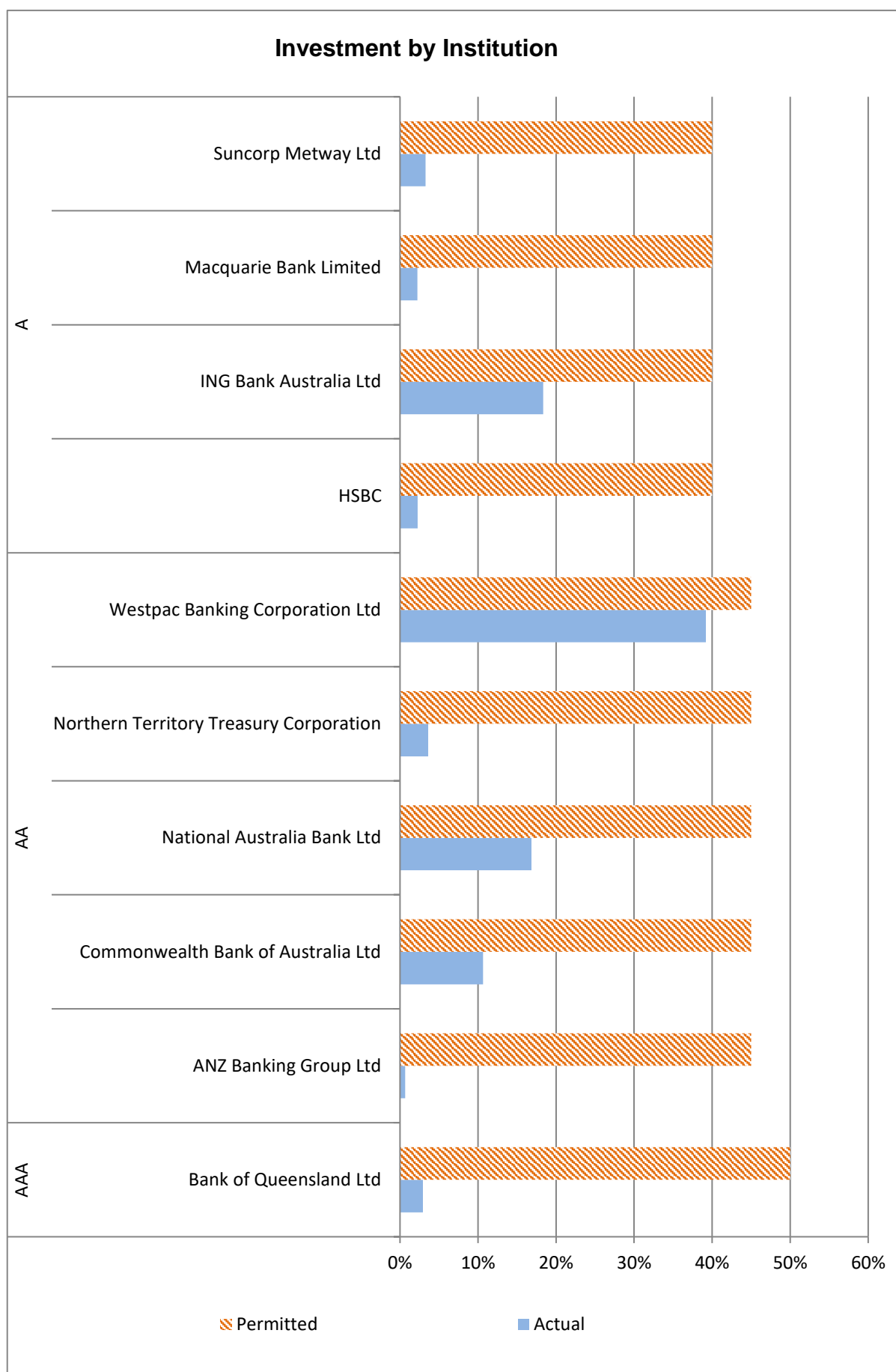
ANALYSIS OF INVESTMENTS

15. Investment Duration

Investment Term	Market Value \$000's	% Total Value	Policy Limits %
0 to < 1 Year	93,633	42.18%	100%
1 to < 3 Years	55,744	25.11%	60%
3 to < 5 Years	72,600	32.71%	40%
Portfolio Total	221,977	100.00%	

