



Ordinary Meeting 24 October 2013

Held at Ballina Shire Council Chambers
40 Cherry Street Ballina

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10. General Manager's Group Reports

10.18 Financial Review - 30 September 2013

Delivery Program Financial Management

Objective To provide a preliminary overview of the 2012/13 financial year operating results.

Background

In accordance with the Local Government Act the responsible accounting officer of a council must, not later than two months after the end of each quarter, prepare and submit to the council a budget review statement that shows a revised estimate of the income and expenditure for that year. The report that follows provides this review for the first quarter of 2013/14.

Key Issues

- Variations to the budget and financial performance of council

Information

The purpose of this report is to provide information on known budget variances as at 30 September 2013. The format of the report complies with the Quarterly Budget Review Statement Guidelines set down by the Division of Local Government (DLG).

To comply with these guidelines an Operating Statement, Capital Budget, Cash and Investment Statement, Key Performance Indicators, Contractors, Consultants, Legal Information and certification by the Responsible Accounting Officer are required. Commentary on the variations recommended is then provided after the tables. A brief overview of the information provided in the report is as follows:

Section One - Operating Income and Expense - These tables provide the operating revenues and expenses for the Funds (General, Water and Wastewater).

Section Two - Capital Budget - These tables outline the capital expenditure budgets.

Section Three - Cash and Investment Statement - These tables provide details on the projected movements in reserve balances.

Section Four - Key Performance Indicators - The ratios provide an indication of the financial health of the organisation.

Section Five - Contractors/Consultants/Legal Expenses - This information provides details of specific expenses incurred and contracts entered as required by the DLG.

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Certification - This is a Statement by the Responsible Accounting Officer as to whether the current year's estimated financial performance is or is not satisfactory.

General Fund

This next section of the report deals with Council's General Fund operations. Tables for income and expense follow, including recommended variations to budget. Following the tables are comments in respect to proposed budget variations that are considered to be material.

General Fund – Operating Revenues and Expenses

Operating Income	Original Budget 000's	Approved Changes 000's	Revised Budget 000's	Changes for Approval 000's	September Budget 000's	Actual to September 000's
Strategic and Community Facilities Group						
Strategic Planning	228		228	0	228	16
Community Services	386		386	0	386	100
Tourism	38		38	26	64	44
Sub Total	652	0	652	26	678	160
Development and Environmental Health Group						
Development Services	322		322	0	322	106
Building Services	635		635	0	635	224
Public and Env Health	198		198	0	198	152
Admin and Public Order	121		121	0	121	25
Sub Total	1,276	0	1,276	0	1,276	507
Civil Services Group						
Asset Management	180		180	57	237	23
Stormwater and Env Prot	281		281	0	281	293
Roads and Bridges	37		37	0	37	(17)
Ancillary Transport Services	659		659	2	661	167
Roads and Maritime Services	800		800	43	843	290
Open Space and Reserves	716	100	816	12	828	304
Fleet Mgmt and Workshop	3,983		3,983	6	3,989	965
Rural Fire Service	208		208	0	208	0
Quarries and Sandpit	343		343	0	343	25
Swimming Pools	303		303	0	303	58
Landfill Management	6,610		6,610	5	6,615	1,681
Waste-Domestic	7,246		7,246	28	7,274	6,795
Sub Total	21,366	100	21,466	153	21,619	10,584
General Manager's Group						
Administrative Services	28		28	0	28	6
Financial Services	21,780	(1,789)	19,991	19	20,010	17,990
Regional Library	116		116	0	116	0
Information Services	4		4	7	11	8
Human Resources and Risk	110		110	0	110	20
Property Management	3,171		3,171	117	3,288	970
Ballina Byron Airport	4,477	87	4,564	(11)	4,553	724
Sub Total	29,686	(1,702)	27,984	132	28,116	19,718
Total Operating Income	52,980	(1,602)	51,378	311	51,689	30,969

General Fund – Operating Income and Expenses (cont'd)

