

LATE REPORT NO. 1 ORDINARY COUNCIL MEETING 22 NOVEMBER 2017

WATER SERVICES BUDGET REVIEW FOR QUARTER ENDED 30 SEPTEMBER 2017

Report Author Phil Brennan, Manager Finance
File No. / ECM Index Financial Management - Management Plan Quarterly Reviews
Date of Meeting 22 November 2017

SUMMARY OF REPORT

This report presents results of a review of the Water Services Division budget by relevant staff for the quarter ended 30 September 2017 and proposes amendments to the adopted budget.

SUMMARY OF RECOMMENDATION

That the result be noted and the adjustments to budget be adopted.

FINANCIAL/RESOURCE IMPLICATIONS

The review of the Water Services budget recommends adjustments to the capital expenditure budget and provides for a saving in the operational budget predominantly arising from staff vacancies.

LEGAL IMPLICATIONS

A quarterly financial review is required to be presented to Council.

ATTACHMENTS

A: MidCoast Water - Forecast Review - CAPEX

Attachment A has been circulated in hard copy to the Councillors and Senior Staff, however this Attachment is publicly available on Council's website.

BACKGROUND

The Water Services Division's 2017/2018 budget was adopted by the Administrator in May 2017. A review of the Capital Works Program and Operational Budget for the quarter ended 30 September 2017 has been completed by Water Services staff.

That review proposes amendments to the Capital Works Program and provides for savings in the Operational Budget and these are presented to Council for their adoption.

DISCUSSION

The changes to the Operational Budget are outlined below:

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Description	2017/2018 Original Budget (\$'000)	2017/2018 Amended Budget (\$'000)	Proposed Changes Sept Review	Details
Rates & Annual Charges	50,657	50,657	0	In-line with original projections
User Charges & Fees	26,885	26,885	0	In-line with original projections
Interest & Investment Revenue	621	1,000	379	Increased interest on investments due to additional funds on hand in first quarter.
Other Revenues	468	468	0	In-line with original projections.
Operating Grants	951	951	0	In-line with original projections.
Total Operating Income	79,583	79,962	379	
Employee Benefits & On-Costs	21,144	20,000	(1,144)	Budget savings due to staff vacancies.
Borrowing Costs	11,549	11,000	(549)	Original estimate overstated.
Materials & Contracts	13,283	12,570	(713)	Transfer of budget to Capital Works Program. Works proposed are capital in nature not operational.
Depreciation	30,857	30,857	0	In-line with original estimate.
Other Expenses	7,473	7,473	0	In-line with original estimate.
Loss on Disposal of Assets	1,000	1,000	0	In-line with original estimate.
Total Operating Expenses	85,307	82,900	(2,406)	
Net Operating Result	(5,724)	(2,939)	2,785	

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The adjustment to the Employee Benefits & On-Costs item is based on the adopted MCW structure at 1 July 2017 and a review of the budget on the assumption that that is the continuing environment. That saving is essentially kept within the Water & Sewer funds and does not impact on the General fund result.

This position will need to be reviewed during the December Quarterly Budget Review when the Water & Sewer results will be consolidated within the overall organisation. There may be transfers from the Water & Sewer funds across to the General fund as staff structures are finalised (with subsequent movements of staff), corporate expenditure is moved across the General fund and harmonisation activities proceed.

The review of the Capital Works Program is attached as Attachment A.

It includes detailed comments on the status of each project and explanations for proposed amendments to budget. The overall result for the Capital Works Budget is an increase of \$93,000. This increases the total Capital Works Program from \$20.72 million to \$20.813 million. This increase can be funded from within existing Water & Sewer funds on hand.

This increase primarily accounts for the increase in expenditure required for the completion of the Gloucester WTP upgrade, continuation of the Bootawa Piezometer project and acceleration of projects within the Nabiac Water Supply System program. The proposed adjustment also accounts for the reallocation of sewer gravity relining activities from the Operational Budget to the Capital Works Budget in accordance with auditors advice and industry practice.

Responsible Accounting Officer's Statement

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

It is my opinion that the Quarterly Budget Review Statement for Mid-Coast Council (Water Services Division) for the quarter ended 30 September 2017 indicates that Council's projected financial position at 30 June 2018 for the Water Services Division will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

SIGNED:

DATE: 15 November 2017



Phil Brennan
Responsible Accounting Officer
Mid-Coast Council

RECOMMENDATION

That the Quarterly Budget Review Statement for the period to 30 September 2017 for the Water Services Division budget be noted and the budget variations proposed, including the transfers to and from reserves be approved.