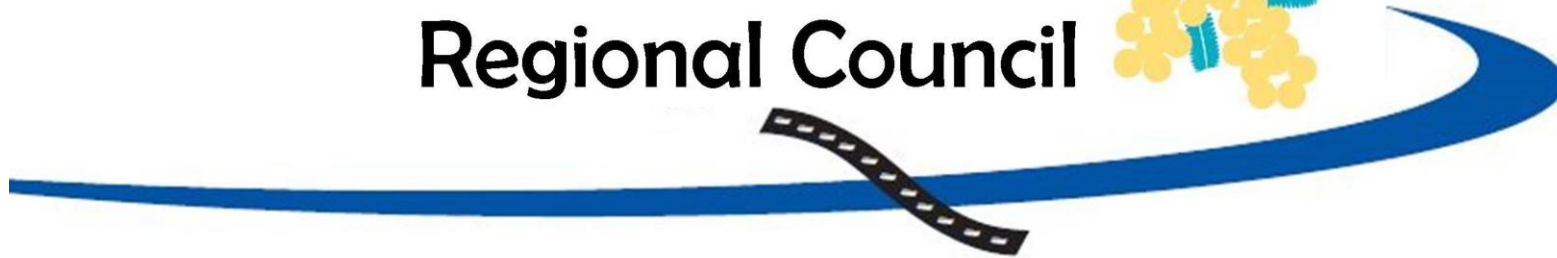


# Cootamundra-Gundagai Regional Council



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## September 2016 Quarterly Budget Review

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## Commentary

The purpose of this report is to present a summary of Council's financial position at the end of the September quarter and to report on progress made against the original budget adopted by Council in its 2016-2017 Operational Plan.

The quarterly budget review has been produced from the two separate financial systems that currently exist at Cootamundra and Gundagai. Council's first operational plan was adopted on 25 July 2016, and included the two separate budgets of the former Councils. Staff have now integrated these adopted budgets in to one, to form the basis of this first budget review.

The process for integrating the two budgets has been to reorganise both budgets in to one template, grouping Council's functional areas based on the adopted organisational structure. Line items have been transferred exactly as they were adopted.

This Quarterly Budget Review is a high level document. The full detail of this budget statement has also been made publicly available on Council's website, and includes numerical references to the two adopted budget documents, to allow for direct comparison.

Due to the differences in the way the two former councils prepared their budgets, the budget items do not always align well. There are differences in the levels that the councils reported to, and differences in the way they split their functional areas. Therefore, it is recognised that this budget review is limited, and will continue to be developed and improved upon.

The next step in the process to prepare a single budget, will be the first stage of the ongoing service reviews for each functional area. At that stage, budgets will be further developed to remove duplication of income and expenditure where possible, to review budget line items and correct any that may not have been translated properly, and to generally consider how Council services can be better managed, together.

For the purposes of the presentation of this quarterly budget review, Council's internally restricted reserves have been combined, except where reserves are specifically for one town or one system. Staff will conduct a thorough review of all Council's reserves in the coming months.

Staff have conducted a high level review of the integrated budget and have identified several items that should be adjusted to reflect current expectations. Budget variations have been recommended, as detailed in the Tabled Document.

The revised estimated net operating result for the financial period to 30 June 2017 is a surplus of \$10,016,000 (original budget was a surplus of \$13,144,000) and the revised estimated result before capital grants and contributions is a \$2,131,000 deficit (original \$1,497,000 surplus).

The net addition to the budget deficit in the current quarter is \$2,342,000. In addition, allowance has been made for the impact of extending the financial reporting period by 7 weeks, creating a further net addition to the budget deficit of \$1,286,000. The material variations for this quarter are attributed to:

- Originally adopted income budget estimates were overstated, and have been adjusted down, by \$61,000.
- Council has received \$500,000 state government grant funding relief to fix local roads devastated by flood water.

