

9. GOVERNANCE AND FINANCIAL REPORTS

9.3. QUARTERLY BUDGET REVIEW AS AT 31 MARCH 2023 - SUPPLEMENTARY

REPORT AUTHOR: MANAGER FINANCE

RESPONSIBLE DIRECTOR: DIRECTOR COMMUNITY & CORPORATE

EXECUTIVE SUMMARY:

This report provides a summary of Council's financial performance against budget as of 31 March 2023 and revises the budget to take into account changes experienced over the third quarter.

Council's projected result before Capital Items has deteriorated by \$2.751M in the third quarter review to a projected year end result of a deficit of \$2.320M. This compares to the original budget deficit before Capital Items of \$1.196M.

Capital grants are recognised as they are utilised or where contractual milestones are achieved. The deferred timing of major Capital projects, notably the Aerodrome and Multi-purpose Centre, have resulted in Capital contributions revenue being reduced by \$12.135M leading to a projected operating result from continuing operations, including Capital items, of \$15.191M in comparison to an original budget of \$27.613M.

As at 31 March 2023 Council held total cash investments of \$42.445M. After allowing for \$38.838M externally restricted reserve and \$8.182M internally restricted, this leaves unrestricted cash investments in deficit of \$4.575M. In essence, Council is currently utilising its internally restricted reserves to fund its operations.

RECOMMENDATION:

THAT COUNCIL:

- 1. Receive the Quarterly Budget Review as at 31 March 2023; and**
- 2. Adopt the Revenue, Expenditure and Capital Budget adjustments as noted in the March (Q3) Quarterly Budget Review.**

BACKGROUND:

The 2022/23 annual budget was adopted on 16 June 2022. Clause 203 (1) of the Local Government (General) Regulation 2021 requires Council's Responsible Accounting Officer to prepare and submit a quarterly budget review statement to the governing body of Council. The Quarterly Budget Review Statement is designed to reflect the information normally prepared annually as part of the financial statements on a quarterly basis.

All Directors and Managers are required to monitor their budgets on a continual and frequent basis throughout the financial year and adjustments are recommended as required.

This report provides a summary of Council's financial performance against budget as of 31 March 2023 and recommends adjustment to the budget.

REPORT:

Council adopts its original budget in June each year, forecasting on the known income, operational expenses, and capital works for the coming financial year.

The original 2022-23 budget forecasts a surplus of \$27.6M, including income received as grants for the purpose of building new or replacement assets. Funding received for capital items is reported in Council's overall operational result. When excluding funding received for capital grants, the original budget forecast a deficit of \$1.2M. Through the Quarterly Budget Review process reported to Council,

Council reviews and adjusts the original budget to manage variations that occur throughout the year. For example:

- Receiving grant funding
- Recognising increased/decreased expenditure and income
- Adjustments resulting from Council resolutions

Summary of Council's operating position at end of March 2023

A summarised financial report for Council is provided below (as at 31 March 2023) comparing the operating YTD actuals against the YTD budget. This report provides the interim results for the financial year. The purpose of this report is to provide an indication of Council's financial performance at a particular point in time. The summary report includes the proposed Q3 Revised Budget incorporating changes discussed in this covering report and detailed in the Quarterly Budget Review Statement (Attachment 1).

