



**COOTAMUNDRA-
GUNDAGAI REGIONAL
COUNCIL**

Quarterly Budget Review Statement

31 March 2019



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Commentary

Councillors are now receiving a monthly financial report which details how council is tracking against its budget with explanations of any significant budget variances. As such the focus of the quarterly budget review shifts from an update on how council is performing to presenting Councillors with changes to the adopted budget for their endorsement.

Budgeted Operating Result

The Council's Income and Expenses, and Net Operating Result are reported on page 5 of this Review Statement.

The revised estimated net operating result for the year to 30 June 2019 is a surplus of \$9,549,000 (original budget was a surplus of \$11,786,000) and the revised estimated result before capital grants and contributions is a \$3,237,000 surplus (original \$1,811,000 deficit).

This change is driven primarily to the receipt of additional grant funding from the NSW State Government and the fact that not all of these funds will be expended this financial year.

Budget Variations to the Operating Result

The budget adjustments recommended to Council for approval in this report result in a net reduction to the operating surplus of \$7,772,000.

The material variations from the original budget for the year to date are attributed to:

Favourable variations

- Council has received a further \$5.8M in funding from the NSW State government. It is anticipated that approximately \$2M of this funding will be expended this financial year, the remainder being transferred to reserve and spent in subsequent financial years.
- Income of \$1.8m has been identified relating to RMS works performed

in the previous financial year.

Unfavourable variations

- With the changes to the Cemetery fees it is anticipated that revenue will fall by \$50K.
- Internal investigations being undertaken by Blackadder & Associates are expected to cost \$100,000.
- \$9m of income from grants relating to the sewerage treatment plant in Gundagai will be received next financial year. This income, and the related expenditure had been budgeted for the current financial year. This is a timing issue only.
- Unexpected employee costs of \$621,000 have been incurred.

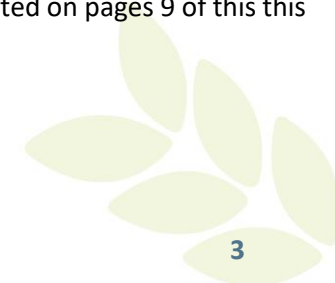
Possible future changes

There are a few items we are currently monitoring that may require a change to the budget in a future review. At this point in time we either do not have the necessary information to quantify the change or sufficient guarantee that the change will actually be required. These are:

1. Financial Assistance Grant – the current budget assumes we will receive the full grant in the current financial year. As we have already received half the grant prior to 30 June 2018 there is a chance we will need to reduce the income by that amount. We are working on the assumption that the Federal government will again prepay half the next years grant in this financial year.

Budget Cash Flows

Council's Cashflow and Reserve Movements are reported on pages 9 of this this Review Statement.



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 31/3/19 indicates that Council's projected financial position at 30/6/19 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.



Signed:

Tim Swan
Responsible Accounting Officer

date: 23 May 2019



Income and Expense Budget Review

Income & Expenses - Council Consolidated

| (\$000's) | Original Budget 2018/19 | Approved Changes | | | | | Revised Budget 2018/19 | Variations for this Mar Qtr | Notes | Projected Year End Result | Actual YTD figures |
|--|----------------------------|------------------|--------------------|--------------|--------------|---------------|---------------------------|-----------------------------|---------------|---------------------------|--------------------|
| | | Carry Forwards | Other than by QBRs | Sep QBRs | Dec QBRs | Mar QBRs | | | | | |
| Income | | | | | | | | | | | |
| Rates and Annual Charges | 12,248 | | | | | 12,248 | | | 12,248 | 11,726 | |
| User Charges and Fees | 5,645 | | | (50) | 1,800 | 7,395 | 750 | 1 | 8,145 | 6,185 | |
| Interest and Investment Revenues | 811 | | | | | 811 | 30 | 2 | 841 | 717 | |
| Other Revenues | 523 | | | | 35 | 558 | 346 | 3 | 904 | 1,016 | |
| Grants & Contributions - Operating | 8,245 | | | 5,450 | | 13,695 | 75 | 4 | 13,770 | 10,831 | |
| Grants & Contributions - Capital | 13,597 | | | 350 | 91 | 14,038 | (7,726) | 5 | 6,312 | 1,225 | |
| Net gain from disposal of assets | 50 | | | | | 50 | | | 50 | - | |
| Total Income from Continuing Operations | 41,119 | - | - | 5,750 | 1,926 | 48,795 | (6,525) | | 42,270 | 31,700 | |
| Expenses | | | | | | | | | | | |
| Employee Costs | 11,072 | | | | 590 | 11,662 | 341 | 6 | 12,003 | 9,409 | |
| Borrowing Costs | 121 | | | | | 121 | | | 121 | 55 | |
| Materials & Contracts | 6,756 | | | | 1,059 | 7,815 | 855 | 7 | 8,670 | 11,224 | |
| Depreciation | 8,031 | | | | | 8,031 | | | 8,031 | - | |
| Legal Costs | 64 | | | | | 64 | 51 | 8 | 115 | 84 | |
| Consultants | 458 | | | | | 458 | | | 458 | 606 | |
| Other Expenses | 2,831 | | | 2,000 | (1,508) | 3,323 | | | 3,323 | 2,672 | |
| Total Expenses from Continuing Operations | 29,333 | - | - | 2,000 | 141 | 31,474 | 1,247 | | 32,721 | 24,050 | |
| Net Operating Result from Continuing Operations | 11,786 | - | - | 3,750 | 1,785 | 17,321 | (7,772) | | 9,549 | 7,650 | |
| Net Operating Result before Capital Items | (1,811) | - | - | 3,400 | 1,694 | 3,283 | (46) | | 3,237 | 6,425 | |