16. Council’s portfolio is liquid, with 42% of assets maturing within 12 months. FRNs, At-Call Funds and Fixed Bonds also provide additional liquidity in an emergency.

17. The following graph shows the analysis of the total cash investment by institution as at 31 March 2023.



FIN018-23

CREDIT RATING

18. Credit ratings are generally a statement as to an institution's credit quality. Council's investment advisors (CPG Research & Advisory) use standard & poor's credit ratings to classify the investments held by Council. Ratings ranging from AAA to A (short term) & AAA to A (long term) are considered investment grade.

19. A general guide for the meaning of each credit rating that Council deals with is as follows:

Short-term

AAA: The highest possible quality. An obligor's capacity to meet its financial commitments on the obligation is extremely strong.

AA: The best quality companies, reliable and stable. An obligor's capacity to meet its financial commitments on the obligation is very strong.

A: The obligor's capacity to meet its financial commitments on the obligation is still strong but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

Long-term

AAA: The highest possible quality. An obligor's capacity to meet its financial commitments on the obligation is extremely strong.

AA: Quality companies, a bit higher risk than AAA. An obligor has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A: Economic situation can affect finance. An obligor has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

20. The credit quality of Council's portfolio is high with 100% of assets rated 'A' or higher.

COUNCIL'S INVESTMENT POWERS

21. Council's investment powers are regulated by Section 625 of the *Local Government Act 1993*, which states:

- A council may invest money that is not, for the time being, required by the council for any other purpose.
- Money may be invested only in a form of investment notified by order of the Minister published in the Gazette.
- An order of the Minister notifying a form of investment for the purposes of this section must not be made without the approval of the Treasurer.
- The acquisition, in accordance with Section 358, of a controlling interest in a corporation or an entity within the meaning of that section is not an investment for the purposes of this section.

22. Council's Investment Policy and strategy requires that all investments are to be made in accordance with:

- *Local Government Act 1993* - Section 625
- *Local Government Act 1993* - Order (of the Minister) dated 12 January 2011
- The Trustee Amendment (Discretionary Investments) Act 1997 - Sections 14A (2), 14C (1) & (2)

- *Local Government (General) Regulations 2021*
- Investment guidelines issued by the Department of Local Government

LEGAL MATTERS

23. Georges River Council is participating in a Group Class Action since January 2019 against Fitch Ratings Inc and Fitch Ratings Ltd (collectively Fitch), in respect to losses suffered in relation to products Council acquired which were rated by Fitch, specifically the Corsair (Cayman Islands) No.4 Ltd Series 6 Kakadu Collateralised Debt Obligation (CDO) notes (rated AA by Fitch but estimated in fact BB). Council suffered a capital loss of \$215,000 on these investments dating back to December 2006 and will seek damages of the capital loss including lost interest, as part of the action.
24. As a Group Member, Council will not incur any legal costs or disbursements, or be liable for any adverse costs order that the Court may make in the proceedings. The Banton Group Pty Ltd (Banton) is the legal firm acting for Council in relation to the class action proceedings against Fitch, engaged on November 2020. Banton has been working on the matter and conferring with consultant experts on a new potential fraud issue within Fitch's ratings methodology. The latest correspondence on this matter was in March 2023, where Banton anticipates there is still further work to be done but is moving closer towards the anticipated commencement of the proceedings against Fitch.

FINANCIAL IMPLICATIONS

25. Income from interest on investments totals \$ \$4,223,000 which is \$1,782,000 higher than the year-to-date adopted budget of \$2,441,000.