Operating Expenses (excluding depreciation)	Original Budget	Approved Changes	Revised Budget	Changes for Approval	September Budget	Actual to September
Strategic and Community Facilities Group						
Strategic Planning	987	135	1,122	(10)	1,112	243
Community Services	969	88	1,057	101	1,158	352
Tourism	799	32	831	26	857	207
Sub Total	2,755	255	3,010	117	3,127	802
Development and Environmental Health Group						
Development Services	1,232	22	1,254	(26)	1,228	290
Building Services	783		783	(46)	737	192
Public and Env Health	722	20	742	5	747	173
Admin and Public Order	1,169		1,169	0	1,169	264
Sub Total	3,906	42	3,948	(67)	3,881	919
Civil Services Group						
Asset Management	2,972	105	3,077	634	3,711	1,076
Stormwater and Env Prot	669	382	1,051	0	1,051	271
Roads and Bridges	4,613		4,613	15	4,628	945
Ancillary Transport Services	1,635		1,635	(23)	1,612	469
Roads and Traffic Authority	800		800	43	843	308
Open Space and Reserves	3,874	344	4,218	(563)	3,655	825
Fleet Mgmt and Workshop	2,878		2,878	(55)	2,823	866
Rural Fire Service	381	26	407	0	407	118
Quarries and Sandpit	402		402	0	402	33
Swimming Pools	710		710	29	739	160
Waste-Landfill/Commercial	5,359		5,359	47	5,406	1,202
Waste - Domestic	6,613		6,613	10	6,623	1,233
Sub Total	30,906	857	31,763	137	31,900	7,506
General Manager's Group						
Governance	1,045	6	1,051	9	1,060	309
Administrative Services	705		705	0	705	149
Financial Services	(3,474)		(3,474)	(58)	(3,532)	(1,209)
Regional Library	1,439	61	1,500	(35)	1,465	683
Information Services	1,397		1,397	14	1,411	720
Human Resources and Risk	998		998	103	1,101	1,170
Property Management	2,989	5	2,994	90	3,084	866
Ballina Byron Airport	3,286	(23)	3,263	0	3,263	943
Sub Total	8,385	49	8,434	123	8,557	3,631
Total Operating Expenses	45,952	1,203	47,155	310	47,465	12,858
Net Operating Result Before Depreciation	7,028	(2,805)	4,223	1	4,224	18,111
Depreciation Expense	15,655	(92)	15,563	0	15,563	3,891
Net Operating Result Continuing Operations	(8,627)	(2,897)	(11,340)	1	(11,339)	14,220

General Fund Working Capital Forecast

Item	Original Budget	Approved Changes	Revised Budget	Changes for Approval	September Budget	Actual to September
Working Capital	(135)		(135)		(135)	

Comments - General Fund

The **forecast operating surplus** (before depreciation) has reduced from \$7 million to \$4.2 million. Inclusive of depreciation a loss of \$11.3 million is now forecast. This movement includes numerous positive and negative changes and the material changes are discussed below. The bigger influences include:

- Projects and works carried forward from 2012/13. This change increases operating expenses and the funding source is from reserves, which is not part of the operating result.
- The original 2013/14 budget included income of \$3.6 million for the Financial Assistance Grant. Council was paid \$1.8 million of this income late in the 2012/13 financial year. In 2013/14 forecast income has been reduced by \$1.8 million and it is replaced by a transfer from reserve (not included in the operating result) of the same value.

Works carried forward from the previous financial year affect this report substantially. Council approved the budget variations associated with the works carried forward at the August meeting, so there is no commentary in respect to these changes.

The estimated **unrestricted working capital** has not changed from the original budget position. There have been numerous adjustments and where possible negative adjustments have been offset by positives.

Details of the larger budget variations are noted as follows. The adjustments shown in the tables are inclusive of all amendments so the comments do not account for minor budget changes.

General Fund - Operating Revenues***Strategic and Community Services Group****Tourism*

Grant Income: Forecast income has increased by \$25,000 due to the receipt of a grant for the La Balsa celebration. Operating expense has increased by the same amount.

Civil Services Group*Asset Management*

Insurance Reimbursement: A fire at depot number two caused substantial damage. The insurer has agreed to contribute \$50,000 towards replacement expenses.

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Grant Income: Income has been received in respect to directors fees paid for Mr Truman from LG Procurement \$4,000 and Road Safety Officer projects \$3,000.

Roads and Maritime Services (RMS)

Regional Roads Grant: The annual contribution from the RMS is changing due to the bypass handovers. Both income and expense budgets have been increased by \$43,000.

Open Spaces and Reserves

Regional Works Crew: Grant income will be less than forecast and the budget has been reduced by \$16,000

Vegetation Management: New grant funds received to \$27,000 for a vegetation management project associated with 'Fontaina'.

Domestic Waste Management

Annual Charge: Revenue from annual rates is exceeding forecast due to growth in assessments and \$28,000 has been added to this budget.

General Manager's Group

Financial Services

Financial Assistance Grant: The grant is \$13,000 more than forecast and estimated income from credit card surcharges has been increased 5,000.

Property Management

Storm Damage Grant: New budget raised to \$104,000 to recognise a grant payment to assist with repairs to property damaged in storm events. The majority of this payment (\$75,000) is for the Fawcett Café.

74/78 Tamar Street: The original budget anticipated no income from these rental properties as it was assumed that they would be demolished. This is not the case and budgets have been raised to \$11,000 for rental income. These funds are transferred to the Car Parking Section 94 reserve.

