

Tenterfield Shire Council

Budget review for the quarter ended - 31 December 2021

Report by Responsible Accounting Officer

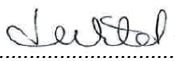
The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005.

It is my opinion that the Quarterly Budget Review Statement for the Tenterfield Shire Council for the quarter ended 31 December 2021 indicates that Council's projected financial position at 30 June 2022 will be unsatisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Under Regulation 203 (2) of the Local Government Act, I am required to suggest recommendations for remedial action.

To that end, I recommend in the December 2021 Quarterly Budget Review that:

- 1) No additional operating or capital expenditure outside of the recommendations in this review be approved by Council unless they are offset by other savings (e.g. with road works such as re-sheeting, with a plan to reduce maintenance costs) or grant funded, and even then only where there will be no additional operating costs as a result of the expenditure i.e. if capital related expenditure, it should be for the replacement of existing assets only, not new assets.*
- 2) As part of Council's new Asset Management System implementation and asset revaluation processes for 2021/22, a thorough review of depreciation be undertaken to ascertain if depreciation expenditure can be reduced, and that further discussions be held with the State Government regarding the State re-acquiring some roads from Council.*
- 3) Acknowledge the ongoing governance and treasury management difficulties Council faces with the current structure of many grant and disaster funding payments, and advocate for changes to the timing of these cash payments from State and Federal governments.*
- 4) That the issue of rate pegging and cost shifting be raised again in appropriate forums.*
- 5) That a plan be developed to increase operational income and further reduce operational expenditure recognising that as per previous discussions and comments Council reports, such a plan may include a Special Rates Variation request with a view to returning Council's operating position to surplus.*

Signed: 

Date: 11/02/2022

Responsible Accounting Officer

Tenterfield Shire Council

Budget Statement for the year ended - 31 December 2021

Income and Expenditure Review by Function

	Original Budget	Approved Changes	Recommend Changes	PROJECTED	ACTUAL
	2021/22	September Review	December Review	year end Result 2021/22	YTD as at 31/12/21
	\$'000	\$'000	\$'000	\$'000	\$'000
Income					
- Civic Office	-	-	40	40	33
- Organisational Leadership	-	-	-	-	-
- Community Development	6	-	-	6	-
- Economic Growth and Tourism	37	2,219	78	2,334	1,221
- Theatre and Museum Complex	165	1	(98)	68	28
- Library Services	88	-	-	88	84
- Workforce Development	185	218	95	498	416
- Emergency Services	136	173	-	309	136
- Finance and Technology	8,424	-	-	8,424	5,652
- Corporate and Governance	2	-	-	2	1
- Environmental Management	87	25	-	112	27
- Livestock Saleyards	77	-	-	77	28
- Parks, Gardens and Open Spaces	122	282	175	579	448
- Planning and Regulation	332	28	167	527	269
- Buildings and Amenities	632	227	(126)	733	239
- Swimming Complex	-	-	-	-	-
- Asset Management and Resourcing	10	-	(7)	3	-
- Commercial Works	148	-	-	148	27
- Plant, Fleet and Equipment	785	-	(710)	75	40
- Transport Network	8,180	26,292	3,185	37,657	9,843
- Waste Management	2,874	3	774	3,651	2,840
- Water Supply	2,806	9,916	37	12,759	1,876
- Sewerage Service	2,755	-	(43)	2,712	2,632
- Stormwater & Drainage	71	-	-	71	71
Total Income including Capital Grants & Contributions	27,922	39,384	3,567	70,873	25,911
Expenses					
- Civic Office	439	-	74	513	134
- Organisational Leadership	1,031	-	-	1,031	424
- Community Development	99	1	-	100	35
- Economic Growth and Tourism	560	705	135	1,400	695
- Theatre and Museum Complex	286	2	(10)	278	103
- Library Services	545	(2)	-	543	232
- Workforce Development	1,065	218	95	1,378	614
- Emergency Services	698	84	1	783	356
- Finance and Technology	522	-	177	699	721
- Corporate and Governance	782	-	23	805	353
- Environmental Management	331	99	(4)	426	101
- Livestock Saleyards	141	-	(2)	139	68
- Parks, Gardens and Open Spaces	1,100	44	46	1,190	575
- Planning and Regulation	537	107	-	644	258
- Buildings and Amenities	1,117	91	58	1,266	674
- Swimming Complex	210	-	3	213	95
- Asset Management and Resourcing	907	-	-	907	298
- Commercial Works	114	-	-	114	30
- Plant, Fleet and Equipment	(508)	-	129	(379)	138
- Transport Network	7,480	174	93	7,747	6,083
- Waste Management	2,274	-	(133)	2,141	875
- Water Supply	2,572	(113)	168	2,627	1,167
- Sewerage Service	1,786	-	59	1,845	768
- Stormwater & Drainage	110	-	101	211	51
Total Expenses	24,198	1,410	1,013	26,621	14,848
Total Surplus/ (Deficit)	3,724	37,974	2,554	44,252	11,063
Capital Grants and Contributions	3,721	38,693	4,605	47,019	11,011
Net Operating Result excluding Capital Grants and Contributions	3	(719)	(2,051)	(2,767)	52
Operating Ratio (including Capital Income)	13.34%			62.44%	42.70%
Operating Ratio (excluding Capital Income)	0.01%			-11.60%	0.35%