RISK IMPLICATIONS

26. Enterprise risk/s identified, and management process applied.
27. Council's enterprise risk identified was 'poor financial management adversely impacts Council's long-term financial sustainability'. The risk has been managed by Council's management of investments in accordance with the relevant Act and Regulations, along with Council's adopted Investment Policy and introduction of the SRV. To further minimise the risk, Council is progressively moving towards the placement of investments only in investments rated A or above.

COMMUNITY ENGAGEMENT

28. No community consultation is required.

FILE REFERENCE

D23/67450

ATTACHMENTS

Attachment [↓](#)1  P09. Investment Portfolio as at 31 Mar 2023



INVESTMENT REPORT

As at 31 March 2023

Item: FIN019-23 Quarterly Budget Review Report for Period Ended 31 March 2023

Author: Business Performance Accountant

Directorate: Business and Corporate Services

Matter Type: Committee Reports

RECOMMENDATION:

- (a) That Council receives and notes the contents of this report in relation to the Quarterly Budget Review for the period ending 31 March 2023.
- (b) That Council adopt the proposed amendments to the 2022/23 Budget as outlined in Attachment 1.

EXECUTIVE SUMMARY

1. This report highlights Council's March year to date (YTD) performance against the 2022/23 adopted budget and presents budget variations in consideration of projected financial results.

BACKGROUND

2. Section 203 of the Local Government (General) Regulation 2021 requires that a Quarterly Budget Review be considered by Council that shows current estimates for income and expenditure for the year; indicates whether Council's financial position is satisfactory and makes recommendations for remedial action, if required.
3. The 2022/23 Budget is the first year Council is forecast to achieve a surplus and difficult prioritisation of valued services, projects and programs will continue to be essential in achieving financial sustainability and compliance with Council's legislative obligations.
4. To achieve the projected surplus, a cost reduction strategy has been applied to both employee costs and materials and contracts. This strategy aims to reduce expenditure by \$8 million. The budget has been prepared on the following budget strategy:
 - Service levels have been capped to align with constrained resources and achieve the operating surplus adopted in the LTFP.
 - Award increase is 2% (\$1.3 million), plus Superannuation increase 0.5% (\$350,000 annually), plus Councillor allowances and superannuation increase (\$60,000 annually).
 - Union advocacy includes request for additional staffing levels and resourcing to cope with the significant increase in workload since 2020/2021.
 - The employee costs reduction strategy continues to include a 5-7% vacancy rate and a 16-week recruitment hold to achieve the operating surplus adopted in the LTFP.
 - Two-week Christmas shutdown that includes the provision of three grant days (\$650,000).

- A \$4.5 million reduction across the overall materials and contracts budget (i.e., consultancies, professional services, contractors for trees, maintenance, cleansing etc.).
- Budgeted for final repayment of the Mortdale Jubilee Community Centre loan.
- The approved Special Rate Variation (SRV) has been applied.
- Standard CPI increase of 3.5% has been applied across materials, services, and expenses (note: current trends are indicating large increases in labour, materials, fuel costs etc.).
- Income projections are based on business as usual and do not include further COVID-19 or natural disaster implications.
- Subsidies are proposed to be applied to Council's premium facilities, commercial, community facilities, consistent with previous years and COVID-19 recovery programs.
- Investment interest income has been projected to increase based on an assumed improvement in rate of return.
- Domestic waste charges remain at 2021/22 levels.
- The mandatory (legislated) pensioner rebate has been increased to \$1 million
- Depreciation is forecast to increase by \$800,000 due to the rising cost of replacement, though this figure may be impacted by the most recent natural disaster and asset condition deterioration.
- Eligible Fees and Charges have been set at a 3-5% increase.
- Council's rates default level has been assumed to not return to pre COVID-19 levels as high inflation is likely to impact cost of living and overdue rates.
- The Councillor Discretionary Ward fund has not been included as part of the budget strategy.
- Continued anticipated legal costs (\$1.2 million) for the ongoing ICAC Investigation have been included.
- Disposal of underperforming/end of life assets (plant).
- Insurance premiums have been set to increase based on natural disaster, cost of replacement, etc.
- Community and sporting group rental subsidies remain unchanged (\$1.5 million in forgone income).
- Venue hire program remains unchanged (\$420,000 in forgone income).
- Childcare fees have been set to comply with the Childcare Policy of cost neutral operating budget.
- Strategic compulsory land acquisitions have been included as per the gazetted LEP.
- Over \$10 million in operational costs have been deferred/removed/reduced in 2022/23.
- Budget bids have been selected and prioritised based on legislative, strategic and safety drivers.

