



**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.

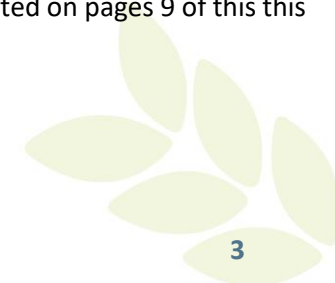
Possible future changes

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.



Capital budget review

Capital Budget - Council Consolidated

(\$'000's)

Capital Expenditure

New Assets

- Plant & Equipment

- Land & Buildings

- Roads, Bridges, Footpaths

- Recreation

- Water

- Sewer

- Other

Renewal Assets (Replacement)

- Plant & Equipment

- Land & Buildings

- Roads, Bridges, Footpaths

- Recreation

- Water

- Sewer

- Other

Loan Repayments (Principal)

Waste facilities

Total Capital Expenditure

Capital Funding

Rates & Other Untied Funding

Capital Grants & Contributions

Reserves:

- External Restrictions/Reserves

- Internal Restrictions/Reserves

New Loans

Receipts from Sale of Assets

- Plant & Equipment

- Land & Buildings

Total Capital Funding

Net Capital Funding - Surplus/(Deficit)

	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					
Capital Expenditure											
New Assets											
- Plant & Equipment						-			-		
- Land & Buildings						-	1,000	1	1,000		
- Roads, Bridges, Footpaths	815				91	906	1,397	2	2,303		
- Recreation	3,201					3,201	(3,573)	3	(372)		
- Water	1,226					1,226			1,226		
- Sewer									-		
- Other						-	80	4	80		
Renewal Assets (Replacement)											
- Plant & Equipment	1,373			1,632	300	3,305			3,305	3,214	
- Land & Buildings	3,895					3,895			3,895	3,245	
- Roads, Bridges, Footpaths	6,562					6,562			6,562	5,466	
- Recreation	184					184			184	1,035	
- Water	2,054					2,054			2,054	1,679	
- Sewer	10,763			250		11,013			11,013	1,603	
- Other	71					71			71	141	
Loan Repayments (Principal)						-			-		
Waste facilities						-			-		
Total Capital Expenditure	30,144	-	-	1,882	391	32,417	(1,096)		31,321	16,383	
Capital Funding											
Rates & Other Untied Funding	4,856					4,856			4,856		
Capital Grants & Contributions	13,524				91	13,615	1,274	2	14,889	7,532	
Reserves:											
- External Restrictions/Reserves	9,726			250		9,976			9,976		
- Internal Restrictions/Reserves	1,400			1,532	112	3,044	(3,693)	3	(649)		
New Loans	-					-			-		
Receipts from Sale of Assets											
- Plant & Equipment	383			100	35	518			518	464	
- Land & Buildings	255					255			255	654	
Total Capital Funding	30,144	-	-	1,882	238	32,264	(2,419)		29,845	8,650	
Net Capital Funding - Surplus/(Deficit)	-	-	-	-	(153)	(153)	(1,323)		(1,476)	(7,733)	



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:

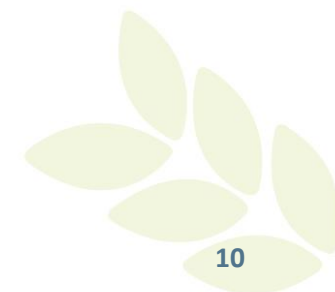
Notes Details

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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.

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.



COOTAMUNDRA-GUNDAGAI REGIONAL COUNCIL

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