- The Gundagai Shire Council budget recognised \$751,000 total depreciation expense. Council staff will need to prepare a thorough consolidation and review of assets in order to provide an accurate depreciation estimate, however, based on the most recent financial statements, the depreciation expense for the Gundagai area would likely be closer to \$3,037,000. Therefore, a preliminary adjustment is recommended as part of this budget review.

## Report by Responsible Accounting Officer

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

It is my opinion that the quarterly budget review statement for Cootamundra-Gundagai Regional Council for the quarter ended 30 September 2016 indicates that Council's projected financial position as at 30 June 2017 will be satisfactory, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.



Signed: \_\_\_\_\_  
Kate Monaghan  
Chief Financial Officer

10/11/2016

for the quarter ended 30th September 2016

Income & Expenses Budget Review	Original Budget	Recommended changes for Council resolution		Notes	Projected Budget	Actual YTD
	2017 \$'000	extra 7 weeks \$'000	Sept QBR \$'000		2017 \$'000	2017 \$'000
<b>Income from continuing operations</b>						
Rates and annual charges	12,565	-	-		12,565	10,155
User charges and fees	5,572	161	(61) 1		5,672	1,339
Interest and investment revenue	710	0	-		711	231
Other revenues	383	32	-		415	104
Grants and contributions provided for operating purposes	13,255	29	9 2		13,293	6,648
Grants and contributions provided for capital purposes	11,647	-	500 3		12,147	10,642
Net gain from the disposal of assets	90	-	-		90	-
<b>Total Income</b>	<b>44,222</b>	<b>223</b>	<b>448</b>		<b>44,893</b>	<b>29,120</b>
<b>Expenses from continuing operations</b>						
Employee benefits and on-costs	9,424	615	-		10,038	3,281
Borrowing costs	188	-	-		188	11
Materials and contracts	8,372	404	4 4		8,779	2,444
Depreciation and amortisation	5,185	420	2,286 5		7,891	1,772
Other expenses	7,910	70	-		7,981	1,357
Net loss from the disposal of assets	-	-	-		-	-
<b>Total Expenses</b>	<b>31,078</b>	<b>1,509</b>	<b>2,290</b>		<b>34,877</b>	<b>8,865</b>
<b>Net Operating Result</b>	<b>13,144</b>	<b>(1,286)</b>	<b>(1,842)</b>		<b>10,016</b>	<b>20,255</b>
<b>Net operating result before grants and contributions provided for capital purposes</b>	<b>1,497</b>	<b>(1,286)</b>	<b>(2,342)</b>		<b>(2,131)</b>	<b>9,613</b>

<b>Budget Income Statement</b>	<b>Original Budget</b>	<b>Recommended changes for Council resolution</b>		<b>Projected Budget</b>	<b>Actual YTD</b>
	<b>2017 \$'000</b>	<b>extra 7 weeks \$'000</b>	<b>Sept QBR \$'000</b>	<b>2017 \$'000</b>	<b>2017 \$'000</b>
<b>Income from continuing operations</b>					
Development and Building	372	53	-	425	160
Regulatory Services	298	43	-	342	120
Economic Development	-	-	-	-	-
Community Services	18	-	-	18	156
Libraries	73	2	5	79	7
Tourism	190	17	-	207	75
<b>Total Income</b>	<b>951</b>	<b>115</b>	<b>5</b>	<b>1,072</b>	<b>517</b>
<b>Expenses from continuing operations</b>					
Development and Building	698	75	-	772	233
Regulatory Services	774	70	-	844	239
Economic Development	141	12	-	152	44
Community Services	30	14	-	44	20
Libraries	708	54	4	766	282
Tourism	576	29	-	605	183
<b>Total Expenses</b>	<b>2,927</b>	<b>253</b>	<b>4</b>	<b>3,184</b>	<b>1,001</b>
<b>Net Operating Result</b>	<b>(1,976)</b>	<b>(138)</b>	<b>2</b>	<b>(2,112)</b>	<b>(483)</b>