- Implementation of productivity improvements and cost efficiencies identified in the adopted IPART application continues.
 - The 2022/23 Capital budget will have a large carryover of projects from 2021/22, due to COVID-19 impacts, cost and time variations and heavy rainfall over the Quarter three period.
5. The December Budget Review reduced the budgeted operating surplus from the September Budget Review position of \$1.9 million to \$1.6 million (though this is still an improvement on the adopted budget position of \$1.2 million). The reduction in the surplus is largely due to increases in expenditure on
- a. Plan of Management and Master Plan for Carss Bush Park and Todd Park \$120,000
 - b. Business case for a local aquatic facility at Carss Park \$200,000

Overview - Financial Quarter Performance

6. Several events/trends are evolving following the adoption of the 2022/23 Budget which may impact the final results and will continue to be monitored through to the end of the year. Specific items include:
- a. The CPI rose 7.0% over the twelve months to March 2023, whereas the Budget assumes 3.5%.
 - b. The amendment to management fees at Hurstville Aquatic and Leisure Centre (HALC) and the Hurstville Golf Course (HGC), which will have an unfavourable impact on the operating surplus of \$632,000.
 - c. Cash rate increase to 3.10%, which is anticipated to peak as high as 3.85% during 2023. This has a positive impact on Council's forecast interest income, and it is anticipated this result will assist in offsetting the unfavourable variance to income associated with reduced management fees at HALC and HGC.
 - d. Further cash rate increases may result in a downturn in economic activity and mortgage stress for ratepayers. The financial impact from these events may unfavourably impact other revenue items such as rates cash flow, commercial income, development fees, etc.
7. The overall financial performance of Council to March 2023 is showing an operating surplus of \$4.5 million. Operating income of \$116.6 million is currently higher than budget by \$3.1 million, and expenditure is \$112.1 million which is lower than budget by \$2.6 million.
8. The Quarter 3 performance is trending similar to prior year trends in that expenditure, whilst trending higher in Quarter 3, still remains under budget. Based on historical trends and feedback from Managers, Quarter 4 expenditure will likely trend higher again and bring Materials and Services closer to the forecasted 2022/23 budget. The savings in Employee costs are expected to largely remain through to year end as vacancies continue to be filled.
9. As per previous reviews, any income reductions are being closely monitored to ensure that they continue to be offset by expenditure savings or other sources of income to ensure there is a nil impact to Council's adopted budget position.
10. Attachment 1 details the proposed changes in income and expenditure for Quarter 3.