Budget Variations - Explanations

C/F = Carry-forward

Recommended Income Variations this Quarter

(\$'000)

Explanation:

- Civic Office	40	New grant: Australia Day \$30,000. Sesquicentennial Income \$9,772
- Economic Growth & Tourism	78	New grants: SCCF Northern Border Walk Signage \$90,000; Small Business Month \$2,500.
		Community Recovery Officer \$15,762.
		Reduced income -\$29,989 (Business Awards, Merchandise Sales, Promotion income)
- Theatre & Museum Complex	(98)	Reduced income due to Covid impacts on Cinema, Museum & Theatre - \$98,000
- Workforce Development	95	New grant: Covid-19 Community Support \$90,000.
		Training Reimbursement \$7,500, reduced other income -\$2,868
- Parks, Gardens and Open Spaces	175	New grants: SCCF Revitalisation of Tenterfield Netball Courts \$160,000; Festival of Place - Summer Night Fund \$15,000.
- Planning and Regulation	167	Additional operational income Planning & Development fees \$52,405; Additional capital income Developer Contributions \$115,000.
- Buildings and Amenities	(126)	Removed income Sale of Surplus Land Assets -\$500,000; Public Hall Fees - \$8,500.
		New grants: SCCF Upgrades to Drake Hall \$113,000; SCCF Improvements to Sunnyside Hall \$138,116; SCCF Floor Refurbishments to Memorial Hall \$131,117.
- Asset Management and Resourcing	(7)	Reduced income Sale of Surplus Plant & Materials -\$7,000
- Plant, Fleet and Equipment	(710)	Removed the one-off income for the last four years Energy Scheme (Fuel) claims - \$710,000 due to delay in supply chain equipment availability
- Transport Network	3,185	New operational grant: Bushfire Risk Mitigation & Resilience \$17,850.
		Reduced operational income -\$7,683
		New capital grants: FLR Tooloom Road West Rehabilitation \$2,999,566; SCCF Extension to Urbenville Footpath \$160,000; Logan Street Footpath Replacement \$15,000.
- Waste Management	774	New grant: EPA Bushfire Recovery Program for Council Landfills \$773,692.
- Water Supply	37	New grant: Integrated Water Cycle Management Strategy \$69,615. Reduced operational income -\$33,000
- Sewerage Service	(43)	Reduced operational income -\$43,000
Total Recommended Income Variations this Quarter	3,567	

Budget Variations - Explanations

Recommended Expenditure Variations this Quarter	(\$'000)	Explanation:
- Civic Office	74	New grant: Australia Day \$30,000. Sesquicentennial expenses \$9,772; Bi-Election \$40,000; Two Councillor vacancies for 3 months -\$6,200
- Economic Growth & Tourism	135	New grants: SCCF Northern Border Walk Signage \$90,000; Small Business Month \$2,500. Community Recovery Officer \$15,762. Additional depreciation \$36,817. Removed Business Awards -\$10,000
- Theatre & Museum Complex	(10)	Reduced Film Commission costs due to Covid impacts on Cinema \$10,000
- Workforce Development	95	New grant: Covid-19 Community Support \$90,000. Recruitment Costs \$4,362
- Emergency Services	1	Additional depreciation \$1,060
- Finance and Technology	177	Move \$90,000 from Capital Expenditure to Operational Expenditure for IT system operating costs. Increased insurance costs \$16,380; additional audit costs \$9,200; increased IT system operating costs \$59,000; Legal costs \$1,936
- Corporate and Governance	23	Additional depreciation \$9,751; Internal audit project costs for 2020/21 \$12,877
- Environmental Management	(4)	Move -\$4,202 to Parks, Gardens and Open Spaces operational expenditure
- Livestock Saleyards	(2)	Reduced depreciation -\$1,813
- Parks, Gardens and Open Spaces	46	New grant: Festival of Place - Summer Night Fund \$15,000. Move \$4,202 from Environmental Management. Additional depreciation \$26,575.
- Buildings and Amenities	58	Move -\$15,171 to Capital Expenditure SCCF Memorial Hall for basketball hoops. Additional depreciation \$73,139
- Swimming Complex	3	Additional depreciation \$2,638
- Plant, Fleet and Equipment	129	Additional depreciation \$117,586; additional workshop costs \$11,485
- Transport Network	93	New operational grant: Bushfire Risk Mitigation & Resilience \$17,850. Additional depreciation \$74,731.
- Waste Management	(133)	Additional asset valuation costs \$5,150. Reduced depreciation -\$138,392.
- Water Supply	168	New grant: Integrated Water Cycle Management Strategy \$69,615. Increased operational expenses \$98,869 (e.g. asset valuation, water testing, EPA licences, maintenance, meter reading)
- Sewerage Service	59	Additional depreciation \$21,074. Increased operational costs \$37,850 (e.g. asset valuation, brine disposal)
- Stormwater & Drainage	101	Move Capital Expenditure account to Operational Expenditure \$100,000 Rouse Street Design & Investigation. Additional depreciation \$1,160.
Total Recommended Expenditure Variations this Quarter	1,013	