Code	Account Description	Actual YTD	Adopted Budget Q2 YTD	% Variance YTD	\$ Variance YTD	Revised Budget Q3	Original Budget 21PJBUD
	Income						
100	Rates, Levies & Annual Charges	20,433,899	20,053,000	1.90%	380,899	20,053,000	20,768,000
105	User Charges & Fees	15,390,781	14,583,000	5.54%	807,781	25,444,000	15,141,000
110	Interest & Investment Revenue	814,351	562,500	44.77%	251,851	750,000	330,000
115	Other Income	2,412,584	1,059,750	127.66%	1,352,834	3,413,000	934,000
120	Operating Grants & Contributions	9,952,361	13,051,500	-23.75%	(3,099,139)	17,207,000	10,800,000
125	Capital Grants & Contributions	11,850,006	22,234,500	-46.70%	(10,384,494)	17,511,000	28,809,000
190	Income on Sale of Assets	1,295,769	345,000	275.59%	950,769	1,296,000	0
	Total Income	62,149,750	71,889,250	-14%	-9,739,500	85,674,000	76,782,000
	Expenses						
200	Employee Costs	12,356,381	13,216,500	6.51%	860,119	17,622,000	17,244,000
205	Materials & Services	29,963,300	27,342,000	-9.59%	(2,621,300)	36,456,000	19,069,000
215	Depreciation & Impairment	8,291,911	8,238,000	-0.65%	(53,911)	10,984,000	10,984,000
220	Other Expenses	1,061,403	1,145,250	7.32%	83,847	1,527,000	1,527,000
210	Interest & Investment Losses	250,800	258,000	2.79%	7,200	344,000	344,000
190	Cost of Assets Sold/Disposed	3,549,563	0	no budget	(3,549,563)	3,550,000	
	Total Expenses	55,473,357	50,199,750	-11%	(\$5,273,607)	\$70,483,000	49,168,000
	Net Operating Result from Continuing Operations	6,676,393	21,689,500	-69%	(15,013,107)	15,191,000	27,614,000
	Net Operating Result before Capital Items	(5,173,613)	(545,000)	849%	(4,628,613)	(2,320,000)	(1,195,000)

Council's income at end of March 2023 was 14% below year-to-date (YTD) budget, while expenditure was 6% below YTD budget.

Income

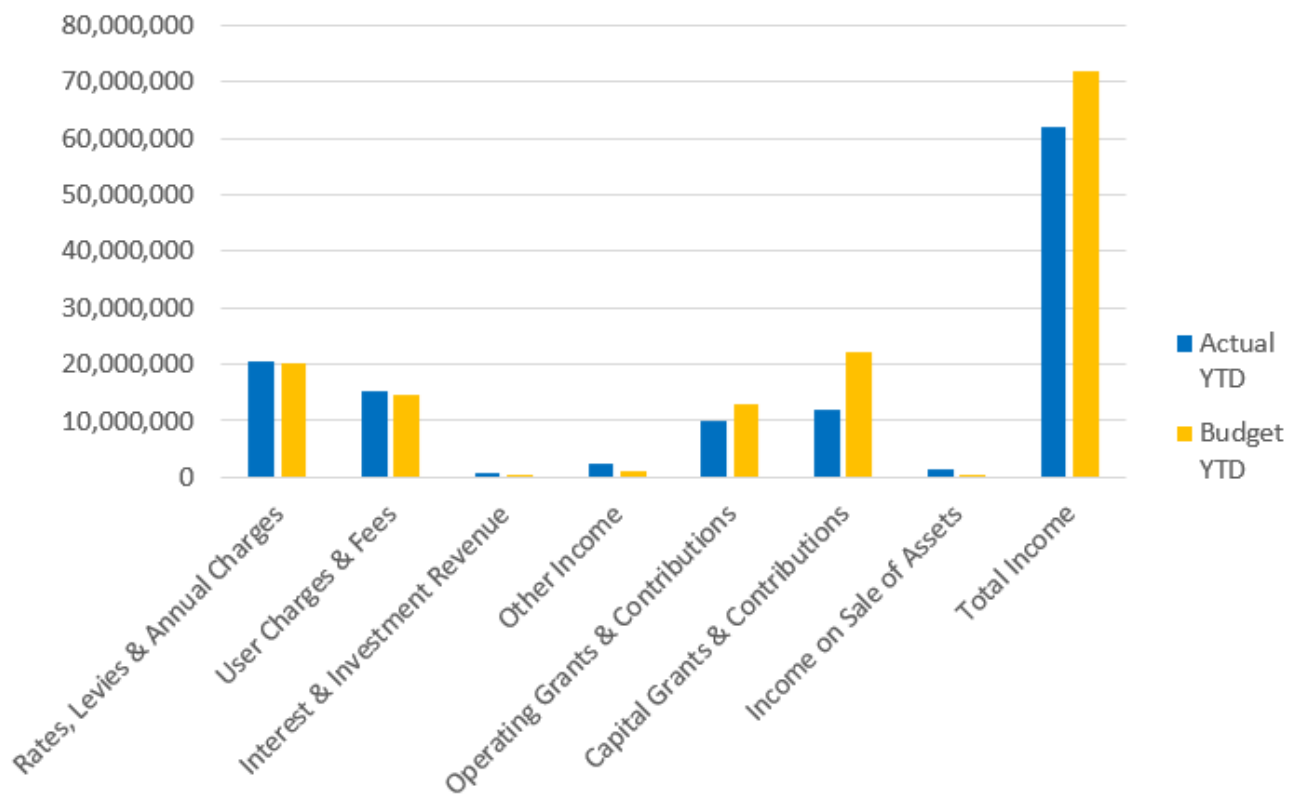
Investment income is above YTD budget by \$252K (45%). Interest rates received on short term investments have increased from an average of 2.40% in December 2022 to an average of 3.11% in March 2023.