Operating Income - Financial Quarter Performance

11. Operating income to March 2023 year to date (YTD) is currently trending above budget by \$3.1 million, and it is anticipated that the overall income result will finish favourable to budget by the end of the 2022/23 financial year.
12. This is primarily due to better-than-expected income from:
 - a. Interest income of \$4.4 million due to higher than anticipated return on investment portfolio income (\$1.9 million above budget March YTD)
 - b. Regulatory Fines income of \$4.8 million (\$730,000 above budget March YTD)
 - c. Net Gain on Disposal of assets \$1.3m (\$1.2 million above budget March YTD)
13. Whilst overall operating income is performing favourably to budget, there are a number of items below budget to March 2023 YTD which will be monitored to the end of the financial year to ensure there is a minimal impact to the full year projected operating result. Some of these areas include:
 - a. Development Assessment Fees of \$1.1 million (\$400,000 below budget), which has been due to a downturn in the number of development applications
 - b. Commercial Car Parking income of \$820,000 (\$230,000 below budget), which has been attributable to the use of commercial car parking centres not returning to the forecasted pre-pandemic levels.
 - c. Restorations Reinstatements of \$658,000 (\$120,000 below budget) due to lower than anticipated road and footpath reinstatements.

Operating Expenditure - Financial Quarter Performance

14. Operating expenditure is currently below budget by \$2.6 million to the end of March 2023.
15. The main contributor to this saving is in employee costs, which are currently \$2.8 million under budget due to a higher than forecasted vacancy and turnover rate. Recruitment has been increasing in recent months, and whilst vacancy rates are anticipated to reduce in the final quarter, it is expected that these saving will be largely maintained to the end of the financial year.
16. Materials and Services and Other Expenses are under budget by \$700,000. The majority of savings are in Event Costs (\$300,000 under Budget March YTD) and Community Grants and Donations (\$200,000 under Budget March YTD) This is primarily due to the timing of expenditure in areas where some Events and Community Grants Programs being run in the last quarter of the financial year, and it is anticipated that overall Materials and Services and Other Expenses will be more aligned to budget by the end of the financial year.

Overview of the Quarter 1 Proposed Budgetary Changes

17. The proposed amendments to the 2022/23 Operating Budget result in no change to the Operating Budget surplus of \$1.6 million.
18. There is an additional Tree Planting Program of \$18,000 being proposed, which has offsetting income due to the receiving of a new Grant and does not alter the forecasted operating surplus.

Capital Program, Cash Flow and Reserve Balances - Financial Quarter Performance

19. Capital expenditure for Quarter 3 was \$4.0 million, with material expenditure occurring on:
 - Hurstville Cricket Pavilion \$1.3 million
 - Mortdale Shopping Centre Upgrade \$308,000

- Hurstville Revitalisation \$811,000
 - Riverwood Reconnected (Streets as Shared Spaces) \$151,000
 - Forest Rd and Durham St, Hurstville Intersection Upgrade \$373,000.
20. The proposed amendments to the Capital Program result in a revised capital expenditure budget of \$64.6 million, which is a \$1.7 million increase on the previous quarter. Details of these adjustments can be seen in Table 4 of Attachment 1.
21. It should be noted that the \$64.6 million Capital Works budget is not expected to occur entirely in the 2022/23 financial year. Table 7 of Attachment 1 shows the timing of cash expenditure for the revised Capital Budget, with \$34.1 million expected to outflow in the 2022/23 financial year and the remainder for 2023/24. These timings will be closely monitored over the next Quarter, as there will need to be a significant increase in expenditure given the current levels of expenditure to Quarter 3, and the cash forecast may need to be adjusted to accurately inform the 2023/24 Budget.
22. The income budgeted for Capital Grants has been increased by \$2.4m to \$18.9 million, to recognise the higher levels of developer contributions Section 94 income received in 2022/23.
23. The year-to-date outflow of cash has slowed based on operational expenditure being under budget and the capital program expenditure being lower than anticipated.

FINANCIAL IMPLICATIONS

24. Attachment 1 contains detailed information on the proposed changes and Quarterly results.
25. The proposed amendments to the 2022/23 Operational Budget has a result in no change to the projected operating surplus of \$1.6 million, which is a \$400,000 improvement from the Adopted Budget surplus of \$1.2 million.
26. The proposed amendments to the Capital Program result in a revision to \$64.6 million, with \$34.1 million of this forecasted to be spent in the 2022/23 financial year.
27. Council must continue to adhere to the principles of sound financial management to protect cash for ongoing operations and continue to ensure Council avoids operating in deficit, as internal reserves have declined over recent years and are largely committed for future expenditure.

