

LATE REPORT NO 1 ORDINARY MEETING 28 FEBRUARY 2018

LATE REPORT - WATER SERVICES BUDGET REVIEW FOR QUARTER ENDED 31 DEC 2017

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File No. / ECM Index Financial Management - Management Plan Quarterly Reviews

Date of Meeting 28 February 2018

SUMMARY OF REPORT

This report presents results of a review of the Water Services Division budget by relevant staff for the quarter ended 31 December 2017. and proposes no amendments to the adopted budget.

SUMMARY OF RECOMMENDATION

That the result be noted.

FINANCIAL/RESOURCE IMPLICATIONS

The review of the Water Services budget recommends that no adjustments be made to the operational and capital expenditure budgets at 31 December 2017. The review does indicate that there will be savings 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 Councillors and Senior Staff however this attachment is 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 31 December 2017 has been completed by Water Services staff.

The review proposes that no amendments be made to the Operational Budget or to the Capital Expenditure Budget. The Capital Works Program has been reviewed and commentary has been updated since the first quarter where warranted. It is expected that there will be adjustments to this program during the 3rd quarter review as works approach financial year end and a more reliable view is able to be taken on what works will carry over in to the next financial year or be completed by 30 June 2018.

LATE REPORT NO 1 ORDINARY MEETING 28 FEBRUARY 2018

DISCUSSION

There are no changes proposed to the Operational Budget at the December Review. Comments are provided below as to how income and expenditure is trending against budget:

Description	2017/2018 Original Budget (\$'000)	2017/2018 Amended Budget (\$'000)	Proposed Changes Dec Review	Details
Rates & Annual Charges	50,657	50,657	0	In-line with original projections. Income received to date is slightly greater than 50% of the annual expectation however this may be accounted for by where properties are at in the billing cycle.
User Charges & Fees	26,885	26,885	0	Income received and invoiced at 31 December is greater than 50% of the annual budget. However water restrictions will have an impact on water usage accounts and a better picture of that impact will be available at the March QBR.
Interest & Investment Revenue	621	1,000	0	In-line with amended expectations following an increase in estimate at September quarter.

**LATE REPORT NO 1
ORDINARY MEETING
28 FEBRUARY 2018**

Description	2017/2018 Original Budget (\$'000)	2017/2018 Amended Budget (\$'000)	Proposed Changes Dec Review	Details
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	0	
Employee Benefits & On-Costs	21,144	20,000	0	Further budget savings will be realised in this area due to continuing staff vacancies.
Borrowing Costs	11,549	11,000	0	In-line with amended budget projections.
Materials & Contracts	13,283	12,570	(713)	Budge savings are projected to be realised in this area at year end.
Depreciation	30,857	30,857	0	In-line with original estimate. This estimate will be reviewed at the March QBR following the completion of the 2016/17 Financial Reports.
Other Expenses	7,473	7,473	0	Budget savings will be realised in this area at year end. This is due to staff vacancies and the merge eg Councillor fees.
Loss on Disposal of Assets	1,000	1,000	0	In-line with original estimate.
Total Operating Expenses	85,307	82,900	0	
Net Operating Result	(5,724)	(2,939)	0	

LATE REPORT NO 1 ORDINARY MEETING 28 FEBRUARY 2018

An adjustment to the Employee Benefits & On-Costs item occurred during the September QBR and was 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. Continuing and additional vacancies will mean that there will be additional savings in the item at 30 June 2018. This will be better quantified during the March QBR. However it should be noted that those savings are essentially kept within the Water & Sewer funds and do not impact on the General fund result.

There have been some staff transfers from the Water & Sewer funds across to the General fund and transfers of funding between the divisions is occurring to ensure that Councils General Fund position is not adversely impacted by carrying expenditure that has been budgeted for within the Water Services Division This practice will continue for the balance of 2017/2018 but should be rectified with the introduction of the new computer system from 1 July 2018.

As mentioned above water restrictions have been introduced since the end of the second quarter. This will have an impact of user pays charges and revenues. The impact of those restrictions will be more evident during the March QBR and adjustments to budgets will be considered at that time. However it should be noted that there are significant savings in the expenditure budget and these should off-set the impact of the predicted drop in revenue.

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 31 December 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: 21 February 2018



**Phil Brennan
Responsible Accounting Officer
Mid-Coast Council**

RECOMMENDATION

That the Quarterly Budget Review Statement for the period to 31 December 2017 for the Water Services Division budget be noted and the budget variations proposed, including the transfers to and from reserves be approved.