<b>Budget Income Statement</b>	<b>Original Budget</b>	<b>Recommended changes for Council resolution</b>		<b>Projected Budget</b>	<b>Actual YTD</b>
	<b>2017 \$'000</b>	<b>extra 7 weeks \$'000</b>	<b>Sept QBR \$'000</b>	<b>2017 \$'000</b>	<b>2017 \$'000</b>
<b>Income from continuing operations</b>					
Civic Leadership	-	-	-	-	2
Corporate Management	75	-	-	75	6
Information Technology	40	-	(40)	-	-
Customer Service and Office Administration	11	-	-	12	-
Communications and Engagement	1	-	-	1	-
Financial Management	10,536	9	4	10,549	7,747
Internal Allocation of Overhead Costs	-	-	-	-	-
<b>Total Income</b>	<b>10,662</b>	<b>10</b>	<b>(36)</b>	<b>10,636</b>	<b>7,756</b>
<b>Expenses from continuing operations</b>					
Civic Leadership	203	12	-	215	64
Corporate Management	2,247	201	-	2,449	937
Information Technology	661	-	-	661	175
Customer Service and Office Administration	364	40	-	404	126
Communications and Engagement	156	5	-	161	39
Financial Management	830	90	-	920	234
Internal Allocation of Overhead Costs	(1,047)	-	-	(1,047)	(117)
<b>Total Expenses</b>	<b>3,415</b>	<b>348</b>	<b>-</b>	<b>3,763</b>	<b>1,458</b>
<b>Net Operating Result</b>	<b>7,247</b>	<b>(338)</b>	<b>(36)</b>	<b>6,873</b>	<b>6,298</b>



<b>Budget Income Statement</b>	<b>Original Budget</b>	<b>Recommended changes for Council resolution</b>		<b>Projected Budget</b>	<b>Actual YTD</b>
	<b>2017 \$'000</b>	<b>extra 7 weeks \$'000</b>	<b>Sept QBR \$'000</b>	<b>2017 \$'000</b>	<b>2017 \$'000</b>
<b>Income from continuing operations</b>					
Aerodrome	10		-	10	3
Saleyards	262	20	-	282	97
Civil Works	6,677	24	500	7,201	1,286
Plant Management	1,120	10	-	1,130	95
Buildings and Property Management	123	12	-	135	44
Noxious Weeds	70	-	-	70	271
Recreation Facilities	188	3	-	191	140
Waste Management	2,198	28	(21)	2,205	2,152
<b>Total Income</b>	<b>10,648</b>	<b>98</b>	<b>479</b>	<b>11,225</b>	<b>4,089</b>
<b>Expenses from continuing operations</b>					
Aerodrome	159	16	-	175	58
Saleyards	312	26	-	337	105
Civil Works	7,374	542	2,286	10,202	2,849
Plant Management	763	(10)	-	753	200
Buildings and Property Management	613	48	-	660	264
Noxious Weeds	236	12	-	249	55
Recreation Facilities	1,919	116	-	2,035	641
Waste Management	1,977	158	-	2,135	519
<b>Total Expenses</b>	<b>13,353</b>	<b>908</b>	<b>2,286</b>	<b>16,546</b>	<b>4,689</b>
<b>Net Operating Result</b>	<b>(2,704)</b>	<b>(809)</b>	<b>(1,807)</b>	<b>(5,321)</b>	<b>(600)</b>