RISK IMPLICATIONS

28. Based on a number of key events and trends evolving, 2022/23 is anticipated to continue to be a volatile year in terms of forecasting financial results. It is essential Council continues to ensure the financial position of Council managed diligently.
29. Council must comply with Section 8B of the Act - Principles of sound financial management; and in particular the following sub sections of section 8B:
- “(a) Council spending should be responsible and sustainable, aligning general revenue and expenses...”*
- (d) Councils should have regard to achieving intergenerational equity, including ensuring the following:*
- (i) policy decisions are made after considering their financial effects on future generations,*
 - (ii) the current generation funds the cost of its services”.*

COMMUNITY ENGAGEMENT

Item: FIN020-23 Property Matter - Commercial Property Portfolio Report as at 31 March 2023

Author: Strategic Property Specialist

Directorate: Business and Corporate Services

Matter Type: Committee Reports

FIN020-23

RECOMMENDATION:

That the report “Property Matter – Commercial Property Portfolio Report as at 31 March 2023” be received and noted.

EXECUTIVE SUMMARY

1. This report contains information about the properties within the Commercial Property Portfolio including commercial car parking.
2. The report responds to the ongoing audit of Council’s commercial leases and licences and the execution of new leases and licences, having regard to the commercial-in-confidence nature of the various leases and licences.
3. The table below shows the performance of the portfolio up to 31 March 2023.

BACKGROUND

4. This report provides a summary of income performance against budget for Council’s Commercial Property Portfolio.

Property Type	Number of Properties	No. of Current Vacant Premises	YTD Net Result Actual	YTD Net Result Budget	Variance	Comments
Commercial Properties inc. retail	81	9	\$2,167,535	\$2,189,940	\$22,406 (deficit)	Income generally on track, with relatively high expenses across the portfolio in past quarter.
Commercial Car Parks	7	NA	\$342,631	\$681,617	\$338,986 (deficit)	Nett position includes all associated establishment costs and holding costs. 76,754 free 2-hour tickets issued in Pay and Display car parks.
Footway Trading	81 (Not included in total below)	NA	\$19,365	\$57,770	\$38,405 (deficit)	Deficit due to unavailability of premium outdoor dining areas and sluggish uptake for new outdoor dining areas.
Outdoor Furniture Advertising	3	0	\$196,324	\$157,500	\$38,824 (surplus)	Income on track.
Telecoms	5	0	\$77,364	\$99,832	\$22,469 (Deficit)	Income on track.
Totals	96	9	\$2,803,219	\$3,186,659	\$383,442 (deficit)	

5. There are currently nine (9) vacancies across the portfolio which is a healthy position given the current economic climate affecting commercial property. It should be noted that commercial car parking continues to be impacted by poor attendance numbers particularly for some of the access-controlled car parks.

FINANCIAL IMPLICATIONS

6. Budget variations are briefly explained in the table above, but, while income from commercial and retail leasing activity is slowly improving, revenue derived from Council's commercial car parks remains sluggish.
7. The net position of commercial car parking is affected by lower-than-expected traffic volumes due to continued hybrid working arrangements and the realignment of asset holding costs such as strata fees.
8. For the period 1 January 2023 and 31 March 2023, Council issued 76,754 free 2-hour tickets in the "Pay and Display" car parks of MacMahon Street, Treacy Street and Gloucester Road.

RISK IMPLICATIONS

9. As previously reported the economy is showing signs of subdued, though increasing growth towards pre COVID-19 levels but this may not be sustained due to lingering consumer and business caution, diminishing fiscal support, rising interest rates and the strains of rising public and private debt.