General Fund - Operating Expenses

Strategic and Community Services

Strategic Services

Salaries: The budget has been reduced by \$10,000 as there have been delays appointing staff to new and vacated positions.

Community Services

Salaries: Additional budget of \$106,000 for the new Community Facilities and Customer Services Manager. This position has been funded by not replacing a vacated position in Development Services (\$76,000) and overheads distributed from other funds (\$30,000), as previously approved by Council.

Development and Environmental Health Services

Building Services

Salaries: The budget has been reduced by \$46,000 as one staff member will now be working a few days for both Building Services and Development Services. Salaries for Development services have been increased by \$46,000. This arrangement looks to partially compensate Development Services for the loss of one position from their structure.

Development Services

Salaries: See comments in Community Services and Building Services relating to amended staff arrangements whereby one full time position has not been replaced and new shared arrangement is in place between Development and Building Services.

Health Services

Legal: The budget for legal expenses has been increased from \$2,000 to \$7,000 in anticipation of a case that is pending.

Civil Services

Asset Management

Budget Relocation: Budgets to \$580,000 that were previously residing in other sections for buildings maintenance have been relocated to Asset Management as this is the area that is now responsible for managing these works.

Roads and Bridges

Roads Maintenance: Budgets for maintenance have been increased by \$15,000 and capital budget for refurbishment has been reduced by the same amount.

Ancillary Transport

Loan Interest: The original budget anticipated that a loan would be taken up late in 2012/13 relating to the Ballina Town Centre upgrade. This loan was not taken up as expense was less than anticipated and the property reserves contributed funding to finance to expense that was incurred.

Hence anticipated repayments will not occur to \$40,000 (interest component).

Grant Refund: Council has held funds in reserve relating to an old roads program.

The work was completed for less than the grant amount and \$16,000 has been returned.

Open Space and Reserves

As noted earlier the budget to maintain infrastructure has been relocated to Asset Management. Also a new budget has been raised in respect to grant income in Vegetation Management (\$17,000)

Fleet Management

Loans: It was proposed to take out a loan in 2012/13 for plant purchases, so the 2013/14 budget made provision for repayments. Ultimately the loan was not taken up so the repayments are not required (interest component is \$55,000).

Swimming Pools

Rates: The forecast for Council rates and charges payments has been increased by \$35,000 across both pools based on the 2012/13 actual results.

Solar Power: Solar power is being installed and is funded by a combination of funding sources including \$7,000 from operating budgets transferred to capital.

Landfill and Resource Management (LRM)

Operating Expenses: Forecast expense has increased by \$47,000. There are numerous changes that combine to make this net increase as the business is transitioning from a landfill operation to one of transport.

The larger changes are reductions to forecasts for baler maintenance \$50,000 and transport of recyclables \$50,000 whilst budget increases include transport of construction and demolition waste \$100,000, fencing \$10,000, loss on sale of assets \$8,000 (excavator sold to plant fund) and spread compact and cover \$35,000.

General Manager's Group

Financial Services

Overheads (internal income): The budget has been increased by \$64,000 being overheads distributed to funds and businesses relating to the new Manager and other wage adjustments.

Administrative Expenses: Budgets for rate notice postage, land valuations and internal audit fees have all had small increases totalling \$6,000.

Regional Library

Contribution: Lismore City Council advised that the actual contribution is less than the preliminary forecasts by \$34,000.

Information Services

BIS Product: Council has negotiated to purchase a new software product from Civica for \$26,000. The software enables an improved view of the information that currently resides in the Civica database. The General Fund share of this cost is \$14,000.

Human Resources

Public Liability Insurance: Budget increased by \$27,000 to meet premium cost.

Redundancy: New budget of \$76,000 funded from the Leaves Reserve to finance a redundancy payment. This redundancy resulted from the Organisation Structure Review and the transfer of some property functions from the Commercial Services Unit to Strategic and Community Facilities.

Property Management

74/78 Tamar Street: New budgets raised for operating costs associated with these properties to \$30,000. The expense is funded by the Section 94 Car Parking reserve.

Storm Damage: As noted in 'Revenue' a grant for repairs has been received and at this stage \$29,000 has been applied to effect repairs with the remaining \$75,000 transferred to reserve.

Crown Rent: A new lease has been agreed for the old Council chambers building at Alstonville. This has triggered an increase of \$21,000 to rental expense that must be paid to the crown. The payment of this is on hold while Council reviews that lease proposal.

Wigmore Arcade Rates: Adjustment to rates payable of \$4,000.

Water Operations

This next section of the report deals with Council's water operations.

