



COUNCIL REPORT

Agenda Item Number:	13.01.03
Report Title:	Budget Review Two – 2023/2024
Author:	
Recommending Officer:	Maxie Smith, Director Corporate and Community
Meeting Date:	21/05/2024
Attachments:	A: Departmental Operating Income Statement 2023/2024 B: Capital Expenditure C: Amended Long Term Financial Plan

Executive Summary

This report presents to Council for adoption, draft budget review two for 2023/2024 based on the end of February 2024 actuals and factoring in relevant Council decisions.

Recommendation

THAT Council:

1. receive and note the report entitled Budget Review 2 – 2023/2024.
2. adopt Budget Review 2 – 2023/2024, pursuant to Section 203 of the *Local Government Act 2019*, amending Total Operational Income to \$21,954,890, Total Operational Expenditure to \$17,263,382 and Total Capital Expenditure to \$15,240,841; and
3. adopt the Financial Reserve movement of \$3,140,086 for 2023/2024 consisting of:
 - a) Developer Contributions Reserve reduction of \$325,905,
 - b) Waste Management Reserve reduction of \$113,617,
 - c) Asset Reserve increase of \$3,846,249; and
 - d) Thorak Regional Cemetery reduction of \$266,642.

Background

This budget review generates a net operating deficit of \$123,863. Operational items are predominantly made up of the following. Attachment A also provides a breakdown of the departments.

Several Council decisions relating to reserve funding have been included in the budget.

Total Income

Overall income increased by \$274,364. This increase includes an Australia Day Grant of \$14,500 to Community, \$44,864 from Insurance Reimbursements in Corporate Services, a \$200,000 received due to more subdivisions being handed over than expected from Infrastructure, and a \$15,000 increase in revenue from sales in Waste.

Operational Expenditure

The total expenditure has increased by \$398,228. The largest movement is a \$300,000 increase in Forward Design projects in Infrastructure Council decision ORD2023 11-016. More details are mentioned below.

Sundry Expense: The expenditure surplus of \$4,543 comprises cost savings used to fund increases in other expenses, mainly from Council Leadership, which was saved from subscription reference materials.

Computer / IT Costs: There has been an increase of \$51,535, attributable to the expense incurred for computer software and hardware, including the audio upgrade installation in Chambers and increased ESRI Annual Subscription Renewal.

Employee Costs: An increase of \$34,060, is mostly due to the training cost of the CIVICA Special Rates and Authority Rates Module. Additionally, there was an increase in temporary staff in Library.

Professional Fees: Increased of \$200,000, primarily due to the increase of expenditure for general consultancy, and Forward Design projects in Infrastructure ORD2023 11-016. Whilst \$300,000 was provided, \$100,000 savings has been generated across other areas.

15.04 Additional Funding Request – Forward Design

Moved: Cr Harlan
Seconded: Cr Sharp

THAT Council:

1. approve additional \$300,000.00 of project design budget in the 2023/24 financial year in addition to the already allocated \$350,000 for general consultancy, and is to be taken from the Asset Financial Reserve, and,
2. make the resolution public once resolved.

CARRIED (5/2) ORD2023 11-016

Parts, accessories, and consumables: A surplus of \$15,100 in expenditures was created by reallocating cost savings to other expenses.

Cemetery Operations: A minor increase of \$700 due to the purchased of more burial capsules in Thorak.

Contractors: The expenditure increase of \$69,872 was attributed to several factors, including an increase in Community such as \$7,800 associated with water utilized by Livingston Volunteer Fire Brigade and \$12,000 to cover the cost of insurance excess for lightning strike damage to Livingston Recreation Reserve. An increase of \$50,000 for Howard Springs and Humpty Doo Waste Transfer to Shoal Bay. There was a total of \$122,000 increase in Waste, but savings have been generated across other areas.

Donations and Community Support: An increase of \$13,658 is due to a significant increase in the cost of equipment hire, graphic design, and Australia Day Activities in Community.

Maintenance: An increase of \$33,546 includes a \$17,000 overspending in Waste due to major compactor repairs, \$6,000 expenses for Gregg Park in Community, and a \$10,000 increase in ageing equipment at the Mobile Workforce.

Elected Member: A minor increase of \$5,500 due to LGANT Annual Membership Subscription increase.

Energy: An increase of \$9,000 relates to motor vehicle fuel expenses in Council Leadership and Infrastructure.