Other Income is above YTD budget by \$1.35m (127%), predominately as result of disaster recovery funding from flooding events.

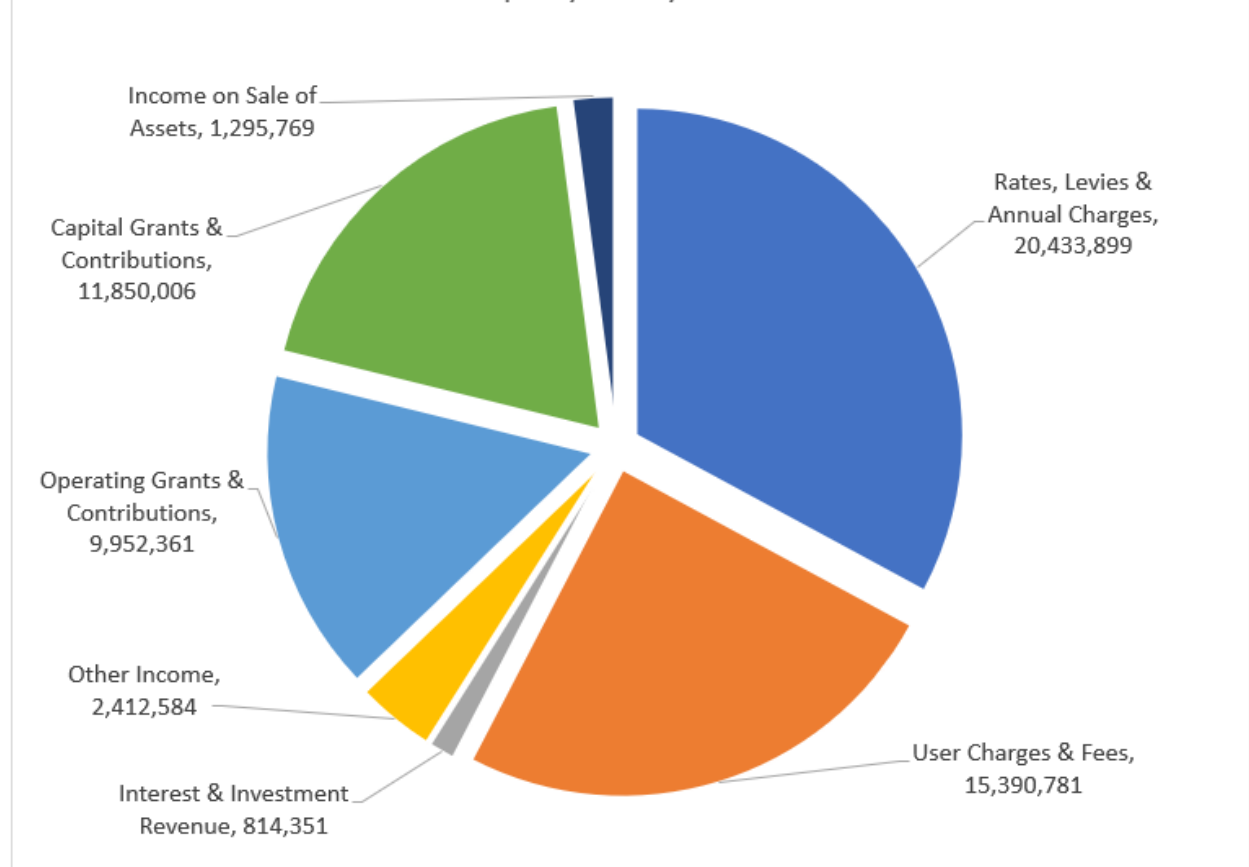
Operating Grants and Contribution are below YTD budget by \$3.10m (23.75%). \$2.1m EPA Bushfire Clean up funding is to be received in the final quarter. The budget also anticipates advance payment of the 2023/24 FAGs grant (\$4.7M) as has occurred in previous years.