Water - Statement of Operating Income and Expenses (\$'000)

Item	Original Budget	Approved Changes	Revised Budget	Changes for Approval	September Budget	Actual to September
Operating Income	9,250		9,250	0	9,250	2,556
Operating Exps (excl. dep)	9,185		9,185	3	9,188	2,339
Net Operating Result Before Depreciation	65	0	65	(3)	62	217
Depreciation Expense	1,810		1,810	0	1,810	452
Net Operating Result from Continuing Operations	(1,745)	0	(1,745)	(3)	(1,748)	(235)

Operating revenues have not altered whilst expense has increased by \$3,000.

Wastewater Operations

This next section of the report deals with Council's Wastewater operations.

Wastewater- Statement of Operating Income and Expenses (\$'000)

Item	Original Budget	Approved Changes	Revised Budget	Changes for Approval	September Budget	Actual to September
Operating Income	14,151		14,151	168	14,319	10,590
Operating Exps (excl. dep)	14,006		14,006	220	14,226	3,560
Net Operating Result Before Depreciation	145	0	145	(52)	93	7,030
Depreciation Expense	3,104		3,104	0	3,104	776
Net Operating Result from Continuing Operations	(2,959)	0	(2,959)	(52)	(3,011)	6,254

Forecast revenues have been increased by \$168,000 whilst expense has increased by \$220,000.

The main changes to forecast income are:

- A new budget has been raised of \$136,000 relating to a bank guarantee. The guarantee was eventually honoured by the bank following a failure by a contractor to satisfactorily complete works. The bank disputed payment for a number of years and legal assistance was required to recover the funds.
- A new budget of \$32,000 for anticipated income relating to works at Cabbage Tree Island on behalf of the Office of Water.

Significant changes to operating expenses are:

- Purchase and installation of a new software system \$62,000 to manage a water quality database
- Provision for legal costs raised to \$5,000 due to a pending legal issue
- Treatment Plants: Budgets increased by \$100,000 primarily due to increased chemical costs associated with running the new treatment plants at Ballina and Lennox Head.
- Insurance premium is \$15,000 more than estimate
- New budget regarding the expense to complete works at Cabbage Tree Island \$32,000.

The forecast **operating result** is a surplus of \$93,000 excluding depreciation. This is a very marginal surplus, particularly given that we have a loan capital repayment of \$2.4 million resulting in a cash deficit of \$2.3 million. The cash loss is funded from reserves, as is the plan for a few years, however it does highlight that there remains a way to go to elevate pricing to manage the new loans taken out.

Capital Expenditure

This next section of the report looks at capital expenditure and examines proposed changes to the program.

General Fund - Capital Budget - Source and Application of Funds (\$'000)

General Fund Capital works	Original Budget 2013/14 \$'000	Approved Changes \$'000	Revised Budget \$'000	Changes for Approval \$'000	September Budget \$'000	Actual to September \$'000
General Fund Capital Funding						
General revenue	3,453	0	3,453	118	3,571	3,571
Reserves	19,270	6,749	26,019	3,379	29,398	29,398
Loans	727		727	0	727	0
Section 94 contributions	3,350	32	3,382	79	3,461	3,461
Grants and contributions	8,266	627	8,893	(1,292)	7,601	928
Total Funding	35,066	7,408	42,474	2,284	44,758	37,358
General Fund Capital Expense						
<i>Strategic and Community Facilities Group</i>						
Community Facilities/ Gallery	81	0	81	14	95	18
<i>General Manager's Group</i>						
Administration & Information Services	286		286	0	286	3
Property Management (Commercial)	4,380	206	4,586	100	4,686	175
Property Management (Community)	0	1,179	1,179	0	1,179	267
Camping Ground	10		10	0	10	0
Ballina Airport	4,917	(14)	4,903	0	4,903	363
<i>Development & Environmental Health</i>						
Animal shelter	370	473	843	1	844	391
<i>Civil Services Group</i>						
Asset Management	2,550	372	2,922	0	2,922	99
Stormwater	340	430	770	0	770	133
Roads and Bridges	14,823	1,463	16,286	1,529	17,815	2,264
Ancillary Transport Services	1,055	547	1,602	265	1,867	150
Town Beautification	0	637	637	0	637	15
Water Transport and Wharves	0	26	26	0	26	53
Open Space -Parks and Reserves	307	63	370	0	370	63
Open Space - Sporting Fields	4,466	287	4,753	0	4,753	167
Cemeteries	0	45	45	0	45	4
Fleet and Plant	750	1,120	1,870	0	1,870	108
Quarries and Sandpits			0	0		
Rural Fire Service	0	210	210	0	210	0
Pools	250	0	250	22	272	0
Waste Management	481	464	945	253	1,198	69
Total Capital expense	35,066	7,508	42,574	2,184	44,758	4,342

General Fund - Capital Budget

The majority of the increased funding relates to works carried forward from the previous year, as per the approved changes column. The decrease in grant funding identified in the 'Changes for Approval' column primarily relates to a change in funding sources relating to Ballina Heights Drive.

