



**QUALITY NATURE - QUALITY HERITAGE - QUALITY LIFESTYLE**

## **ADDENDUM ITEMS FOR ORDINARY COUNCIL MEETING WEDNESDAY, 22 NOVEMBER 2017**

Notice is hereby given pursuant to Clause 7(1) of Council's Code of Meeting Practice that an **Ordinary Council Meeting** will be held in the Tenterfield Shire Council Chambers, on **Wednesday 22 November 2017** commencing at **9.30 am**.

Terry Dodds  
**Chief Executive**

# **AGENDA**

## **10. URGENT, LATE & SUPPLEMENTARY ITEMS OF BUSINESS**

(ITEM GOV89/17) BUDGET REVIEW AS AT 30 SEPTEMBER 2017 .....2

<b>Department:</b>	<b>Corporate, Governance &amp; Community</b>
<b>Submitted by:</b>	Manager Finance
<b>Reference:</b>	<b>ITEM GOV89/17</b>
<b>Subject:</b>	<b>Budget review as at 30 September 2017</b>

<b>LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK</b>	
<b>CSP Goal:</b>	<b>Leadership</b> - LEAD 14 - Resources and advocacy of Council are aligned support the delivery of the community vision outlined in the Community Strategic Plan.
<b>CSP Strategy:</b>	Council is a financially sustainable organisation, delivering value services to the Community.
<b>Delivery Plan Action:</b>	Ensure that financial sustainability and the community's capacity to pay inform adopted community service levels.
<b>Operational Plan Action:</b>	Ensure adequate and effective internal controls are in place for all financial management and purchasing functions.

## SUMMARY

The purpose of this report is to submit the September Quarter Budget review to Council.

## OFFICER'S RECOMMENDATION:

**That Council adopt the 2016/17 Budget Review as at 30 September 2017.**

## BACKGROUND

The Office of Local Government has developed a set of minimum requirements for the Quarterly Budget Review Statements. The Quarterly Budget Review statement must show, by reference to the estimated income and expenditure that is set out in the operational plan adopted by Council, a revised estimate of income and expenditure for the year. It also requires the budget review statement to include a report by the responsible accounting officer as to whether or not they consider the statement indicates Council to be in a satisfactory financial position with regard to its original budget, and if not, to include recommendations for remedial action.

A Quarterly Budget Review Statement for the September quarter has been prepared in accordance with the Code of Accounting Practice and Financial Reporting.

The Quarterly Budget Review Statement includes the following reports;

1. Report by Responsible Accounting Officer
2. Income & Expenses Budget Review Statement
3. Capital Budget Review Statement
4. Budget Review Statement – Recommended Changes to Revised Budget
5. Cash & Investments Budget Review Statement
6. Key Performance Indicators Budget Review Statement
7. Contracts Budget Review Statement
8. Consultancy & Legal Expenses Budget Review Statement

A detailed budget review showing each budget item is attached to the report to support the Quarterly Budget Review Statement (Attachment 5 (Booklet 3)).

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**REPORT:**

Table 1 below compares the projected operating result with the original budget. It shows that the projected consolidated surplus has decreased by \$807,203 which is mainly due to a reduction in the general fund surplus of \$644,027.

*TABLE 1 – OPERATING RESULT EXCLUDING CAPITAL GRANTS AND CONTRIBUTIONS*

<b>Fund</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variance</b>
General	\$ 885,233	\$ 241,206	(\$ 644,027)
Waste Management	\$ 520,789	\$ 479,720	(\$ 41,069)
Water	\$ 415,303	\$ 405,192	(\$ 10,111)
Sewerage	\$ 46,256	(\$ 10,897)	(\$ 57,153)
Stormwater	(\$ 49,970)	(\$ 104,813)	(\$ 54,843)
<b>Total</b>	<b>\$ 1,817,611</b>	<b>\$ 1,010,408</b>	<b>(\$ 807,203)</b>

