



## COUNCIL REPORT

<b>Agenda Item Number:</b>	14.01.02
<b>Report Title:</b>	Budget Review 2 – 2021/2022
<b>Author:</b>	Maxie Smith, Manager Corporate Services
<b>Recommending Officer:</b>	Arun Dias, Interim Chief Executive Officer
<b>Meeting Date:</b>	19/04/2022
<b>Attachments:</b>	A: Departmental Operating Income Statement 2021/2022 B: Capital Expenditure

### Executive Summary

This report provides to Council the second budget review for 2021/2022 for approval in accordance with Section 203 of the *Local Government Act 2019*.

### Recommendation

THAT Council:

1. receive and note the report entitled Budget Review 2 - 2021/2022;
2. adopt Budget Review 2 – 2021/2022, pursuant to Section 203 of the *Local Government Act 2019* amending Total Operational Income to \$17,860,904, and Total operational expenditure to \$16,064,299, and Total Capital Expenditure to \$8,950,347; and
3. adopt the Financial Reserve movement of \$3,170,089 for 2021/2022 consisting of:
  - Developer Contributions Reserve reduction of \$27,443;
  - Waste Management Reserve reduction of \$512,706;
  - Unexpended Capital Works reduction of \$641,694;
  - Asset Reserve reduction of \$2,259,895;
  - Thorak Regional Cemetery increase of \$271,649;
  - Disaster Recovery Reserve increase of \$100,000; and
  - Strategic Initiatives Reserve reduction of \$100,000.

### Background

This budget review generates a net operating saving of \$372,038, which supports additional capital expenditures of \$431,890. Operational items are predominantly made up of the below. Attachment A also provides a breakdown per department.

### Total Income

Overall income has increased by \$318,385, mainly due to increases in income from investment income, user charges, and statutory charges. The increase includes a reduction of \$297,024 in other revenue for special rates income incorrectly budgeted in Budget 2022.

## **Operational Expenditure**

Overall expenditure has decreased by \$53,653. Several additional expenditure items have been included in the budget, with savings created to absorb these costs of \$786,306.

Sundry Expense: Savings of \$11,063, includes additional \$20,000 for MyLitchfield.

Computer / IT Costs: Increase of \$76,100 produced by savings of \$46,259 with IT External Management of \$122,359 moved from Employee Costs.

Employee Costs: Savings of \$56,250, including additional payments of over forty-five thousand for increases in insurance costs.

Professional Fees: Savings of \$99,053 after the additional increase for Asbestos Remediation of \$350,000.

Parts, accessories & consumables: Expenditure increase of \$83,000. \$10,000 of extra chemicals purchased. Balance predominantly for signage replacement.

Cemetery Operations: An increase of \$840 largest element is \$500 for an insurance excess.

Contractors: Savings of \$353,227, which includes an additional expenditure of \$20,000 for Southport Progress Association to manage Mira Square.

Legal Expenses: Increase expense by \$7,996 due to more activity in this area.

Donations and Community Support: Increase in expenditure offset by income in cash for cans.

Maintenance: Increase expenditure \$84,604 due to unanticipated plumbing repairs and asbestos remediation \$14,000. Delays in delivery of new backhoe due to global supply chain issues. Backhoe needed constant repair \$12,000. Major Compactor service to increase lifespan to accommodate for new transportation tender in 2024, \$90,858.

Elected Member: Increase in the expenditure of \$173,179 due to Election Expense \$166,587 and subscription for LGANT.

Energy: Decrease in the expenditure of \$7,987. The budget has been aligned with actual spending.

Insurance: Increase in insurance of \$42,648 due to actual increase.

Bad Debts: Increase in the expenditure of \$1,500 Butler Place incidents may become bad debt and may include court charges.