<b>Budget Income Statement</b>	<b>Original Budget</b>	<b>Recommended changes for Council resolution</b>		<b>Projected Budget</b>	<b>Actual YTD</b>
	<b>2017 \$'000</b>	<b>extra 7 weeks \$'000</b>	<b>Sept QBR \$'000</b>	<b>2017 \$'000</b>	<b>2017 \$'000</b>
<b>Income from continuing operations</b>					
Asset Management Planning	-	-	-	-	-
Land Development	90	-	-	90	-
Water Management	3,400	-	-	3,400	781
Sewerage Management	2,571	-	-	2,571	656
Road Safety	-	-	-	-	-
Emergency Services	361	-	-	361	46
Gundagai Main Street Project	538	-	-	538	275
Council Amalgamation Project	15,000	-	-	15,000	15,000
<b>Total Income</b>	<b>21,960</b>	<b>-</b>	<b>-</b>	<b>21,960</b>	<b>16,758</b>
<b>Expenses from continuing operations</b>					
Asset Management Planning	33	-	-	33	1
Land Development	39	-	-	39	45
Water Management	3,348	-	-	3,348	824
Sewerage Management	1,967	-	-	1,967	484
Road Safety	34	-	-	34	18
Emergency Services	704	-	-	704	219
Gundagai Main Street Project	109	-	-	109	-
Council Amalgamation Project	5,150	-	-	5,150	125
<b>Total Expenses</b>	<b>11,384</b>	<b>-</b>	<b>-</b>	<b>11,384</b>	<b>1,716</b>
<b>Net Operating Result</b>	<b>10,576</b>	<b>-</b>	<b>-</b>	<b>10,576</b>	<b>15,041</b>

## Income &amp; Expenses Budget Review

## Budget variations being recommended include the following material items:

*Notes Details*

1	(21,000)	Gundagai Shire Council budgeted to receive \$25,000 from the sale of scrap metal. Council is currently working on a regional arrangement to negotiate scrap metal sales, and it is expected that prices will be positive, but the amount is unsure. The income budget has been reevaluated and reduced significantly based on current scrap metal held in stockpiles. The reduction in income will affect the Council's waste management reserves.
	(40,000)	Gundagai Shire Council budgeted to receive \$40,000 income by establishing a business as a local internet service provider. This enterprise has not been progressed, and there are no plans in place to establish this income stream.
	<b>(61,000)</b>	
2	3,503	Council has received confirmation of the actual Financial Assistance Grant. Note that 2016/17 is the third year of a 3 year Federal Government freeze on the grant indexation.
	5,143	The NSW State Library has advised Council that it will provide a public library subsidy for the 2016/17 financial year of \$62,986, being \$5,143 more than budget. This includes an additional amount of \$5,611 to assist with the library merger costs.
	<b>8,646</b>	
3	500,000	The Hon. Duncan Gay, Minister for Roads, Maritime and Freight, has advised that Council will receive \$500,000 immediate funding relief to fix local roads devastated by flood water.
	<b>500,000</b>	
4	(2,098)	Funding for Library Local Priority Projects has been announced, amounting to \$10,852, and being \$2,098 less than budgeted. The programs planned to be provided out of the Local Priority Project allocation are books and DVDs, and disability equipment.
	5,611	The NSW State Library has granted \$5,143 for library merger assistance. The funds can be expended on activities associated with the merger of library services and systems.
	<b>3,513</b>	
5	<b>2,286,000</b>	The Gundagai Shire Council budget recognised \$751,000 total depreciation expense. Council staff will need to prepare a thorough consolidation and review of assets in order to provide an accurate depreciation estimate, however, based on the most recent financial statements, the depreciation expense for the Gundagai area would likely be closer to \$3,037,000. Therefore, a preliminary adjustment is recommended as part of this budget review.