The following table (Table 2) details the principal variations accounting for the change in the operating result (variations to operating income which are offset by an equal increase in operating expenditure are disregarded as the net effect is zero). The variations in the waste, water, sewerage and stormwater funds are not considered material. The main changes

*TABLE 2 – MATERIAL BUDGET VARIATIONS – OPERATING RESULT EXCLUDING CAPITAL GRANTS AND CONTRIBUTIONS*

<b>Function</b>	<b>Account Description</b>	<b>Variation</b>	<b>Reason</b>
Civic Office	Operating Wages Civic Office	\$ (158,321)	Allocation of wages to service area.
Organisation and Leadership	Operating Wages Organisation and Leadership	\$ 59,079	Reallocation of salary and wages to other services.
Community Development	Operating Salary and Wages Community Development	\$ 64,008	Reallocation of salary and wages to match services.
Economic Growth and Tourism	Operating Wages Economic Growth and Tourism	(\$ 126,245)	Reallocation of salary and wages to other services.
Economic Growth and Tourism	Tourism Promotion	(\$ 10,000)	Council Initiative to promote using billboards and street banners.
Theatre and Museum Complex	Operating Salary and Wages Theatre and Museum Complex	(\$ 56,234)	Reallocation of salary and wages to match services.
Finance and Technology	Operating Salary and Wages Finance and Technology	(\$ 323,048)	Reallocation of salary and wages to match services.
Corporate and Customer Services	Net Rating Income	\$ 46,906	Higher than forecast Rating Income due to changes in values

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Function	Account Description	Variation	Reason
			during valuation year.
Corporate and Governance	Operating Salary and Wages Corporate and Governance	\$ 665,157	Reallocation of salary and wages to match services.
Workforce Development	Operating Salary and Wages Workforce Development	(\$ 162,981)	Reallocation of salary and wages to match services.
Workforce Development	Redundancy Payments	(\$ 168,525)	Redundancy of Senior Staff.
Workforce Development	Recruitment of Senior Staff	(\$ 27,769)	Recruitment of Chief Executive.
Library Services	Operating Salary and Wages Library Services	(\$ 24,192)	Reallocation of salary and wages to match services.
Emergency Services	Operating Salary and Wages Emergency Services	(\$ 34,816)	Reallocation of salary and wages to match services.
Asset Management and Resourcing	Operating Salary and Wages Asset Management and Resourcing	(\$ 156,535)	Reallocation of salary and wages to match services.
Commercial Works	Operating Salary and Wages Commercial Works	(\$ 18,245)	Reallocation of salary and wages to match services.
Environmental Management	Operating Salary and Wages Environmental Management	(\$ 72,270)	Reallocation of salary and wages to match services.
Planning and Regulation	Operating Salary and Wages Planning and Regulation	\$ 419,272	Reallocation of salary and wages to match services.
Planning and Regulation	Section 94 Contributions	\$ 19,339	Higher than forecast section 94 contributions.
Plant, Fleet and Equipment	Operating Salary and Wages Plant, Fleet and Equipment	(\$ 46,098)	Reallocation of salary and wages to match services.
Buildings and Amenities	Operating Salary and Wages Buildings and Amenities	(\$ 102,765)	Reallocation of salary and wages to match services.
Livestock Saleyards	Operating Salary	(\$ 55,143)	Reallocation of salary