<b>Litchfield Council</b>						
<b>Operating Income Statement</b>						
	<b>2020/2021- Actual (\$)</b>	<b>2021/2022 Actual ( P8) (\$)</b>	<b>2021/22 - Adopted Budget (\$)</b>	<b>2021-22 Budget Review 2 (\$)</b>	<b>Variance</b>	
Grants	3,717,076	1,693,223	3,608,882	3,645,882	37,000	1%
Inv Income	430,765	227,494	249,500	279,265	29,765	12%
User Charges	1,854,508	1,398,691	1,289,199	1,649,600	360,401	28%
Rates	10,753,407	11,827,687	11,720,414	11,834,472	114,058	1%
Stat Charges	133,533	145,385	189,000	248,070	59,070	31%
Other Revenue	440,402	17,354	485,524	203,614	(281,910)	-58%
<b>Total Income</b>	<b>17,329,691</b>	<b>15,309,834</b>	<b>17,542,519</b>	<b>17,860,904</b>	<b>318,385</b>	<b>2%</b>
<b>Operational Expenditure</b>						
Sundry	611,112	358,480	591,105	580,042	(11,063)	-2%
Computer / IT Costs	385,577	250,243	346,250	422,350	76,100	22%
Employee Costs	6,523,168	4,698,211	7,218,474	7,162,224	(56,250)	-1%
Professional Fees	1,037,046	431,731	1,343,564	1,244,511	(99,053)	-7%
Parts, accessories & consumables	303,946	99,226	128,500	211,500	83,000	65%
Cemetery Operations	335,754	249,183	392,904	393,744	840	0%
Auditors Fees	57,394	3,077	50,000	50,000	0	0%
Contractors	3,555,420	2,250,289	4,567,537	4,214,310	(353,227)	-8%
Legal Expenses	57,979	48,988	82,004	90,000	7,996	10%
Donations and Community Support	147,806	105,550	130,340	134,400	4,060	3%
Maintenance	444,992	339,591	453,810	538,414	84,604	19%
Elected Member	239,439	345,570	307,264	480,443	173,179	56%
Energy	201,994	111,046	193,800	185,813	(7,987)	-4%
Insurance	303,620	354,148	311,500	354,148	42,648	14%
Bad Debts	45,922	-	900	2,400	1,500	167%
<b>Total Expenses</b>	<b>14,251,170</b>	<b>9,645,334</b>	<b>16,117,952</b>	<b>16,064,299</b>	<b>(53,653)</b>	<b>0%</b>
<b>Net result (Excluding Depreciation)</b>	<b>3,078,521</b>	<b>5,664,500</b>	<b>1,424,567</b>	<b>1,796,605</b>	<b>372,038</b>	<b>26%</b>

### **Capital Expenditure**

Total Capital expenditure for the year increases from \$6,593,070 to \$8,950,135, a value of \$2,357,065 with \$1,905,175 of this amount relating to carry over capital works from 2021 and the remaining being additions, grant-funded, or previously approved by Council as itemised below. Attachment B provides a breakdown with further details.

Buildings – New Community Centre expenditure is set at \$100,000 to allow works to continue in anticipation of LRCI Phase Three funding to complete this project in the 2023 budget year.

Vehicles – New Ranger cage cost \$50,000, previously approved by Council Report.

Virginia Road increase per resolution 2021/269 \$200,829.

Road Safety Upgrades have been decreased by \$12,968 in anticipation of actual costs, moving \$100,000 to Virginia Road for guardrails and aligning the program with Black Spot funding.

Townend Road expenditure has been increased by \$5,232 and is LRCI funded.

Knuckey Lagoon Shed has been increased by \$5,000. Resolution 2021/067 allowed for a \$10,000 increase, but only \$5,000 is required—project complete.

Reserves playground funding of \$12,000 has been removed to operational expenditure.

Waste Transfer Station - BiCompactors / Weigh Bridges expense has been increased by \$45,000. This is funded by Waste Reserve.

Cemetery - Thorak Cemetery - Irrigation expenditure of \$153,805 is grant-funded.

Cemetery / Waste - Thorak and Humpty Doo Waste Solar Grant expenditure of \$39,591 is grant-funded.

Community Services - Drinking Fountain-Water Fountain McMinns Lagoon expenditure of \$12,240 is grant-funded.

Mobile Workforce - Two spray Tank units (replacement) \$25,000 is funded from operational savings.