This document forms part of Tenterfield Shire Council's Quarterly Budget Review Statement for the quarter ended 31 December 2021 and should be read in conjunction with other documents in the QBRS.

Capital Budget Review

	Original Budget	Approved Changes	Recommend Changes	REVISED Budget	ACTUAL YTD as at 31/12/21
	2021/22	September Review	December Review		
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Funding					
Rates and other untied funding	3,707	(1,383)	-	2,324	-
Capital Grants & Contributions	3,721	38,693	4,605	47,019	11,011
External Restrictions					
- Specific Purpose Unexpended Grants	-	3,526	-	3,526	3,526
- Developer Contributions	-	9	-	9	9
- Water Supply	686	(89)	9	606	606
- Sewerage Service	875	212	-	1,087	1,087
- Domestic Waste Management	359	227	39	625	625
- Stormwater Management	50	167	(100)	117	117
Internal restrictions					
- Plant & Vehicle Replacement Reserve	927	-	19	946	946
Other Capital Funding Sources e.g.					
- New Loans 2021/22	5,905	-	-	5,905	-
- Balance unspent from loan taken out in 2020/21	-	2,124	-	2,124	2,124
Income from sale of assets	2,418	-	-	2,418	1,173
Total Capital Funding	18,648	43,486	4,572	66,706	21,224
Capital Expenditure					
New Assets					
CHIEF EXECUTIVE OFFICE					
- Civic Office	-	-	-	-	-
- Organisational Leadership	-	-	-	-	-
- Community Development	-	-	-	-	-
- Economic Growth and Tourism	-	2,070	-	2,070	81
- Theatre and Museum Complex	-	-	-	-	-
- Library Services	-	-	-	-	-
- Workforce Development	-	-	-	-	-
- Emergency Services	-	-	-	-	-
CHIEF CORPORATE OFFICE					
- Finance and Technology	-	-	-	-	-
- Corporate and Governance	-	-	-	-	-
- Environmental Management	-	-	-	-	-
- Livestock Saleyards	-	-	-	-	-
- Parks, Gardens and Open Spaces	-	127	-	127	66
- Planning and Regulation	-	-	-	-	-
- Buildings and Amenities	-	-	-	-	-
- Swimming Complex	-	5	-	5	5
CHIEF OPERATING OFFICE					
- Asset Management and Resourcing	-	-	-	-	-
- Commercial Works	-	-	-	-	-
- Plant, Fleet and Equipment	-	-	-	-	-
- Transport Network	-	-	-	-	-
- Waste Management	3,317	126	32	3,475	102
- Water Supply	-	995	-	995	2
- Sewerage Service	-	-	-	-	-
- Stormwater & Drainage	-	-	-	-	-
Renewals (Replacement)					
CHIEF EXECUTIVE OFFICE					
- Civic Office	-	-	-	-	-
- Organisational Leadership	-	-	-	-	-
- Community Development	-	-	-	-	-
- Economic Growth and Tourism	-	-	-	-	-
- Theatre and Museum Complex	-	5	-	5	4
- Library Services	19	36	-	55	13
- Workforce Development	-	-	-	-	-
- Emergency Services	-	-	-	-	-
CHIEF CORPORATE OFFICE					
- Finance and Technology	250	-	(90)	160	69
- Corporate and Governance	-	-	-	-	-
- Environmental Management	-	2	-	2	-
- Livestock Saleyards	-	181	-	181	-
- Parks, Gardens and Open Spaces	-	261	160	421	6
- Planning and Regulation	-	3	-	3	-
- Buildings and Amenities	366	638	441	1,445	516
- Swimming Complex	200	-	-	200	-
CHIEF OPERATING OFFICE					
- Asset Management and Resourcing	330	21	-	351	10
- Commercial Works	-	-	-	-	-
- Plant, Fleet and Equipment	3,345	-	19	3,364	1,322
- Transport Network	8,489	28,780	3,002	40,271	5,401
- Waste Management	188	104	782	1,074	81
- Water Supply	449	8,792	9	9,250	580
- Sewerage Service	782	212	-	994	351
- Stormwater & Drainage	50	167	(100)	117	45
Loan Repayments (principal)	863	(39)	-	824	381
Total Capital Expenditure	18,648	42,486	4,255	65,389	9,035