Strategic and Community Facilities

Funding has been provided for the installation of solar power at the Alstonville Leisure and Entertainment Centre to \$14,000.

General Manager's Group

Property Management (Commercial): Forecast expense is proposed to increase by \$100,000 which is an additional budget for Southern Cross Stage 12. The remaining land is being subdivided into two lots and the expense is to pay for subdivision expenses, development application fees/contributions as well as sewer and water infrastructure.

Civil Services

Roads and Bridges: adjustments for roads in the period are:

Road Name	Comment	Increase (Decrease)
Midgen Flat Road	Original budget exceeded. Extra budget funded from Roads to Recovery grant not previously allocated	\$75,000
Coast Road	New budget funded from grant	\$637,000
Tuckombil Road	Additional budget funded from grants	\$371,000
Roads unallocated	Removal of anticipated grant funded expense. ie: budgets (income and expense) put in place based on previous years.	(\$500,000)
Compton Drive	New budget funded from surf club budget	\$750,000
Surf Club Car Park	New budget funded from surf club budget	\$210,000
Roads Upgrade	Budget transferred from capital to maintenance	(\$14,000)
	Net Change	1,529,000

Ancillary Facilities: Coast road cycleway budget increased by \$300,000 funded by anticipated grant income. Also budget for the anticipated loan repayment regarding Ballina Town Centre is not required (\$35,000).

Pools: New budget of \$22,000 to install solar power.

Landfill and Resource Management: New budgets raised to \$253,000 funded from reimbursements from the State Levy (restricted reserve on hand) for Bio Char related works \$183,000, public place recycling \$30,000, landfill gas investigation \$20,000 and resource recovery concept design \$20,000.

Water - Capital Budget - Source and Application of Funds (\$'000)

Water Supply Capital Works	Original Budget 2013/14 \$'000	Approved Changes \$'000	Revised Budget \$'000	Changes for Approval \$'000	September Budget \$'000	Actual to September \$'000
Water Capital Funding						
Reserves	1,858	58	1,916	(766)	1,150	1,150
Section 64 contributions	1,720	458	2,178	(48)	2,130	2,130
Grants & Contributions	0		0	0	0	0
Total Funding	3,578	516	4,094	(814)	3,280	3,280
Water Capital Expense						
Water storage	840	458	1,298	126	1,424	191
Pump Stations	573		573	0	573	1
Pressure Management	180		180		180	1
Trunk mains	1,573		1,573	(940)	633	0
Other	412	58	470	0	470	1
Total Capital expense	3,578	516	4,094	(814)	3,280	194

Budget adjustments proposed for the Water capital works program are as follows:

Water Storage: Additional budget of \$126,000 is required for the recycled water distribution and storage works that are in progress.

Trunk Mains: Proposed works on trunk mains will not occur this year to the extent envisaged. Reductions to budgets are proposed for Lennox Head distribution augmentation \$312,000, East Ballina booster augmentation \$490,000 and Russellton booster augmentation \$139,000.

Wastewater - Capital Budget - Source and Application of Funds (\$'000)

Wastewater Services Capital works	Original Budget 2013/14 \$'000	Approved Changes \$'000	Revised Budget \$'000	Changes for Approval \$'000	September Budget \$'000	Actual to September \$'000
Wastewater Capital Funding						
Reserves	8,703	2,600	11,303	(763)	10,540	10,540
Section 64 contributions	1,663		1,663	0	1,663	1,663
Loans		0	0	690	690	690
Total Funding	10,366	2,600	12,966	(73)	12,893	12,893
Wastewater Capital Expense						
Consultancies	40	12	52	0	52	24
Treatment Plants	1,850	544	2,394	824	3,218	598
Recycled Irrigation	310	376	686	0	686	3
Pump Stations	2,937	114	3,051	(532)	2,519	23
Trunk Mains	4,110	1,587	5,697	90	5,787	601
Plant	184	25	209	0	209	121
Other	935	(58)	877	(455)	422	1
Total Capital expense	10,366	2,600	12,966	(73)	12,893	1,371

There are numerous changes required for Wastewater capital works budgets. A complete revision of the program has been conducted and the table above provides a summary of the proposed adjustments. Those budgets that have been reduced are being pushed back to later years and the increases to budget reflect current forecasts to complete works.

Additional information on the capital works program is outlined in the next report in this business paper (i.e. Capital Expenditure – Quarterly Update).

Investments

The next table shows details of the projected cash and investments.