Humpty Doo Village Green Irrigation (new) \$20,000 is funded from operational savings.

### **Reserves**

Reserves have been updated with audited closing balances as at 30 June 2021 and are forecast to close the year at \$16,831,916. This is \$3.6m higher than the original budget expectation due to a higher than budgeted closing balance for 2021 and additional savings generated in this budget review.

<b>Summary Financial Reserve Movements 2021/22 - Budget Review</b>					
<b>RESERVES</b>	<b>2020/21 Actual (\$)</b>	<b>2021-22 Adopted Budget (\$)</b>	<b>Net Movement (\$)</b>	<b>Budget Review -2 Balance (\$)</b>	<b>Variance (\$)</b>
Developer Contributions Reserve	256,908	-	(27,443)	229,465	229,465
Waste Management Reserve	4,840,323	4,590,142	(512,706)	4,327,617	(262,525)
Unexpended Grants Reserve	-	-	-	-	-
<b>Total Restricted</b>	<b>5,097,231</b>	<b>4,590,142</b>	<b>(540,149)</b>	<b>4,557,082</b>	<b>(33,060)</b>
Unexpended Capital Works	641,694	-	(641,694)	-	-
Asset Reserve	12,154,043	6,774,326	(2,259,895)	9,894,148	3,119,822
Thorak Regional Cemetery	1,009,037	683,031	271,649	1,280,686	597,655
Election Reserve	100,000	46,000	-	100,000	54,000
Disaster Recovery Reserve	500,000	600,000	100,000	600,000	-
Strategic Initiatives Reserve	500,000	400,000	(100,000)	400,000	-
ICT Reserve	-	100,000	-	-	(100,000)
<b>Total Unrestricted</b>	<b>14,904,774</b>	<b>8,603,357</b>	<b>(2,629,940)</b>	<b>12,274,834</b>	<b>3,671,477</b>
<b>TOTAL</b>	<b>20,002,005</b>	<b>13,193,499</b>	<b>(3,170,089)</b>	<b>16,831,916</b>	<b>3,638,417</b>

## Links with Strategic Plan

A Well-Run Council - Good Governance

## Legislative and Policy Implications

Under the *Local Government Act 2019*, section 203, Council has undertaken a review of the 2021/2022 Original Budget.

## Risks



### Financial

Council is managing financial risk through the review of its annual budget. Council has a legislative requirement to review the annual budget twice per year. The budget review provides the opportunity to update the budget. Council's budget is compared to its actual annual results in the annual financial statements at year-end.

### Governance

Council has a legislative requirement to review the annual budget twice per year. The budget review provides the opportunity to update the budget. Council's budget is compared to its actual annual results in the annual financial statements at year-end.

## Community Engagement

Not applicable.