Detail of budget variations

Income & Expenses Budget Review Statement Recommended changes to revised budget

Budget Variations being recommended include the following material items:

| Notes | Details |
|-------|--|
| 1 | Water usage charges are expected to exceed the original budget by \$600,000, associated costs are increased by \$500,000. RMS \$150k |
| 2 | Investment income is trending above budget by \$30,000. |
| 3 | Income from the Waste Science arrangement is expected to exceed the current budget by \$260,000. Agistment income is expected to be \$35,000, and was not included in the original budget. Debt recovery costs incurred are \$51,000. The cost is passed on to debtors, and is included as income. |
| 4 | \$75,000 has been spent on emergency flood works, and will be claimed from RMS. |
| 5 | \$9 million is budgeted to be received in capital grants and expended on the Gundagai sewerage treatment plant. Both income and expenditure are now expected to occur in the next financial year. \$1.274 million has been spent on flood related capital roadworks, and will be claimed as income. |
| 6 | The alignment of the two former councils salary systems resulted in changes to pay steps and associated backpay of \$203,000. The original budget was based on information that a restructure of positions would result in savings of \$418,000. The restructure did not proceed as planned. \$280,000 is reallocated from Employee costs to Materials & Contracts |
| 7 | \$75,000 has been spent on emergency flood works, and will be claimed from RMS. \$280,000 is reallocated from Employee costs to Materials & Contracts Water usage charges are expected to exceed the original budget by \$600,000, associated costs are increased by \$500,000. |
| 8 | Debt recovery costs incurred are \$51,000. The cost is passed on to debtors, and is included as income. |

Detail of budget variations

Budget Variations being recommended include the following material items:

| Notes | Details |
|-------|--|
| 1 | Councillors agreed at a budget workshop to allocate \$1 million to complete the Cootamundra Civic Centre. |
| 2 | The Bongolong Creek bridge was scheduled to be upgraded in the 2019/20 financial year. Expert analysis of the bridge has identified significant issues and immediate action is required. It is recommended that the budget allocation of \$123,000 be brought forward to the current year. \$1.274 million has been spent on flood related capital roadworks, and will be claimed as income. |
| 3 | Ongoing monitoring of the major projects program has identified projects totalling \$3,693,000 that will be completed in the next financial year. These projects were initially budgeted to be completed in the current financial year. A property in Mount St Gundagai has been purchased to enable the development of a park. The cost of \$120,000 is within the budget resolved by council at a recent meeting. |
| 4 | Servers damaged in the office upgrade were replaced at a cost of \$80,000. Attempts were made to claim the cost through insurance, but were rejected. |



Cash and investments budget review

Restricted and unrestricted cash (reserves)