* Some restricted cash is finalised as part of the end of year Financial Statement Process.

Budget Variations - Explanations

Include:

- an explanation for recommended changes and any impact on Council's original management / operational plan, delivery program or LTFP.
- any impacts of YTD expenditure on recommended changes to the budget

NOTE: Explanations are to be in plain English and in a style easily understood by readers of non-financial information. This narrative is important in understanding why budget changes are necessary.

Proposed Expenditure Variations	(\$'000)	Explanation:
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New Assets

- Waste Management	32	Additional costs for Tip shop - Drake, Liston & Tenterfield \$31,500
Total New Asset Budget Adjustments	32	

Renewal Assets

- Finance and Technology	(90)	Move -\$90,000 from Capitalised Software to Operational Expenditure for IT System Operating Costs
- Parks, Gardens and Open Spaces	160	New grant: SCCF Revitalisation of Tenterfield Netball Courts \$160,000
- Buildings and Amenities	441	Move \$15,171 from Operational Expenditure to SCCF Memorial Hall for basketball hoops.
		New item: Memorial Hall Roof Renewal \$150,000 (as per Council resolution 9/22).
		New grants: SCCF Upgrades to Drake Hall \$106,500 (addition to existing budget); SCCF Improvements to Sunnyside Hall \$138,116; SCCF Floor Refurbishments to Memorial Hall \$31,117 (addition to existing budget).
- Plant, Fleet and Equipment	19	Replace oil system and air system for Workshop \$19,289
- Transport Network	3,002	New capital grants: FLR Tooloom Road West Rehabilitation \$2,999,566; SCCF Extension to Urbenville Footpath \$160,000; Logan Street Footpath Replacement \$15,000.
		Move \$350,000 from Regional Roads Block Grant Reseals Program, to Regional Roads Block Grant Rehabilitation.
		Reduced Contribution for Clarence River Bridge to Kyogle Shire -\$172,450.
- Waste Management	782	New grant: EPA Bushfire Recovery Program for Council Landfills \$773,692.
		Additional costs 240L Wheelie Bins \$7,950.
- Water Supply	9	New item: Scada Renewal \$8,550 (due to equipment damage from lightning strike)
- Stormwater & Drainage	(100)	Move Capital Expenditure account to Operational Expenditure \$100,000 Rouse Street Design & Investigation.
Total Renewal Asset Budget Adjustments	4,223	

Total Liabilities Budget Adjustments	0
Total Proposed Expenditure Variations	4,255

This document forms part of Tenterfield Shire Council's Quarterly Budget Review Statement for the quarter ended 31 March 2021 and should be read in conjunction with other documents in the QBRS.