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Function	Account Description	Variation	Reason
	and Wages Livestock Saleyards		and wages to match services.
Parks Gardens and Open Space	Operating Salary and Wages Parks Gardens and Open Space	(\$ 55,143)	Reallocation of salary and wages to match services.
Parks Gardens and Open Space	Parks & Gardens Grounds Maintenance	(\$ 44,378)	Reallocation of Budget to align reporting requirements.
Parks Gardens and Open Space	Parks & Gardens Grounds Maintenance	(\$ 14,677)	Reallocation of Budget to align reporting requirements.
Parks Gardens and Open Space	Parks & Gardens Grounds Maintenance	\$ 44,520	Reallocation of Budget to align reporting requirements.
Swimming Pool	Operating Salary and Wages Swimming Pool	(\$ 55,143)	Reallocation of salary and wages to match services.
Transport	Special Grant Mt Lindesay Road (RMS)	(\$ 2,400,000)	Reduction in grant due to delay in commencement of works resulting in reduced income for financial year. This is offset by reduced expenditure.
Transport	Special Grant Mt Lindesay Road (Fed)	(\$ 2,400,000)	Reduction in grant due to delay in commencement of works resulting in reduced income for financial year. This is offset by reduced expenditure.
Transport	NDRRA Grant	\$ 1,600,000	Grant funding for repairs to Local roads due to storm damage in March 2017.
Transport	Operating Salary and Wages Transport	(\$ 104,166)	Reallocation of salary and wages to match services.
Total		(\$ 3,425,923)	

### Capital Budget

The capital expenditure budget shows in Table 3 below that projected capital expenditure will decrease by \$433,907 above the original budget. This is largely as a result of the carry forward and re voting of projects that were in the 2016/17 budget but were not completed. This additional expenditure will be funded either by grants or where a Council contribution has been required.

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In addition, there has been a decrease in the expected expenditure relating to the funded works for Mt Lindesay Road of \$4.8 Million due to delay in the commencement of works. This has been offset however by the increased expenditure relating to the March 2017 storm damage rehabilitation works of \$1.6 Million.

The Budget for 2017/18 included management costs which were to be allocated and capitalised against capital projects.

Both projects have matching grant funding. Table 4 below details the material variations in each fund and how the variation will be funded (note - immaterial variations are not included).

*TABLE 3 – CAPITAL EXPENDITURE BUDGET*

<b>Fund</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Variance</b>
General	\$ 15,808,970	\$ 14,884,584	(\$ 924,386)
Waste Management	\$ 803,312	\$ 919,472	\$ 116,160
Water	\$ 5,529,257	\$ 5,566,257	\$ 37,000
Sewerage	\$ 795,889	\$ 1,123,208	\$ 327,319
Stormwater	\$ 245,000	\$ 245,000	\$ 0
<b>Total</b>	<b>\$ 23,182,428</b>	<b>\$ 22,738,521</b>	<b>(\$ 433,907)</b>

*TABLE 4 – MATERIAL BUDGET VARIATIONS – CAPITAL EXPENDITURE BUDGET*

General Fund

<b>Function</b>	<b>Account Description</b>	<b>Variation</b>	<b>Reason</b>
Theatre and Museum Complex	School of Arts Paint and Repair Windows	(\$ 64,668)	Project Carried forward from 2016/17.
Theatre and Museum Complex	Capitalised Administration Overheads	\$ 24,526	Capitalised Overheads allocated to projects in service area.
Library Services	Childrens Area Refurbishment	(\$10,000)	Funded from Donation in 2016/17.
Asset Management and Resourcing	Survey Instrumentation	(\$ 16,884)	Unexpected cost of replacing broken road meters.
Asset Management and Resourcing	Resurfacing of access and hardstand at depot	(\$ 53,125)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Asset Management and Resourcing	Contribution to Washbay	(\$ 15,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Planning and Regulation	IT System EHC and DA's.	(\$ 16,507)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Buildings and Amenities	Administration Building Air-conditioning	(\$ 80,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.