COMMUNITY ENGAGEMENT

10. No community engagement is required for this report.

FILE REFERENCE

D23/36279

Item: FIN021-23 Property Matter - Proposed Reclassification and Sale of Part Moore Park, Beverley Park

Author: Head of Strategic Property

Directorate: Business and Corporate Services

Matter Type: Committee Reports

FIN021-23

RECOMMENDATION:

That should Council wish to proceed with the reclassification and disposal of Part of Lot 160 in DP19098, being part of Moore Park, Beverley Park, that the General Manager provide a further report to Council outlining details of all costs, consideration payable and options in regard to replacement of open space.

EXECUTIVE SUMMARY

1. Council is the registered proprietor of public open space land known as Moore Park. The land is described as Lot 160 in Deposited Plan (DP)19098 and Lot 269 in DP20568, located at 33 Lobb Crescent, Beverley Park.
2. Council has been approached by the St George Leagues Club (the Club) in regard to purchasing part of the rear of Council's Lot 160 in DP19098 that adjoins the south-eastern corner of their property being Lot 1 in DP814106. The subject area is a triangular portion of the park that comprises approximately three hundred (300) square metres. A location plan is provided in Attachment 1.
3. As the Council's land is classified as community land, Council, pursuant to Section 45 of the Local Government Act, 1993 has no power to sell, exchange or otherwise dispose of community land.
4. Should a Council wish to dispose of any community classified land, the land must first be reclassified from community to operational land via an amendment to the Local Environmental Plan (LEP). The purpose of this report is to consider if Council wishes to proceed with a proposed reclassification and sale of part of the land, subject to the parties agreeing to financial terms and conditions.

BACKGROUND

5. Council has been approached by the St George Leagues Club regarding their interest in acquiring part of a Council public park known as Moore Park located at 33 Lobb Crescent, Beverley Park but also fronting Ferry Avenue.
6. Moore Park is currently used as an off-leash dog park and is made up of two lots described as Lot 160 in Deposited Plan (DP)19098 and Lot 269 in DP20568. The two lots comprise an area of approximately 6,000 square metres.
7. The Club is interested in purchasing from Council a triangular portion of land at the rear of the reserve comprising an area of approximately 300 square metres for the purpose of providing access around the existing leagues club building. Photos are provided in Attachment 2.

8. Moore Park is currently classified as community land. Council, in accordance with the community provisions of the Local Government Act, 1993 has no power to sell, exchange or otherwise dispose of community land.
9. Should Council be interested in dealing with any part of this property, the subject land will first need to be reclassified from community to operational land. The process of reclassification will require an amendment to Council's Local Environmental Plan and could take up to a year to achieve.

FINANCIAL IMPLICATIONS

10. The Club has provided details of its own valuation advice. Council officers' advice regarding the offer submitted is also provided. Both are provided in (confidential) attachment 3.
11. Any proposed reclassification and disposal of part of Moore Park will result in the permanent loss of approximately 300 square metres (subject to survey) of public open space. If Council is interested in the proposal from the Club, a further (Council) valuation report will be obtained for Council's consideration at a future meeting (in accordance with the Council's Acquisition and Disposal Policy).
12. If the Council is interested in reclassifying and selling part of Moore Park, this report will recommend that the General Manager prepare a subsequent report to Council advising options available regarding the reinstatement of the lost open space.
13. It is further proposed that all costs associated with the reclassification be at the expense of the applicant and that any monies derived from a land sale be restricted for the future acquisition of public open space in the locality of Kogarah/Beverley Park.

RISK IMPLICATIONS

14. No risks identified.



COMMUNITY ENGAGEMENT

15. Community engagement will be conducted as part of the reclassification process should Council be interested in pursuing a disposal of part of the reserve.

FILE REFERENCE

D23/97335

ATTACHMENTS

- Attachment [↓1](#)  Location Plan Moore Park
- Attachment [↓2](#)  Photos of Land
- Attachment 3 Applicant's Valuation Report with Council Comments, (Confidential)