for the quarter ended 30th September 2016

Capital Budget Review Statement	Original Budget	Recommended changes for Council resolution		Projected Budget	Actual YTD
	2017	extra 7 weeks	Sept QBR		
<b>Capital expenditure - by class</b>					
Plant and equipment	2,780,900	-	-	2,780,900	417,228
Office equipment	67,750	-	-	67,750	44,662
Buildings	11,141,000	-	-	11,141,000	35,702
Land improvements	-	-	-	-	-
Other structures	125,000	-	-	125,000	105,436
Roads, bridges and footpaths	6,424,121	-	500,000	6,924,121	1,656,972
Stormwater drainage	230,000	-	-	230,000	782
Water supply network	1,014,018	-	-	1,014,018	140,335
Sewerage network	1,057,400	-	-	1,057,400	68,374
Other assets	450,000	-	-	450,000	33,220
<b>Total</b>	<b>23,290,189</b>	<b>-</b>	<b>500,000</b>	<b>23,790,189</b>	<b>2,502,711</b>
<b>Capital expenditure - by type</b>					
New	10,260,000	-	-	10,260,000	104,407
Upgrade	3,442,565	-	-	3,442,565	503,147
Renewal	9,587,624	-	500,000	10,087,624	1,895,157
<b>Total</b>	<b>23,290,189</b>	<b>-</b>	<b>500,000</b>	<b>23,790,189</b>	<b>2,502,711</b>
<b>Capital funding</b>					
Rates and other untied funding	1,701,450	-	-	1,701,450	135,501
Capital grants and contributions	3,222,421	-	500,000	3,722,421	1,167,837
Loans	1,600,000	-	-	1,600,000	439,068
Externally restricted reserves	12,531,418	-	-	12,531,418	209,280
Internally restricted reserves	4,234,900	-	-	4,234,900	551,027
<b>Total</b>	<b>23,290,189</b>	<b>-</b>	<b>500,000</b>	<b>23,790,189</b>	<b>2,502,711</b>

**Capital Budget Review**

**Budget variations being recommended include the following material items:**

*Notes Details*

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1	<b>500,000</b>	The Hon. Duncan Gay, Minister for Roads, Maritime and Freight, has advised that Council will receive \$500,000 immediate funding relief to fix local roads devastated by flood water.
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for the quarter ended 30th September 2016

	Actual	Original	Original	Recommended changes		Projected	Actual
	12-May-16	Budget	Budget	for Council resolution			
<b>Cash &amp; Investments</b>	Cashflows		30-Jun-17	extra 7 weeks	Sept QBR	Notes	
<b>Externally restricted cash &amp; investments</b>							
Section 94 Contributions	3,126	20,000	23,126	-	-		23,126 3,126
Section 94A Contributions	66,654	25,000	91,654	-	-		91,654 9,252
Specific Purpose Unexpended Grants & Contributions	947,779	-	947,779	-	-		947,779 511,266
Cootamundra Water Supply	1,620,388	(606,438)	1,013,950	-	-		1,013,950 1,754,659
Gundagai Water Supply	2,498,483	(1,048,501)	1,449,982	-	-		1,449,982 1,923,640
Cootamundra Wastewater Scheme	3,103,855	204,513	3,308,368	-	-		3,308,368 3,434,868
Gundagai Wastewater Scheme	1,271,393	(42,050)	1,229,343	-	-		1,229,343 1,254,126
Sheridan Street loan funds	1,515,000	(1,515,000)	-	-	-		- 940,157
Domestic Waste Management	476,565	49,401	525,966	(112,443)	(21,000)	1,2	392,524 476,565
Merger Implementation Fund	-	-	-	-	-		- 4,880,684
Stronger Communities Fund - Local Projects	-	-	-	-	-		- 1,000,000
Stronger Communities Fund - Council Projects	-	-	-	-	-		- 9,000,000
Stormwater infrastructure renewal	161,057	-	161,057	-	-		161,057 242,275
Town Improvement District Rate	635,493	(211,910)	423,583	-	-		423,583 919,308
<b>Total externally restricted</b>	<b>12,299,793</b>	<b>(3,124,985)</b>	<b>9,174,808</b>	<b>(112,443)</b>	<b>(21,000)</b>		<b>9,041,366 26,349,926</b>
<b>Internally restricted cash &amp; investments</b>							
Aerodrome Bitumen Resurfacing	308,291	(250,000)	58,291	-	-		58,291 308,291
Bradman's Birthplace	13,288	-	13,288	-	-		13,288 13,288
Caravan Park	56,686	1,394	58,079	-	-		58,079 56,135
Cemetery Improvements	9,078	(13,321)	(4,243)	-	-		(4,243) 32,509
Council Election Reserve	-	-	-	-	-		- -
Depot Consolidation	552,132	(502,093)	50,039	-	-		50,039 567,489
Development	459,594	290,334	749,928	-	-		749,928 465,261
Employee Leave Entitlements	1,560,979	(120,000)	1,440,979	-	-		1,440,979 1,560,979
Heritage Centre	3,295	-	3,295	-	-		3,295 3,295
Incomplete Works	1,064,721	51,233	1,115,954	-	-		1,115,954 1,006,045
Infrastructure replacement	91,092	-	91,092	-	-		91,092 91,092