Cash & Investments - Council Consolidated

| (\$000's) | Original Budget 2018/19 | Approved Changes | | | | | Revised Budget 2018/19 | Variations for this Mar Qtr | | Notes | Projected Year End Result |
|--|----------------------------|-------------------|-----------------------|--------------|--------------|---------------|---------------------------|-----------------------------------|--|---------------|---------------------------------|
| | | Carry Forwards | Other than by QBRs | Sep QBRs | Dec QBRs | Mar QBRs | | | | | |
| Externally Restricted ⁽¹⁾ | | | | | | | | | | | |
| Developers contributions | 72 | | | (60) | | 12 | | | | 12 | |
| Specific purpose unexpended grants & contributions | 960 | | | | | 960 | | | | 960 | |
| Water network infrastructure | 4,890 | | | 1,471 | | 6,361 | 100 | 1 | | 6,461 | |
| Sewer network infrastructure | 4,098 | | | 1,263 | | 5,361 | | | | 5,361 | |
| Gundagai town improvement district | 923 | | | 253 | | 1,176 | | | | 1,176 | |
| Domestic waste management | 348 | | | 1,043 | | 1,391 | 260 | 2 | | 1,651 | |
| Stormwater infrastructure | 216 | | | (56) | | 160 | | | | 160 | |
| Total Externally Restricted | 11,507 | - | - | 3,914 | - | 15,421 | 360 | | | 15,781 | |
| (1) Funds that must be spent for a specific purpose | | | | | | | | | | | |
| Internally Restricted ⁽²⁾ | | | | | | | | | | | |
| Merger implementation fund | - | | | 1,000 | | 1,000 | 416 | 3 | | 1,416 | |
| Stronger communities fund | - | | | 2,800 | | 2,800 | 3,277 | 3 | | 6,077 | |
| Aerodrome bitumen resurfacing | 241 | | | 5 | | 246 | | | | 246 | |
| Bradman's birthplace | 43 | | | 8 | | 51 | | | | 51 | |
| Coolac bypass | 53 | | | 25 | | 78 | | | | 78 | |
| Cootamundra caravan park | 106 | | | (14) | | 92 | | | | 92 | |
| Council election reserve | - | | | - | | - | | | | - | |
| Development | 479 | | | (286) | | 193 | | | | 193 | |
| Employee leave entitlement | 1,396 | | | 190 | | 1,586 | | | | 1,586 | |
| Financial assistance grant | - | | | - | | - | | | | - | |
| Heritage centre | 11 | | | 1 | | 12 | | | | 12 | |
| Incomplete works | 276 | | | (276) | | - | | | | - | |
| Plant replacement | 2,735 | | | (1,878) | (112) | 745 | | | | 745 | |
| Quarries and pit restoration | 82 | | | (31) | | 51 | | | | 51 | |
| Saleyards | 278 | | | (168) | | 110 | | | | 110 | |
| Special projects | 467 | | | 2 | | 469 | | | | 469 | |
| Swimming pool pump & equipment | 12 | | | | | 12 | | | | 12 | |
| Cemetery reserve | 65 | | | (37) | | 28 | | | | 28 | |
| Total Internally Restricted | 6,244 | - | - | 1,341 | (112) | 7,473 | 3,693 | | | 11,166 | |
| (2) Funds that Council has earmarked for a specific purpose | | | | | | | | | | | |
| Unrestricted (ie. available after the above Restrictions) | 5,319 | - | - | (23) | 112 | 5,408 | (1,586) | 4 | | 3,822 | |
| Total Cash & Investments | 23,070 | | | 5,232 | | 28,302 | 2,467 | | | 30,769 | |



Cash & Investments Budget Review Statement

Comment on Cash & 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

This Cash at Bank amount has been reconciled to Council's physical Bank Statements.

Reconciliation Status

| | | |
|---|---|----------------------|
| The YTD Cash & Investment figure reconciles to the actual balances held as follows: | | \$ 000's |
| Cash at bank | ✔ | 7,668 |
| Investments on hand | ✔ | 20,564 |
| Reconciled cash at bank and investments | | <u>28,232</u> |

Recommended changes to revised budget

Budget Variations being recommended include the following material items:

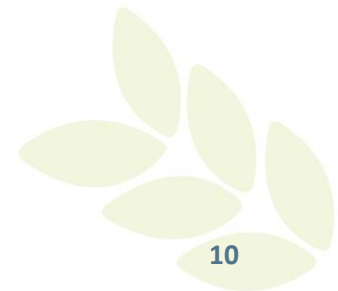
Notes Details

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4 Councillors agreed at a budget workshop to allocate \$1 million to complete the Cootamundra Civic Centre. The original budget was based on information that a restructure of positions would result in savings of \$418,000. The restructure did not proceed as planned. The alignment of the two former councils salary systems resulted in changes to pay steps and associated backpay of \$203,000. Adjustment income is expected to be \$35,000, and was not included in the original budget.



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