Budget Statement for the year ended - 31 December 2021

Cash and Investment Review

	Opening Balance	Approved	Recommend	PROJECTED	Closing Balance
	30/06/2021	Changes	Changes	year end	31/12/2021
	from Audited	September	December	Result	
	Financial Statements	Review	Review	2021/22	
	\$'000	\$'000	\$'000	\$'000	\$'000
Externally restricted					
<i>Specific Purpose Unexpended Grants</i>	4,783	(4,640)	-	143	10,065
<i>Developer Contributions - General Fund</i>	171	37	51	259	259
<i>Developer Contributions - Water Fund</i>	15	-	-	15	15
<i>Developer Contributions - Sewer Fund</i>	16	-	-	16	16
<i>Developer Contributions - Waste Fund</i>	18	2	4	24	24
<i>Developer Contributions - Stormwater Fund</i>	2	-	-	2	2
<i>Water Supply</i>	590	250	(141)	970	1,237
<i>Sewerage Service</i>	4,846	(212)	(81)	5,132	5,595
<i>Domestic Waste Management</i>	3,109	(227)	(45)	3,496	3,901
<i>Stormwater Management</i>	1,032	(167)	-	873	1,024
<i>Trust Fund</i>	-	-	382	382	382
Total Externally restricted	14,582	(4,957)	170	11,312	22,520
Internally restricted					
<i>Plant & Vehicle Replacement</i>	-	-	-	-	-
<i>Employees Leave Entitlements</i>	-	412	(412)	-	-
<i>International Town Partnerships</i>	-	-	-	-	-
<i>Roads & Bridges (Pending outcomes of grant applications)</i>	-	-	-	-	-
<i>Special Projects</i>	-	-	-	-	-
<i>RFS Unspent Funds</i>	-	90	(90)	-	-
Total Internally restricted	-	502	(502)	-	-
Total Restricted	14,582	(4,455)	(332)	11,312	22,520
Available Cash (Unrestricted Funds)	-	-	-	-	(1,163)
Total Cash and Investments	14,582	(4,455)	(332)	11,312	21,357

Notes:

The **available cash** position excludes restricted funds. External restrictions are funds that must be spent for a specific purpose and cannot be used by council for general operations. Internal restrictions are funds that council has determined will be used for a specific future purpose. Internal and external restrictions are not determined fully until after year end.

ORIGINAL Budget +/- approved budget changes in previous quarters = REVISED Budget
 REVISED Budget +/- recommended changes this quarter = PROJECTED year end result

NOTE: Explanations are to be in plain English and in a style easily understood by readers of non-financial information. This narrative is important in understanding why budget changes are necessary.

Comment on Cash and Investments Position

Some restricted cash is finalised as part of the end of year Financial Statement Process.

Council's Cash and Investments are performing within anticipated parameters.

Recommended Changes to Revised Budget

Include:

- an explanation for recommended changes and any impact on Council's original management plan / operational plan, delivery program or LTFP.
- any impacts of YTD expenditure on recommended changes to the budget

All changes required are in respect of the variations detailed in both the Capital budget and the Income and Expenditure Review

Certification regarding Investments and Bank Reconciliations

Investments

It is hereby certified that all investments listed below have made in accordance with the requirements of the Local Government Act 1993, (Section 625), the companion Regulations and Council's Investment Policy.

Cash

Bank reconciliations occur on a daily basis with a full reconciliation performed on a monthly basis. The full reconciliation for the December quarter occurred on 7 January 2022.

Cash Book Reconciliation

\$

Operating Account Cash balance as at 31 December 2021	14,974,675.98
Trust Account Cash balance as at 31 December 2021	382,340.85
Total Cash (Not invested) as at 31 December 2021	15,357,016.83

Reconciliation

The YTD total Cash and Investments has been reconciled with funds invested and cash at bank:

Financial Institution	Amount \$	Investment Rating	Interest	Maturity Date
National Australia Bank	1,500,000.00	AA-	0.20%	28/01/2022
Commonwealth Bank	3,000,000.00	AA-	0.30%	28/01/2022
Westpac	1,500,000.00	AA-	0.20%	27/01/2022
TOTAL INVESTMENTS	6,000,000.00			
TOTAL CASH ON HAND	15,357,016.83			
TOTAL CASH AND INVESTMENTS	21,357,016.83			

This document forms part of Tenterfield Shire Council's Quarterly Budget Review Statement for the quarter ended 31 December 2021 and should be read in conjunction with other documents in the QBRs.

Tenterfield Shire Council

Budget review for the quarter ended - 31 December 2021

Contracts

Contractor	Contract detail & purpose	Contract value \$	Commencement date	Duration of contract	Budgeted (Y/N)
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Notes

1. Minimum reporting level is 1% of estimated income from continuing operations or \$50,000 whichever is the lesser.
2. Contracts to be listed are those entered into during the quarter and have yet to be fully performed (excluding contractors that are on Council's preferred supplier list).
3. Contracts for employment are not required to be included.
4. Where a contract for services etc was not included in the budget, an explanation is to be given (or reference made to an explanation in another Budget Review Statement).

Consultancy and Legal Fees

Expense	Expenditure YTD \$	Budgeted (Y/N)
Consultancies	24,573	Y
Legal Fees	49,627	Y

Definition of consultant:

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision-making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

NOTES:

* Both Legal Fees and Consultancy fees are in line with expectations. A portion of the legal fees relating to Debt Recovery are recoverable.

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