	Original Budget 2013/14 \$'000	Approved Changes \$'000	Revised Budget \$'000	Changes for approval Sept \$'000	Revised Budget Sept \$'000
Unrestricted	1,566	0	1,566	0	1,566
Externally Restricted					
- Section 94	1,156	1,215	2,371	(25)	2,346
- Domestic Waste M'ment	889	123	1,012	19	1,031
- Unexpended Grants/loans			0	0	
- Other	61	32	93	(21)	72
- Section 64 Water	6,288	338	6,626	186	6,812
- Water	570	173	743	626	1,369
- Section 64 Sewer	4,157	(2,715)	1,442	0	1,442
- Sewer	8,514	971	9,485	707	10,192
Total Externally Restricted	21,635		21,772	1,492	23,264
Internally Restricted					
- Strategic and Community Services	167	92	259	30	289
- Employee Leave Entitlements	1,705	303	2,008	(76)	1,932
- Plant Replacement	294	(270)	24	138	162
- Quarries	1,276	57	1,333	0	1,333
- Property Reserves	177	327	504	(150)	354
- Properties Refurbishment	1,134	2,418	3,552	0	3,552
- Open Spaces and Reserves	95	100	195	0	195
- Landfill Management	1,842	(195)	1,647	(38)	1,609
- Civil Works	3,694	(379)	3,315	23	3,338
- Other	119	56	175	0	175
Total Internally Restricted	10,503	2,509	13,012	(73)	12,939
Total Restricted	32,138	2,509	34,784	1,419	36,203
Total Cash and Investments	33,704	2,509	36,350	1,419	37,769

The unrestricted cash figure is not inclusive of transactions that would normally be included when calculating working capital; i.e. it is exclusive of movements in items such as debtors and creditors. The available cash figure is taken from note six of the financial statements as at 30 June 2013. Council does not track movements in available cash on a quarterly basis.

Statements

1. Council's investments are all in accordance with the Local Government Act, the regulations and Council's investment policy.

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2. As per the investments summary for September 2013, funds invested amounted to \$84,115,000. All restricted monies are included in these investments.
3. Cash has been reconciled to the bank statement as at 30 September 2013 to the amount of \$610,267.
4. Actual year to date cash and investments amount to \$84,725,267 as at 30 September 2013. This amount includes cash at bank of \$610,267 and funds invested of \$84,115,000 which has been reconciled to bank statements and investment reports.

Bank Reconciliation Summary as at 30 September 2013

Balance as per Bank Statement	671,702
Less Unpresented Cheques	87,855
Sub Total	583,847
Plus Outstanding not Credited	77,717
Sub Total	661,564
Less Amounts Deposited at end of month not in ledger	51,297
Balance as per ledger	610,267

Comment on Cash and Investment Position

The forecast reserves position has increased from \$33.7 million to \$37.7 million. It is important to note that the original budget was prepared prior to the finalisation of end year actual results being known. Hence there have been changes between the estimated start position of the original estimates and the actual start position. Changes due to a difference between estimate and actual are taken to have been approved.

The main reason for the increase in investments is because the actual balance of reserves at the start of the year was higher than what was forecast. Details of the major changes for approval are summarised below.

Section 94 Reserves

There has been a net decrease to reserves relating to expense at 74/78 Tamar Street of \$19,000 and a refund of DA contributions \$6,000.

Domestic Waste Management (DWM)

There is a net increase to the reserve of \$19,000 following adjustments to operating forecasts.

Other

The reduction to reserve relates to an increased rental payment, funded from reserve, for crown commercial properties.

Water Fund Reserves

Net reserves are predicted to rise by \$812,000 which is primarily due to the removal of capital works from the current year's budget.

Wastewater Fund Reserves

There have been numerous movements to forecasts within the Wastewater Fund however most changes balance increases against decreases. The only exception being the receipt of the final payment of loan funds relating to the system upgrade to \$690,000 which has contributed to the forecast reserve balance increase.

Strategic and Community Services

Funds taken out of the Community Centre reserve (\$30,000) to enable service level improvements at the Lennox Head Cultural and Community Centre.

Employee Leave Entitlements

The adjustment to the reserve, decrease by \$76,000, is to finance a redundancy payment.

Plant Fund

The reserve increase relates to the removal of proposed loan repayments from the budget. A proposed loan in 2012/13 was not taken up.

Property Activities

There have been numerous changes to the property reserves however two of the more significant changes that contribute to the reserve decrease of \$150,000 is provision of \$100,000 for Southern Cross Estate capital expenditure and \$70,000 for Wigmore Arcade.

Landfill Resource Management

Adjustments essentially relate to the reduced cash surplus forecast for the 2013/14 financial year. Refer to income and expense section of this report for details.

Key Performance Indicators

The next section of the report takes selected financial benchmarks that have been adopted by Council and compares the June 30 2011 and 2012 ratios with the forecast at September to June 30 2014. The performance indicators that have been selected have a short term focus which suits the quarterly review which also tends to focus on the short term.

The actual and forecast performance indicators measured against the benchmark provide an important insight into the financial well-being of the organisation. The indicators should be used to assist financial policy and strategy.