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<b>Function</b>	<b>Account Description</b>	<b>Variation</b>	<b>Reason</b>
Buildings and Amenities	Administration Building replace window frames	(\$ 24,526)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Buildings and Amenities	Administration Building repaint interior	(\$ 14,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Buildings and Amenities	Replace existing shed Ten FM	(\$ 15,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Buildings and Amenities	New Public Toilets Urbanville Captain Cook Park	(\$ 10,011)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Livestock Saleyards	Improvements to Loading Ramps and Traffic Facilities	(\$ 57,334)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Livestock Saleyards	Work Health and Safety Signage	(\$ 14,823)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Livestock Saleyards	Capitalised Administration Overheads	\$ 10,263	Capitalised Overheads allocated to projects in service area.
Transport Network	Roads to Recovery 2014/19	(\$ 91,515)	The variation represents unspent funds for the Roads to Recovery program to be spend in 2017/18.
Transport Network	Fixing Country Roads (Wallaby Creek Bridge)	(\$ 184,013)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	NDRRA March event	(\$ 1,600,000)	Allocation to commence the repairs to Council Local Road network as a result of the storm event in March 2017. This expense is matched by grant income.
Transport Network	Special Grant, Mount Lindesay Road	\$ 4,300,060	Due to delays in the commencement of this project, the expected costs of works for the financial year have been revised down.
Transport Network	ON- Road Shared Path Scott Street Grant project	(\$ 146,436)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	MR622 Repair 2016/17	(\$ 329,548)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	MR622 Repair	(\$ 34,510)	Capitalised Overheads



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Function	Account Description	Variation	Reason
	2017/18		allocated to projects in service area.
Transport Network	Road Renewal Gravel Roads	(\$ 30,198)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	Gravel Resheets	(\$ 187,390)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	Bridges/Causeways (SRV)	(\$ 175,115)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	Reseals	(\$ 89,085)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Transport Network	Capitalised Administation Overheads	\$ 75,464	Capitalised Overheads allocated to projects in service area.
Transport Network	Main Street Complete Final Stage	(\$ 189,430)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
TOTAL		\$1,150,822	

Waste Management Fund

Function	Account Description	Variation	Reason
Waste Management	Boonoo Boonoo Landfill	(\$ 67,685)	Capitalised Overheads allocated to projects in service area.
Waste Management	Legume - Awning with Pad	(\$ 10,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Waste Management	Liston - Awning with Pad	(\$ 10,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Waste Management	Tenterfield WTS Recycling Infrastructure	(\$ 45,920)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Waste Management	Mingoola - Open Transfer Station	\$ 70,000	Works deferred until completion of Waste Management Strategy.
Waste Management	Torrington Landfill - Convert to Transfer	\$ 70,000	Works deferred until completion of Waste Management Strategy.
Waste Management	Community Recycling Centre (WLRM)	(\$ 15,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.

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Function	Account Description	Variation	Reason
Waste Management	Tenterfield WTS EIS	(\$ 50,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Waste Management	Tenterfield WTS EIS - Purchase New Land	(\$ 35,370)	Capitalised Overheads allocated to projects in service area.
Waste Management	Tenterfield WTS Groundwater Bores	(\$ 100,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Waste Management	Capitalised Management	\$ 89,912	
Total		(\$ 104,063)	

Water Fund

Function	Account Description	Variation	Reason
Water	Mains replacement	(\$ 20,205)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Water	Flood Warning System	(\$ 17,293)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Water	Shirley Park Bore Flood Damage Restoration	(\$ 20,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Water	Dam Wall Project Management Costs	(\$ 25,380)	Capitalised Overheads allocated to projects in service area.
Water	Dam Wall Construction	(\$ 339,918)	Capitalised Overheads allocated to projects in service area.
Water	Capitalised - Management	\$ 404,044	Capitalised Overheads allocated to projects in service area.
Total		(\$ 18,752)	

Sewerage Fund

Function	Account Description	Variation	Reason
Sewerage	Mains Relining	(\$ 34,636)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	Mains Augmentation	(\$ 13,850)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	Man Hole Level Alterations	(\$ 175,000)	Project commenced in 2016/17. Projected to

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Function	Account Description	Variation	Reason
			be finalised in 2017/18.
Sewerage	STP -Scada System Upgrade	(\$ 26,936)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	STP - Network Extension	(\$ 40,536)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	Remove Sludge	(\$ 35,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	STP - Dehydrator Replacement	(\$ 13,512)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	Jennings Sewer Investigation	(\$ 41,000)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Sewerage	Capitalised - Management	\$ 73,145	Capitalised Overheads allocated to projects in service area.
Sewerage	STP – 2 bay Shed for Storage of Jetter/Mower	(\$ 14,490)	Project commenced in 2016/17. Projected to be finalised in 2017/18.
Total		(\$ 321,815)	

### Key Performance Indicators

The following table (Table 5) compares the key performance indicators on a consolidated funds basis with the original budget. A more detailed analysis is contained in the Quarterly Budget Review Statement. It shows that Council is achieving all benchmarks except the Own Source Operating Revenue Ratio and the Infrastructure Backlog Ratio.