Operational

Litchfield Council
Operating Income Statement 2023/24

	2022/23- Actual (\$)	2023/24 Actual (P8) (\$)	2023/24 Budget Review 1 (\$)	2023/24 Budget Review 2 (\$)	Variance	
Grants	5,388,654	450,757	3,954,384	3,968,884	14,500	0.4%
Inv Income	980,627	1,071,023	770,000	770,000	0	0%
User Charges	1,915,509	1,786,203	1,934,257	2,149,257	215,000	11%
Rates	13,858,416	14,640,803	14,706,885	14,706,885	0	0%
Stat Charges	210,208	160,789	175,000	175,000	0	0%
Other Revenue	259,106	44,864	140,000	184,864	44,864	32%
Total Income	22,612,521	18,154,439	21,680,526	21,954,890	274,364	1%
Operational Expenditure						
Sundry	561,046	369,970	579,335	574,792	(4,543)	-1%
Computer / IT Costs	329,734	314,682	464,080	515,615	51,535	11%
Employee Costs	6,971,684	4,244,351	7,184,189	7,218,249	34,060	0.5%
Professional Fees	1,475,846	365,641	1,368,500	1,568,500	200,000	15%
Parts, accessories & consumables	150,208	110,079	275,980	260,880	(15,100)	-5%
Cemetery Operations	494,521	271,379	488,985	489,684	700	0.1%
Auditors Fees	58,737	8,207	62,000	62,000	0	0%
Contractors	4,382,145	2,387,045	4,555,724	4,625,596	69,872	2%
Legal Expenses	65,786	17,168	82,000	82,000	0	0%
Donations and Community Support	182,510	56,106	171,014	184,672	13,658	8%
Maintenance	683,254	374,297	572,286	605,832	33,546	6%
Elected Member	306,871	201,894	390,762	396,262	5,500	1%
Energy	258,374	116,347	216,300	225,300	9,000	4%
Insurance	379,415	436,905	454,000	454,000	0	0%
Bad Debts	57,351	-	-	-	0	#DN/O!
Total Expenses	16,357,480	9,274,069	16,865,155	17,263,382	398,228	2%
Net result (Excluding Depreciation)	6,255,041	8,880,370	4,815,371	4,691,508	(123,863)	-3%

Capital Expenditure

The total Capital expenditure for the year has increased from \$14,680,841.83 in Budget Review 1 to \$15,240,841.83 in Budget Review 2. This represents a net increase of \$560,000 which is broken down as follows:

- An increase of \$500,000 funded through Asset Financial Reserves for upgrades to Guys Creek Road, as per Council decision (ORD2023 11-012).

13.03.02 Guys Creek Road Upgrade – Revised Design

Moved: Cr Sidey
Seconded: Cr Harlan

THAT Council:

1. approve the reduction in design requirements noting the risk associated,
2. approve the additional budget of \$500,000 to be taken from Asset Financial Reserves for upgrades to Guys Creek Road, noting the new total budget to be \$1,750,000 (excluding GST); and
3. proceed to Tender with the revised design and budget allocation.

CARRIED (6/1) ORD2024 11-012

- An increase of \$60,000 has been allocated to bring forward the replacement of the CEO vehicle for FY 2025/26.

Attachment B provides a breakdown with further details.

Reserves

Summary Financial Reserve Movements 2023/24 - Budget Review Two								
RESERVES	2022/23 Actual (\$)	2023-24 Adopted Budget (\$)	Budget Review -			Net Movement (\$)	Budget Review - 2 Balance (\$)	Variance (\$)
			1 Balance (\$)	Transfers from (\$)	Transfers to (\$)			
Developer Contributions Reserve	675,986	576,000	675,986	(325,905)	-	(325,905)	350,081	(325,905.10)
Waste Management Reserve	5,482,478	3,947,000	5,596,095	(113,617)	-	(113,617)	5,482,478	(113,617.00)
Unexpended Grants Reserve	3,863,668	-	-	-	-	-	-	-
Total Restricted	10,022,132	4,523,000	6,272,081	(439,522)	-	(439,522)	5,832,559	(439,522.10)
Unexpended Capital Works	3,129,453	-	-	-	-	-	-	-
Asset Reserve	7,898,788	8,587,000	6,764,894	-	3,846,249	3,846,249	10,611,143	3,846,249.41
Thorak Regional Cemetery	1,933,705	1,557,000	2,200,347	(266,642)	-	(266,642)	1,933,706	(266,641.50)
Election Reserve	200,000	200,000	200,000	-	-	-	200,000	-
Disaster Recovery Reserve	400,000	400,000	400,000	-	-	-	400,000	-
Strategic Initiatives Reserve	400,000	400,000	400,000	-	-	-	400,000	-
Cash for Cans Reserve	141,906	113,000	141,906	-	-	-	141,906	-
Total Unrestricted	14,103,852	11,257,000	10,107,147	(266,642)	3,846,249	3,579,608	13,686,754	3,579,607.91
TOTAL	24,125,984	15,780,000	16,379,227.54	(706,164)	3,846,249	3,140,086	19,519,313.35	3,140,085.81

The Reserve balance has been updated to reflect the audited closing balances as of 30 June 2023. It is estimated that after the Second Budget Review for 2023/24, the reserve will have a balance of \$19,519,313.35. This forecasted balance is cash-backed and \$3.1 million higher than the original budget expectations. The increase is due to a higher closing balance for 2023 than what was budgeted and a higher than anticipated current asset balance. Unexpended Grant Funding is included in Asset Reserves.

Long-Term Financial Plan

If the Council's amended budget has a material impact on its long-term financial plan, division 4 of the Local Government (General) Regulation 2021, requires the council to amend the long-term financial plan at the same time as adopting the amended budget. As a result, Council's Long Term Financial Plan has been updated to reflect these changes and is presented in Attachment C.

Links with Strategic Plan

Prosperity - Our Economy and Growth

Legislative and Policy Implications

Under the *Local Government Act 2019*, section 203, Council has undertaken two budget reviews of the 2023/2024 Original Budget.

If the Council's amended budget has a material impact on its long-term financial plan, division 4 of the Local Government (General) Regulations 2021, requires the council to amend the long-term financial plan at the same time as adopting the amended 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.