Capital Grants & Contribution is below YTD budget \$10.38M (46.70%) due to delay in the completion of major capital works projects; particularly the Aerodrome extension and Multi-Purpose Centre.

Income (Actual to Budget) YTD March 2023



Income Split by Activity March 2023

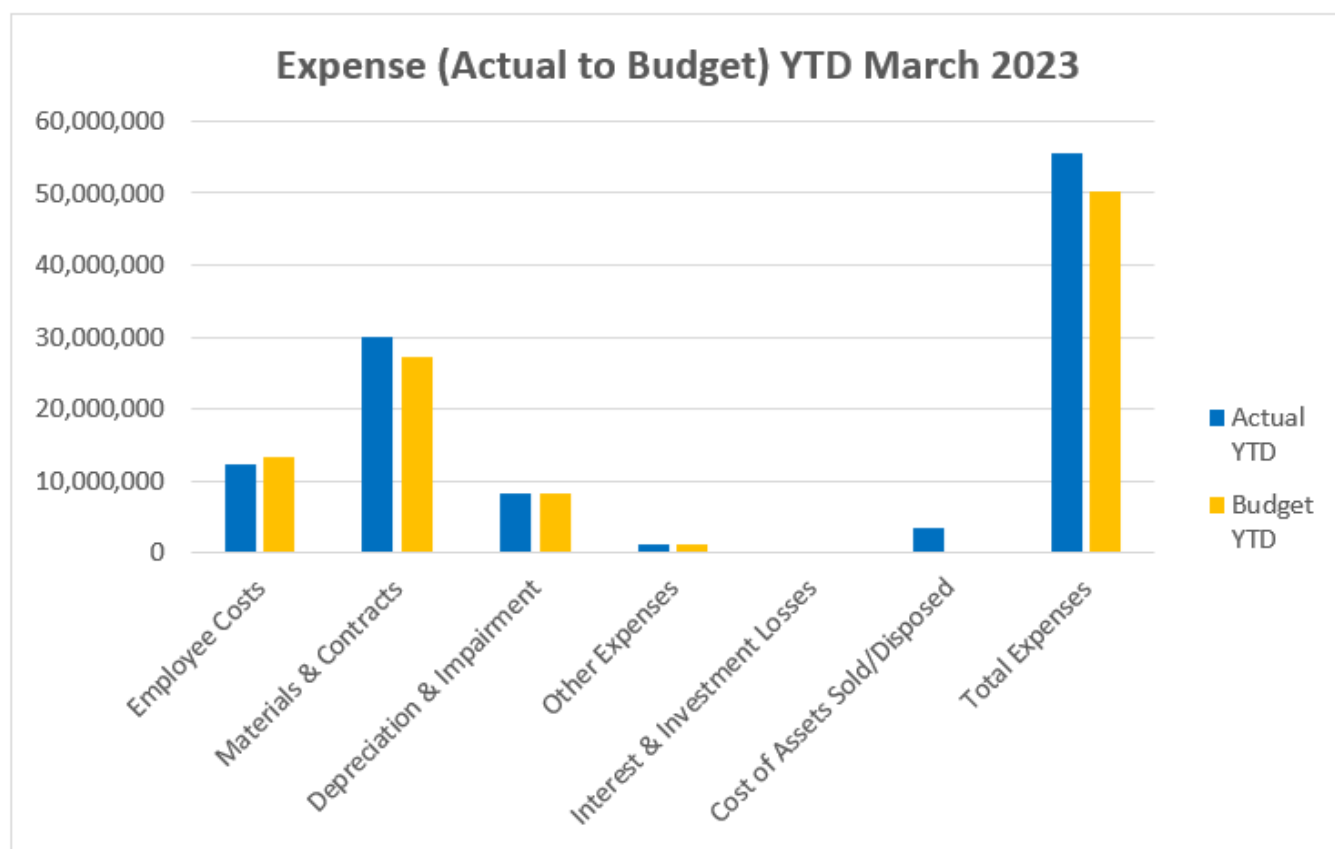


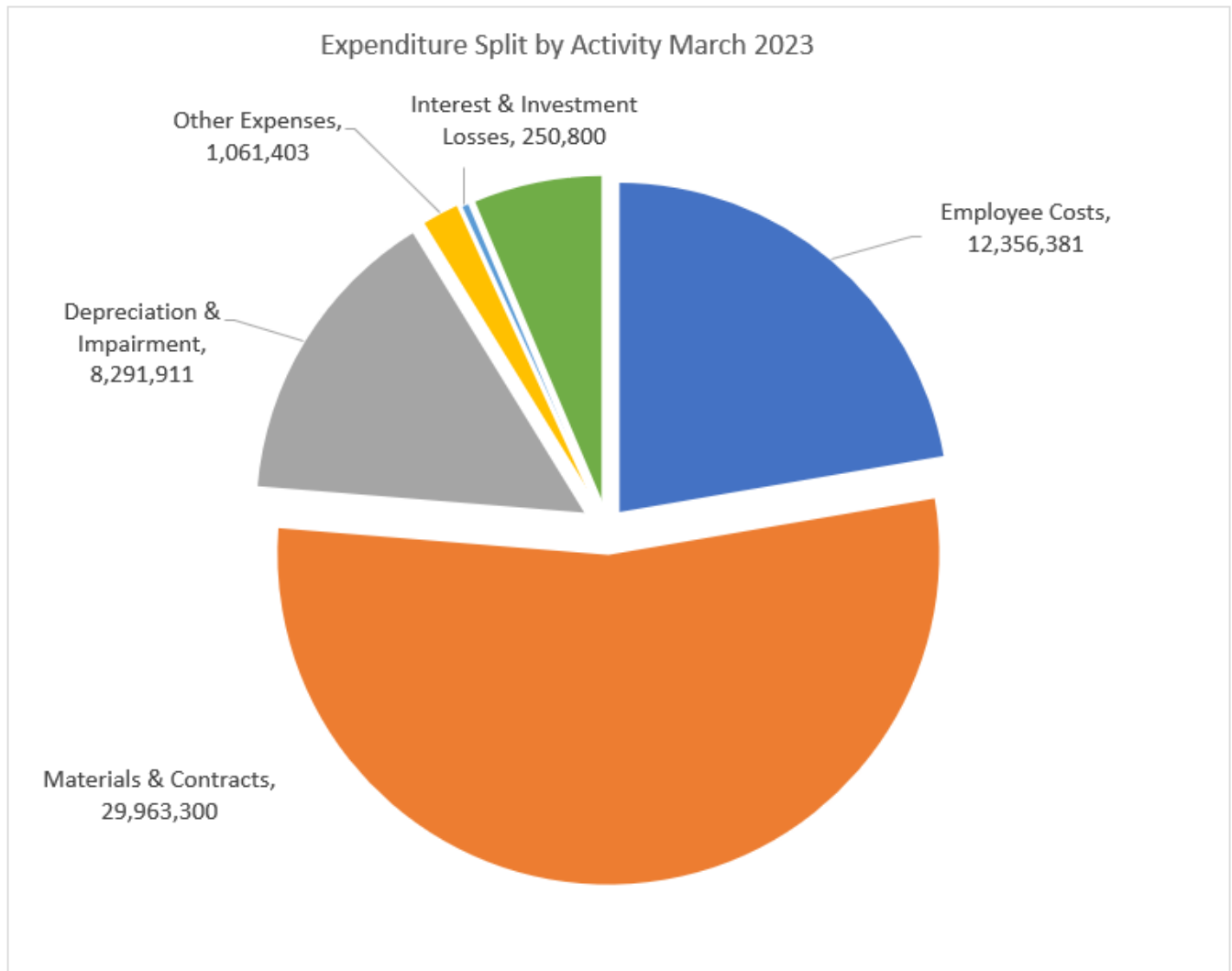
Expenditure

Employee Costs are \$860k (6.51%) below YTD budget. Accruals for leave entitlements will occur at year end.

