

10. GOVERNANCE AND FINANCIAL REPORTS

10.11 LATE REPORT - ROADS EXPENDITURE REPORT 2023/2024

REPORT AUTHOR: MANAGER TECHNICAL SERVICES

RESPONSIBLE DIRECTOR: INTERIM GENERAL MANAGER

EXECUTIVE SUMMARY:

The Quarterly Budget Review as of 31 March 2024 was reported to Council at the May Ordinary Council Meeting.

It was recommended that the Budget be varied in accordance with the report; Council received and adopted the report as presented. A further resolution was included to receive a report on the budget overspends and associated remedial actions. The roads over expenditure disclosed within the Quarterly Budget Review document was for material and services only and did not take into consideration other expenditure items under the control of the budget holder.

It is recommended that the Roads and Expenditure Report 2023/2024 be noted and accepted.

RECOMMENDATION:

THAT COUNCIL:

1. **Note the "Roads Expenditure Report 2023/2024" on the Budget expenditure and associated remedial actions.**
2. **Fund from untied revenue the estimated over expenditure on local roads as at 30 June 2024 of \$300,000.**

BACKGROUND:

At Council's Ordinary Meeting dated 16 May 2024, Item 10.4 Quarterly Budget Review as of 31 March 2024, Council resolved to *'Receive a further report on the budget overspends and associated remedial actions.*

The budgets for Roads were adjusted in the March Quarterly Budget Review to reflect actual expenditure for Materials and Services only. Urban Roads increased by \$210K, Rural Local Roads (RLR) Sealed increased by \$370K and Regional Roads increased by \$300K. Employee costs, internal plant and gravel had not been adjusted within the budget review process at this time. When taking these costs into account the over expenditure on local roads reduces from \$880K to an estimated \$300K as at 30 June 2024.

REPORT:

An analysis of expenditure under the control of the Budget holder has been undertaken and compared to the Budget over the last three financial years for both Local Roads and Regional Roads. The analysis has been reproduced below for Councillor's information.

ROADS EXPENDITURE REPORT 2023/2024									
<i>Based on cost allocations controllable by the Budget Manager</i>									
Employee Costs									
Materials and Services									
Internal Plant Charges									
Internal Gravel Charges									
Local Roads									
	2021/2022			2022/2023			2023/2024		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual to 12 June	Variance
Urban Roads	552,162	539,161	13,001	275,164	457,530	- 182,366	384,973	586,399	- 201,426
Rural Local Roads - Sealed	1,031,357	1,137,030	- 105,673	738,810	1,052,570	- 313,760	811,066	1,043,230	- 232,164
Rural Local Roads - Unsealed	710,100	603,739	106,361	439,448	268,469	170,979	446,184	287,660	158,524
Total Variance Local Roads			13,689			- 325,147			- 275,066
<i>Costs not included in reconciliation are Depreciation (non cash item), Borrowing costs, Internal overheads and recovery charges</i>									
Regional Roads									
							2023/2024		
							Budget	Actual to 12 June	Variance
Regional Roads							599,124	628,821	- 29,697

As identified, actual expenditure for 2023/2024 for Local Roads is comparable to the previous two years. The original comparative budgets, however, for Local Roads - Urban, Sealed and Unsealed for 2023/2024 is significantly less (28.4%) than the Budget allowances for the 2021/2022 Financial Year. In fact, the total local roads comparative budget in 2021/2022 was \$2,293,619 whereas the actual expenditure in 2023/2024 to 2 June was \$1,917,289. Nevertheless, it is anticipated that Local Roads expenditure will be \$300,000 over the allocated budget by 30 June 2024.

The Local Roads Budgets in 2024/2025 have been increased to ensure Council can continue to maintain the road network in an adequate condition.

The Regional Roads maintenance expenditure under the control of the Budget holder, which is only \$29,697 over budget as 12 June 2024, can be offset by a reduction in Capital Expenditure on Regional Roads.