for the quarter ended 30th September 2016

	Actual	Original	Original	Recommended changes		Projected	Actual	
	12-May-16	Budget	Budget	for Council resolution				year end
<b>Cash &amp; Investments</b>	Cashflows		30-Jun-17	extra 7 weeks	Sept QBR	Notes	result	
Local Works	883,350	(16,350)	867,000	-	-		867,000	876,112
Office Equipment	164,026	(50,000)	114,026	-	-		114,026	119,364
Plant Replacement	2,118,457	(1,168,808)	949,649	88,458	-	3	1,038,108	1,893,975
Quarries & Pit Restoration	79,375	900	80,275	-	-		80,275	50,705
Saleyards	269,673	(39,171)	230,502	-	-		230,502	275,389
Special Projects	386,560	24,956	411,516	-	-		411,516	386,560
Swimming Pool Pump & Equipment	3,288	3,000	6,288	-	-		6,288	3,288
Tree Management	132,188	-	132,188	-	-		132,188	132,188
Waste	1,706,306	(116,508)	1,589,798	-	-		1,589,798	2,836,738
Security Bonds Deposits & Retentions	144,384	-	144,384	-	-		144,384	144,384
Showground	-	5,000	5,000	-	-		5,000	-
Property	438	(2,000)	(1,562)	-	-		(1,562)	358
Bourke Estate	180	16,100	16,280	-	-		16,280	180
Coolac Bypass	103,810	(25,000)	78,810	-	-		78,810	103,810
<b>Total internally restricted</b>	<b>10,111,191</b>	<b>(1,910,334)</b>	<b>8,200,857</b>	<b>88,458</b>	<b>-</b>		<b>8,289,315</b>	<b>10,927,436</b>

## Cash and Investments Budget Review

### Comment on cash and investments position

The Cash and Investments position has been adjusted to reflect the budget adjustments detailed in this report.

### Investments

Investments have been invested in accordance with Council's investment policy.

### Cash

The cash at bank amount is reconciled daily (work days) to Council's physical bank statements.

The balance in the Council's General Bank Account was \$425,740 as at 30 September 2016

### Reconciliation

The YTD Cash & Investment figure, reconciled to the actual balances held, is made up of:

Investments on Hand	42,716,022
Cash at Bank	425,740
Reconciled cash at bank and investments	<u>43,141,763</u>



**Cash and Investments Budget Review****Budget variations being recommended include the following material items:***Notes Details*

1	<b>(112,443)</b>	It is recommended that the budget be adjusted to allow for the additional 7 weeks of ordinary reoccurring income and expenditure for the first financial period of the new Council, with the Waste Management Reserve being adjusted to reflect the budget for the entire period.
2	<b>(21,000)</b>	Council is currently working on a regional arrangement to negotiate scrap metal sales, and it is expected that prices will be positive, but the amount is unsure. The income budget has been reevaluated and reduced significantly based on current stockpile amounts.
3	<b>88,458</b>	It is recommended that the budget be adjusted to allow for the additional 7 weeks of ordinary reoccurring income and expenditure for the first financial period of the new Council, with the Plant Management Reserve being adjusted to reflect the budget for the entire period.