It is important to understand that estimating ratios is particularly difficult given the variables and complexities involved in the calculation. It is almost inevitable that the ratio forecast will be in error to some degree.

Key Performance Indicators - General Fund

1. Unrestricted Current Ratio - Unrestricted current assets divided by unrestricted current liabilities measured as a ratio. The purpose of this ratio is to measure Council's ability to meet its short term liabilities with its short term assets.

Indicator type: Financial Position

Benchmark: >1.5:1 (NSW TCP)

2011/12	2012/13	September
Actual	Actual	Estimate
2.89:1	2.61:1	1.89
Pass	Pass	Pass

Comment

In 2012/13 Council took out borrowings to \$13 million that impacted this ratio because whilst minimal loan repayments were made in that year, the ratio looks at what repayments will be made in 2013/14. However in 2012/13 Council also received approximately \$7 million in cash from the RMS and various capital works were not completed which elevated the balance of current assets.

Hence 2012/13 has been influenced by quite large positive and negative movements.

In 2013/14 the ratio is predicted to fall in comparison to 2012/13. This is mainly because cash reserves are predicted to decline as the capital works program is completed. If the works program is not completed as forecast the ratio will not decline to the extent forecast.

2. Operating Balance Ratio – Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items). The purpose of this percentage measures whether the Council is sustainable in terms of its operating result. Council should not be recording recurring operating deficits or funding operating results from capital revenue.

Indicator type: Financial Performance

Benchmark: <-10% (IPART)

2011/12	2012/13	September
Actual	Actual	Estimate
(8.00)	(14.70)	(20.13)
Fail	Fail	Fail

Comment

The ratio is affected by many variables but perhaps the biggest difference between the 2012/13 result the 2013/14 forecast is that in 2012/13 Council benefitted from a one off payment in respect to the two bypass handovers (approx \$7 million) which favourably distorts the 2012/13 outcome..

A strategy to improve this ratio is to continue to closely monitor operating expenses and increase income.

*The forecast ratio assumes that Council will receive a prepayment of the 2014/15 Financial Assistance Grant late this financial year.

3. Debt Service Ratio – Loan principal and interest payments divided by revenue from continuing operations excluding capital items and specific purpose grants and contributions measured as a percentage. The purpose of this percentage is a measure of whether Council has excessive debt servicing costs relative to operating revenue.

Indicator type: Financial Position

Benchmark: <12% (LGMA Health Check)

2011/12	2012/13	September
Actual	Actual	Estimated
6.70	8.00	11.06
Pass	Pass	Pass

Comment

In 2012/13 Council borrowed approximately \$13 million relating to the Airport and other infrastructure improvements. This represented an approximate 70% increase in General Fund's debt.

The 2012/13 ratio is spared from the full extent of the debt increase because loans were taken up later in the financial year avoiding the majority of loan repayments. The 2013/14 forecast reflects the full impact of the 2012/13 borrowings.

Benchmark Indicators - Water

1. Unrestricted current ratio - Unrestricted current assets divided by unrestricted current liabilities measured as a ratio. The purpose of this ratio is to measure Council's ability to meet its short term liabilities with its short term assets.

Benchmark: >1.5:1 (NSW Tcorp)

Indicator type: Financial Position

10.18 Financial Review - 30 September 2013

2011/12	2012/13	September
Actual	Actual	Estimated
33.96:1	30.67:1	22
Pass	Pass	Pass

Comments

The ratio is forecast to decline as reserves are used to fund capital works in 2013/14.

2. Operating Balance Ratio – Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items). The purpose of this percentage measures whether the Council is sustainable in terms of its operating result. Council should not be recording recurring operating deficits or funding operating results from capital revenue.

Indicator type: Financial Performance

Benchmark: <-10% (IPART)

2011/12	2012/13	September
Actual	Actual	Estimated
(20)	(13.49)	(18.90)
Fail	Fail	Fail

Comments

The fund continues to struggle with matching income to expenses. It is anticipated that the 2013/14 operating result will be a higher deficit than 2012/13.

Mitigating strategies include an increase to tariffs for 2014/15 that will exceed cost of living rises.

3. Debt Service Ratio – Loan principal and interest payments divided by revenue from continuing operations excluding capital items and specific purpose grants and contributions measured as a percentage. The purpose of this percentage is a measure of whether Council has excessive debt servicing costs relative to operating revenue.

Indicator type: Financial Position

Benchmark: <12% (LGMA Health Check)

2011/12	2012/13	September
Actual	Actual	Estimated
Nil	Nil	Nil
Pass	Pass	Pass

Comments

The fund has no external borrowings.