Under Council's adopted Road Management Plan, 451km of local unsealed roads, 445km of sealed local roads, 138km of urban roads and 167km of regional roads are maintained.

Council receives, on average, 500 Customer Requests (CRMs) per year. This equates to about 10 per week that require investigation and response to the community.

In addition to the allocated budget, Council has received over \$3.2M worth of work, on top of the previously reported \$7.2M in November 2023, focused on road asset repair under the Disaster Recovery Funding Arrangements (DRFA) since 2020. This funding is focused on the restoration of Essential Public Assets (EPA) to pre-disaster levels, however, includes a small component of capital works for items including culvert replacements and pavement replacements.

Council received \$410,037.47 from the NSW State Government in the 2022/2023 financial year. This funding was allocated to address the degradation of the network due to impacts of continued wet weather over an 18-month period, however it was used within the first 8 months of receiving the funding.

The Road Maintenance Agreement has continued to be used in line with the approved area of impact on Tooma Road and Elliott Way.

Management is continuing to implement improved financial controls to improve budget compliance.

LINK TO COMMUNITY STRATEGIC PLAN AND DELIVERY AND OPERATIONAL PLAN:**Integrated Planning and Reporting Framework:****Delivery Program and Operation Plan Strategic Directions**

Theme 4 - Our Infrastructure

Community Strategic Plan Objectives

CSP4 Our infrastructure includes Council services that plan, manage, maintain and renew our community infrastructure and transport networks

Delivery Program Principal Activities

4.3 Plan and provide a program to maintain the local road network

FINANCIAL AND RESOURCES IMPLICATIONS:

The over expenditure on Local Roads will need to be funded from untied revenue, however, total expenditure on Regional Roads (Maintenance and Capital) can be managed within the Block Grant received from Transport for NSW.

A portion of the Block Grant initially intended to fund works on the Alpine Way, has been transferred to the maintenance budgets, with this project approved and funded from Regional Emergency Road Repair Fund (RERRF). This will enable further maintenance works to be undertaken on the Regional Road Network prior to 30 June 2024.

POLICY, LEGAL AND STATUTORY IMPLICATIONS:

Nil

RISK MANAGEMENT / COST BENEFIT ANALYSIS:

RISK CATEGORY	RISK/REWARD DESCRIPTION	COST/RISK	BENEFIT / REWARD
Financial	<p>Funding the over expenditure on the Local Roads Network will have a negative impact of \$300,000 on Council's Unrestricted Working Capital.</p> <p>The transfer of funds on the Regional Road network from Capital to Maintenance will have not financial impact of Council and no impact on the Network as the Capital project will be undertaken under the RERRF.</p>	Potentially will further deteriorate Council's financial position if savings are not achieved in other areas.	Nil
People	Council is at risk of losing staff if services are not continued and employment profiles change. Staff have pride in their jobs and delivery and the decrease in serviceability impacts their commitment to the job and may cause staff to assess other opportunities for employment	The loss of staff is considered low risk at this time but if expenditure is further reduced the risk will increase.	Nil

RISK CATEGORY	RISK/REWARD DESCRIPTION	COST/RISK	BENEFIT / REWARD
Service Delivery	Inspections continue to be undertaken despite the budget overspend to manage the risk associated with the hard assets Council owns. Based on the severity of defects and other criteria, priority works have been approved on a case-by-case basis by the Manager Works and Manager Technical Services.	Council continues to undertake limited street sweeping under the Urban Roads budget at a cost of \$2,200 per week to limit the cost overruns in this area.	Nil

OPTIONS:

1. Adopt as per recommendations set out in this report - preferred option.
2. Amend the recommendations set out in this report.
3. Decline the recommendations set out in this report.

COUNCIL SEAL REQUIRED:

No

COMMUNITY ENGAGEMENT AND COMMUNICATION:**Internal Consultation:**

When the overspends were identified by the Infrastructure Team, a 'stop work' was placed on all Council funded maintenance works. This resulted in the temporary standing down of pieces of equipment and the re-tasking of staff.

ATTACHMENTS

Nil.