## ATTACHMENT A

### Operational Expenditure by Department

	Council Leadership				Corporate				Community			
	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted Budget (\$)	2021-22 Budget Review 2 (\$)	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted Budget (\$)	2021-22 Budget Review 2 (\$)	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted Budget (\$)	2021-22 Budget Review 2 (\$)
Operational Expenditure	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted	2021-22 Budget	2020/2021- Actual (\$)	2021/2022 Actual ( P8)	2021/22 - Adopted	2021-22 Budget	2020/2021- Actual (\$)	2021/2022 Actual ( P8)	2021/22 - Adopted	2021-22 Budget
Sundry	10,669.95	26,877.09	38,800.00	37,839.78	251,631.34	29,742.76	73,970.00	100,395.00	1,383.01	2,148.10	3,200.00	3,022.10
Computer / IT Costs	19,778.61	9,250.00	26,300.00	9,250.00	12,186.61	3,441.05	10,800.00	5,000.00	-	-	-	-
Employee Costs	533,958.48	389,778.54	549,236.00	530,696.13	379,724.37	338,896.08	461,353.00	529,637.33	146,101.46	153,152.38	209,499.00	274,085.17
Professional Fees	105,572.97	97,501.16	336,770.00	185,000.00	43,651.92	20,800.69	81,627.00	47,086.00	85,588.47	45,360.00	-	50,000.00
Parts, accessories & consumables	1,105.31	226.19	2,500.00	700.00	-	-	-	-	-	-	-	-
Cemetery Operations	-	-	-	-	-	-	-	-	-	-	-	-
Auditors Fees	-	-	-	-	2,877.00	1,918.00	5,000.00	5,000.00	-	-	-	-
Contractors	8,114.00	5,456.42	21,000.00	10,456.42	-	-	-	-	915,383.77	621,803.62	997,637.00	996,337.00
Legal Expenses	53,086.50	9,603.25	20,000.00	20,000.00	3,742.50	32,470.00	55,004.00	55,000.00	-	1,075.00	5,000.00	3,000.00
Donations and Community Support	5,094.49	160.00	16,240.00	250.00	-	-	-	-	142,711.25	105,390.34	114,100.00	134,150.00
Maintenance	2,395.21	2,297.19	4,000.00	4,000.00	-	-	-	-	200,049.87	142,397.47	210,110.00	205,356.00
Elected Member	239,438.61	345,569.60	307,264.00	480,442.81	-	-	-	-	-	-	-	-
Energy	4,094.17	5,408.48	5,100.00	8,112.72	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>983,308.30</b>	<b>892,128</b>	<b>1,327,210</b>	<b>1,286,748</b>	<b>693,814</b>	<b>427,269</b>	<b>687,754</b>	<b>742,118</b>	<b>1,491,218</b>	<b>1,071,327</b>	<b>1,539,546</b>	<b>1,665,950</b>
	Increase in the expenditure of \$173,179 due to Election Expense \$166,587 and subscription for LGANT. Energy: The budget has been aligned with actual expenditure.				Sundry includes additional \$60,000 for MyLitchfield. \$40,000 funded by NTG				Contractors: Expenditure of \$20,000 for Southport Progress Association seed funding, decision 16/0061. Donations and Community Support: Increase in expenditure offset by income in cash for cans.			

## ATTACHMENT A

### Operational Expenditure by Department

	Community - Library				Finance & Customer Service				Information Services			
Operational Expenditure	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted	2021-22 Budget	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted Budget	2021-22 Budget Review 2	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted	2021-22 Budget
Sundry	84,520.01	39,300.27	91,278.00	58,641.54	99,310.91	82,546.79	132,240.00	108,020.00	1,855.38	402.67	1,500.00	1,000.00
Computer / IT Costs	4,246.51	1,087.82	3,250.00	2,000.00	6,933.96	-	5,000.00	-	308,735.98	220,826.90	280,000.00	383,500.00
Employee Costs	281,733.03	263,072.90	319,184.00	378,367.89	906,892.72	572,573.53	728,379.00	805,228.32	244,253.44	57,696.73	203,739.00	88,809.05
Professional Fees	244.93	811.81	27,500.00	2,000.00	140,480.64	128,140.94	250,000.00	207,925.00	31,236.76	11,460.58	25,000.00	25,000.00
Parts, accessories & consumables	5,952.77	1,552.46	1,500.00	2,000.00	787.96	2,321.00	2,000.00	3,000.00	-	-	-	-
Cemetery Operations	-	-	-	-	-	-	-	-	-	-	-	-
Auditors Fees	-	-	-	-	48,017.00	1,035.00	40,000.00	40,000.00	-	-	-	-
Contractors	-	-	-	-	-	-	-	-	94,494.11	65,153.68	180,000.00	153,000.00
Legal Expenses	-	-	-	-	1,150.00	3,721.50	-	10,000.00	-	-	-	-
Donations and Community Support	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	1,089.58	-	1,500.00	-	-	-	-	-
Elected Member	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	1,061.11	-	2,000.00	-	-	-	-	-
Insurance	-	-	-	-	303,619.89	354,148.09	311,500.00	354,148.00	-	-	-	-
Bad Debts	-	-	-	-	41,975.48	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>376,697</b>	<b>305,825</b>	<b>442,712</b>	<b>443,009</b>	<b>1,551,319</b>	<b>1,144,487</b>	<b>1,472,619</b>	<b>1,528,321</b>	<b>680,576</b>	<b>355,541</b>	<b>690,239</b>	<b>651,309</b>
					Insurance increase \$42,648, Legal Expenses increase due to more activity in this area.				IT External Management of \$122,359 moved from Employee Costs to IT Costs.			