Benchmark Indicators - Wastewater

1. Unrestricted current ratio - Unrestricted current assets divided by unrestricted current liabilities measured as a ratio. The purpose of this ratio is to measure Council's ability to meet its short term liabilities with its short term assets.

Benchmark: >1.5:1 (NSW Tcorp)

Indicator type: Financial Position

2011/12	2012/13	September
Actual	Actual	Estimated
8.19:1	4.00:1	1.66
Pass	Pass	Pass

Comments

The ratio is declining as the external loans taken up for the infrastructure program take affect.

2. Operating Balance Ratio – Net operating result from continuing operations (excluding capital items) as a percentage of operating revenue (excluding capital items). The purpose of this percentage measures whether the Council is sustainable in terms of its operating result. Council should not be recording recurring operating deficits or funding operating results from capital revenue.

Indicator type: Financial Performance

Benchmark: <-10% (IPART)

2011/12	2012/13	September
Actual	Actual	Estimated
(22.00)	(26.90)	(21.03)
Fail	Fail	Fail

Comments

Whilst a fail result is predicted the ratio is forecast to improve in comparison to 2012/13 as annual charges are elevated meet loan repayments.

Going forward the strategy is to continue to increase annual charges and carefully manage expenses.

3. Debt Service Ratio – Loan principal and interest payments divided by revenue from continuing operations excluding capital items and specific purpose grants and contributions measured as a percentage. The purpose of this percentage is a measure of whether Council has excessive debt servicing costs relative to operating revenue.

Indicator type: Financial Position

Benchmark: <12% (LGMA Health Check)

10.18 Financial Review - 30 September 2013

2011/12	2012/13	September
Actual	Actual	Estimated
21.00	34.00	50.48
Fail	Fail	Fail

Comments

The true extent of the liability overhead is now starting to take effect as all borrowings are brought to account. The forecast is for the ratio to increase substantially as the capital portion for the \$63 million loan impacts the ratio for the first time. ie; the capital portion of the loan was not included in the 2012/13 result.

This ratio will exceed benchmark for many years to come. The strategy is to continue increasing the annual charge so that the enterprise can operate in a sustainable manner.

Contractors

The table below provides details of contracts entered into in the September quarter. Contracts below \$50,000 are not included.

Contractor Name	Purpose	Amount \$	Start Date	Duration of Contract	Incl in Budget Y/N
TCDE P/L	Demolition of buildings 74/78 Tamar St	95,000	21/10/13	2 months	y
Ardill Payne	Design emergency storage sewer pump stations	111,000	16/9/2013	5 months	y

Consultants

The table below summarises the expense incurred to date on consultants. The definition of consultants includes a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist advice or professional advice to assist decision making by management.

Item	Expenditure YTD	Included in Budget Y/N?
Consultancies	39,764	Y

Legal Expenses

The table below summarises the expense incurred to the end of September on legal fees. For the purposes of the report legal fees have been included where there is a dispute situation. This includes for example recovery of rates not paid but excludes processing of infringement notices (no dispute at this point) and amounts paid to legal firms that may be related to the creation of a lease or sale of land.

	Expenditure YTD	Included in Budget Y/N?
Legal Fees	13,000	Y

Other Matters

Interest Forecasts

The current trending of income from funds invested is well above forecasts. This is primarily because there was quite a large carry over of works in progress at the end of the previous financial year. Therefore the balance of cash on hand at the start of the year was much higher than was originally anticipated and this has translated into higher returns.

No budget adjustments have been proposed in respect to interest income trends in this report. The situation will be reviewed at the next quarterly review at which time adjustments may be put forward if current trends continue.

Statement

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 Ballina Shire Council for the quarter ended 30/9/2013 indicates that Council's projected financial position at 30 June 2013 will be satisfactory* at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

* The satisfactory position is based on the short term (twelve month) outlook. Council is forecasting operating losses, inclusive of depreciation and exclusive of capital grants, on both a consolidated and fund basis for many years into the future.

From a long term perspective Council needs to work towards an operating surplus.



Signed Peter Morgan, Responsible Accounting Officer

Sustainability Considerations

- **Environment**
This report encompasses the entire Council budget and as such has implications for environmental, social and economic outcomes. Council needs to bear in mind the implications of allocating or not allocating resources to particular works and services.

- **Social**
As above

- **Economic**
As above

Legal / Resource / Financial Implications

This report informs Council of actual financial results to date in comparison to budget. Where legal ramifications are envisaged they are detailed within the information section of this report.

Consultation

This report has been prepared to inform the community of budget variations.

Options

Council may approve the budget amendments proposed, make changes or not approve any changes. It is considered that the proposed changes reflect either Council policy or necessary adjustments that reflect the trending of actual incomes and expenses.

RECOMMENDATION

That Council notes the contents of the September 2013 Quarterly Budget Review and approves the changes identified within this report.

Attachment(s)

Nil