Materials and Contracts expenditure is above YTD budget \$2.62M (9.59%). Commercial works activities including RMCC and Bobeyan Road have increased substantially above budget. Unanticipated Flood recovery work have also been substantial. The increase in this expenditure is fully offset by increases in other revenue (refer budget review adjustments.)

Cost of Assets Sold/Disposed of is reported at \$3.549m (\$2.253m net of sales) with no budget allocated. This expenditure relates to write down of the remaining book value of assets were renewal projects have been undertaken. It also incorporates Fleet replacement and Land Sales





Capital

A detailed Capital Project Listing is included at Attachment 2.

58% of the projected capital budget has been expensed at the end of March 2023. This completion rate is low due to progress on major capital projects and timing of processing invoices for the finished road works. Most of the resealing and construction of road renewals will be undertaken in the final quarter.

Cash and Investments

The Cash and Investments Budget Statement is on page 7 of the Quarterly Budget Review Statement (Attachment 1). Actual Cash and Investments as at 31 March is \$42.445M.

As at 31 March \$3.6m has been spent from unexpended specific purpose grants reserve and \$4.9m new additional grants received.

After allowing for \$38.8338M externally restricted reserve and \$8.182M internally restricted, this leaves unrestricted cash investments in a deficit of \$4.575M. In essence, Council is currently utilising its internally restricted reserves to fund its operations.

Proposed Q3 Budget Adjustments

Proposed variations for the March Quarter are in the Income and Expenses Budget Review Statement on page 3 of Attachment 1 and itemised in the notes.

The major proposed changes are:

1. An increase in Materials and services cost of \$7.842M which is offset by an increase in Other Fees and Charges of \$6M and Natural Disaster Events funding of \$2M

2. A net increase of Cost of Assets sold/disposed of \$2.714.
3. A reduction in Capital Grants and Contributions of \$12.135M in line with the timing of delivery of externally funded major capital projects; specifically, the Multi-Purpose Centre (\$9.785M) and Aerodrome (\$2.35M). This funding will be carried forward to the 2023/24 financial year.

The net result of the proposed third quarter (Q3) budget variations is that Council's projected result before Capital Items has deteriorated by \$2.751M to a projected year end result of a deficit of \$2.320M. This compares to the original budget deficit before Capital Items of \$1.196M.

The deferred timing of major Capital projects, notably the Aerodrome and Multi-purpose Centre, have resulted in Capital contributions revenue being reduced by \$12.135M leading to a projected operating result from continuing operations (including Capital items) of \$15.191M in comparison to an original budget of \$27.613M.

LINK TO COMMUNITY STRATEGIC PLAN AND DELIVERY AND OPERATIONAL PLAN:

Integrated Planning and Reporting Framework:

Community Strategic Plan Theme

Theme 5 - Our Civic Leadership

Community Strategic Plan Strategic Objectives

CSP5 Our Civic leadership and organisation government fosters open and transparent partnership with our community

Delivery Program Principal Activities

5.5 Provide effective short and long term financial management to deliver financial sustainability

FINANCIAL AND RESOURCES IMPLICATIONS:

Monitoring of the Quarterly Budget Review enables timely financial management,

POLICY, LEGAL AND STATUTORY IMPLICATIONS:

Clause 203 (1) of the Local Government (General) Regulation 2021 requires Council's responsible account officer to prepare and submit a quarterly budget review statement to the governing body of Council.

RISK MANAGEMENT / COST BENEFIT ANALYSIS:

Quarterly reporting allows Council to stay informed of the progress of the budget to actual income and expenditure.

OPTIONS:

Nil.

COUNCIL SEAL REQUIRED:

No.

COMMUNITY ENGAGEMENT AND COMMUNICATION:

Matters arising from this report that require further communication will be addressed at the meeting or taken on notice and a response will be provided.

ATTACHMENTS

1. Quarterly Budget Review March 2023
2. Snowy Valleys Capital Works 2022-23 QBR3 V1