Operational Expenditure by Department

	Waste Management				Regulatory Services				Total			
Operational Expenditure	2020/2021- Actual (\$)	2021/2022 Actual ( P8)	2021/22 - Adopted	2021-22 Budget	2020/2021- Actual (\$)	2021/2022 Actual ( P8)	2021/22 - Adopted	2021-22 Budget	2020/2021- Actual (\$)	2021/2022 Actual ( P8) (\$)	2021/22 - Adopted	2021-22 Budget
Sundry	82,068.75	75,481.31	111,867.00	132,924.16	12,298.02	16,529.95	31,050.00	26,170.83	611,112.17	358,479.92	591,105.00	580,042.45
Computer / IT Costs	3,122.86	435.41	3,400.00	1,000.00	8,366.41	888.86	7,400.00	5,000.00	385,576.52	250,243.01	346,250.00	422,350.00
Employee Costs	1,365,629.19	984,820.86	1,481,400.00	1,507,277.51	392,256.93	306,196.98	512,952.00	498,159.61	6,523,168.01	4,698,211.02	7,207,674.00	7,162,224.14
Professional Fees	286,269.45	22,744.45	251,167.00	470,000.00	152.74	850.26	1,500.00	1,500.00	1,037,045.90	431,731.09	1,343,564.00	1,244,511.00
Parts, accessories & consumables	-	-	-	-	10,728.00	16,005.88	20,500.00	18,800.00	303,946.27	99,226.34	128,500.00	211,500.00
Cemetery Operations	-	-	-	-	-	-	-	-	335,754.39	249,183.44	392,904.00	393,744.29
Auditors Fees	-	-	-	-	-	-	-	-	57,394.00	3,077.00	50,000.00	50,000.00
Contractors	1,062,429.82	610,675.20	1,191,400.00	1,111,400.00	50,466.63	18,195.06	8,500.00	6,600.00	3,555,420.38	2,250,288.55	4,567,537.00	4,214,309.57
Legal Expenses	-	2,118.56	2,000.00	2,000.00	-	-	-	-	57,979.00	48,988.31	82,004.00	90,000.00
Donations and Community Support	-	-	-	-	-	-	-	-	147,805.74	105,550.34	130,340.00	134,400.00
Maintenance	165,334.81	134,335.86	147,200.00	251,058.00	3,633.20	2,175.75	3,000.00	3,000.00	444,992.30	339,591.21	464,610.00	538,414.00
Elected Member	-	-	-	-	-	-	-	-	239,438.61	345,569.60	307,264.00	480,442.81
Energy	45,578.58	40,910.21	58,200.00	64,200.00	3,368.40	4,025.40	6,000.00	6,000.00	201,994.02	111,046.13	193,800.00	185,812.72
Insurance	-	-	-	-	-	-	-	-	303,619.89	354,148.09	311,500.00	354,148.00
Bad Debts	-	-	-	-	3,947.00	-	900.00	2,400.00	45,922.48	-	900.00	2,400.00
<b>Total Expenses</b>	<b>3,010,433</b>	<b>1,871,522</b>	<b>3,246,634</b>	<b>3,539,860</b>	<b>485,217</b>	<b>364,868</b>	<b>591,802</b>	<b>567,630</b>	<b>14,251,170</b>	<b>9,645,334</b>	<b>16,117,952</b>	<b>16,064,299</b>
	Professional Fees: Additional increase for Asbestos Remediation of \$350,000. Maintenance: Increase in expenditure \$79,604 due to unanticipated plumbing repairs and asbestos remediation \$14,000. Delays in delivery of new backhoe due to global supply chain issues. Backhoe needed constant repair \$12,000.				Bad Debts: Increase in the expenditure of \$1,500 Butler Place incidents may become bad debt and may include court charges.							