When the Financial Assistance Grant is included in the Own Source Revenue Ratio calculation (as it is for "Fit for the Future" assessment purposes) Council would also meet that performance benchmark. On a consolidated funds basis, the Infrastructure Backlog Ratio is projected to be 2.13% in 2026/27.

TABLE 5 – KEY PERFORMANCE INDICATORS (CONSOLIDATED FUNDS)

Performance Indicator	OLG Benchmark	Projection 2017/18	Original Budget 2017/18
Operating Performance Ratio (%)	>0%	5.81%	10.29%
Own Source Operating Revenue Ratio (%)	>60%	46.43%	40.89%

A summary of the significant movements in the budget during the September Quarter forms part of the Quarterly Budget Review Statement.

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The budget shows income from all sources (operating income, capital income, loan funds, proceeds from the sale of assets, transfers from reserves, restricted funds) and operating expenditure, capital expenditure, transfers to reserves and restricted funds.

### Working Funds

Working funds is a financial indicator that discloses the working capital available to Council to fund day to day operations. Working funds is the net current assets (current assets less current liabilities) less "restricted" cash and investments included in current assets. Restricted cash includes reserves set aside by Council for a specific purpose (internal restrictions) and external restrictions (such as unspent grants or loan funds). The net current assets figure is adjusted for items already included in the annual budget to avoid double counting. This involves adding back interest bearing liabilities disclosed as a current liability and cash backed provisions.

The working funds table below (Table 6) shows that all funds are in a sound position and have more than adequate liquidity to meet commitments in the short term.

TABLE 6 – ESTIMATED WORKING FUNDS POSITION

<b>Fund</b>	<b>Projected 30/06/2018</b>
General Fund	1,799,484
Waste Management	972,229
Tenterfield Water	(35,192)
Tenterfield Sewerage	1,510,806
Stormwater Management	360,941
<b>TOTAL</b>	<b>4,608,268</b>

A summary of the significant movements in the budget during the September Quarter forms part of the Quarterly Budget Review Statement.

The budget shows income from all sources (operating income, capital income, loan funds, proceeds from the sale of assets, transfers from reserves, restricted funds) and operating expenditure, capital expenditure, transfers to reserves and restricted funds.

### COUNCIL IMPLICATIONS:

#### 1. Community Engagement / Communication (per engagement strategy)

Nil

#### 2. Policy and Regulation

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Local Government Code of Accounting Practice and Financial Reporting
- Australian Accounting Standards
- Office of Local Government Circulars

#### 3. Financial (Annual Budget & LTFFP)

Recommended variations to the annual budget are detailed in this report.

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**4. Asset Management (AMS)**

Nil

**5. Workforce (WMS)**

Nil

**6. Legal and Risk Management**

The Budget Review is submitted to Council in accordance with Clause 203(1) of the Local Government (General) Regulation 2005.

**7. Performance Measures**

The impact of the recommended budget variations on Councils key performance indicators is detailed in the Quarterly Budget Review Statement.

**8. Project Management**

Nil

**Kylie Smith**  
**Chief Corporate Officer**

Prepared by staff member:	Andrew Wright, Manager Finance	
Approved/Reviewed by Manager:	Kylie Smith, Chief Corporate Officer	
Department:	Corporate, Governance & Community	
Attachments:	<b>1</b> Attachment 5 (Booklet 3) - 2017/18 Budget Review as at 30 September 2017	68 Pages