

BUDGET REVIEW STATEMENT

for the Quarter ended 31 March 2019

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Report by Responsible Accounting Officer

In accordance with Clause 203(2) of the Local Government (General) Regulations 2005, it is my opinion that the Quarterly Budget Review Statement for Georges River Council for the quarter ended 31 March 2019 indicates that Council's projected financial position at 30 June 2019 will be satisfactory at year end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

A handwritten signature in black ink, appearing to read 'D. Tuxford', written in a cursive style.

David Tuxford
Director Business & Corporate Services

Responsible Accounting Officer

30 April 2019

Appendices

Table 1: Income & Expenditure Budget Review Statement

	Approved Changes						Notes	Projected Year End Result 2018/19	Mar 2019 YTD Actuals
	Original Budget 2018/19	Budget Carryovers	Quarter 1 Budget Variations	Quarter 2 Budget Variations	Revised Budget	Proposed Variations for Quarter 3			
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)			
Income									
Rates and Annual Charges	93,439	-	-	-	93,439	-		93,439	69,972
User Charges & Fees	14,606	-	-	-	14,606	(600)	1	14,006	11,119
Interest	5,626	-	-	-	5,626	-		5,626	4,157
Other Revenues from Ordinary Activities	9,042	-	-	756	9,798	614	2	10,412	8,711
Operating Grants and Contributions	8,132	-	-	1,949	10,081	533	3	10,614	6,729
Capital Grants and Contributions	14,613	-	9,580	-	24,193	2,903	4	27,096	24,299
Net Gain/Loss on Disposal	1,052	-	-	(942)	110	400	5	510	466
Total Income	146,510	-	9,580	1,763	157,853	3,850		161,703	125,453
Expense									
Employee Costs	58,730	264	-	-	58,994	-		58,994	41,813
Borrowing Costs Expense	96	-	-	-	96	-		96	58
Materials & Contracts	42,976	2,845	-	(2,000)	43,821	(506)	6	43,315	28,929
Depreciation	19,482	-	-	-	19,482	-		19,482	14,541
Other Expenses	21,345	43	-	-	21,388	-		21,388	15,191
Total Expense	142,629	3,152	-	(2,000)	143,781	(506)		143,275	100,531
Net Operating Result from Continuing Operations – Surplus/(Deficit)	3,881	(3,152)	9,580	3,763	14,072	4,356		18,428	24,922
Net Operating Result from Continuing Operations excluding Capital Grants & Contributions	(10,732)				(10,121)			(8,668)	623

Table 2: Capital Budget Review Statement

	Original Budget 2018/19	Budget Carryovers	Approved Changes		Revised Budget	Proposed Variations for Quarter 3	Notes	Projected Year End Result 2018/19	Mar 2019 YTD Actuals
	(\$'000)		Quarter 1 Budget Variations	Quarter 2 Budget Variations					
New Assets									
Buildings – Specialised	4,500	448	1,452	(1,611)	4,789	-		4,789	2,304
Buildings - Non Specialised	7,570	1,504	6,669	(4,705)	11,038	1,656		12,694	6,768
Community Land	-	-	-	12,241	12,241	-		12,241	12,320
Stormwater & Drainage	1,708	94	(1,000)	(301)	501	-		501	494
Footpaths	537	-	-	286	823	100		923	79
Furniture & Fittings	110	-	-	10	120	(14)		106	13
Intangible Assets	580	101	(58)	-	623	-	7	623	196
Library	60	-	-	-	60	-		60	-
Office Equipment	35	-	162	-	197	(15)		182	88
Open Space/ Recreational	6,874	2,000	2,526	(3,222)	8,178	(253)		7,925	1,414
Other Structures	750	-	9	(292)	467	-		467	448
Plant & Equipment	-	-	525	27	552	-		552	38
Roads	-	110	48	108	266	13		279	279
Renewal Assets									
Buildings – Specialised	-	-	-	-	-	-		-	-
Buildings - Investment	200	-	-	-	200	-		200	-
Buildings - Non Specialised	2,307	1,573	21	146	4,047	1,174		5,221	3,983
Stormwater & Drainage	2,700	2,957	493	(1,394)	4,756	-		4,756	1,519
Footpaths	8,695	793	-	(4,355)	5,133	112		5,245	2,625
Furniture & Fittings	1,500	98	(87)	(367)	1,144	(1,000)		144	870
Kerb & Gutter	80	-	-	0	80	-		80	80
Library	455	38	98	-	591	-	8	591	248
Land Improvements Non Depreciable	450	-	150	(600)	-	-		-	41
Office Equipment	410	-	142	(100)	452	-		452	144
Open Space/ Recreational	2,625	2,433	1,600	(1,492)	5,166	300		5,466	3,126
Other Structures	2,250	463	437	2,028	5,178	784		5,962	3,379
Other Assets	2,313	-	-	(2,313)	-	-		-	0
Plant & Equipment	2,502	-	(525)	2,313	4,290	(1,430)		2,860	1,875
Roads	6,848	30	-	(1,205)	5,673	101		5,774	4,650
Total Capital Expenditure	56,059	12,642	12,662	(4,798)	76,565	1,528		78,093	46,981

Table 3: Notes to Budget Variations

Notes	Category	Detail
Operating Income		
1	User Charges & Fees	Proposed reduction as a result of a decline in development application income and long day care fees. Development applications have declined with the slowing down of the property market.
2	Other Revenues from Ordinary Activities	Favourable budget variance as a result of increases in revenue from regulatory fines, legal recovery and property income.
3	Operating Grants and Contributions	Favourable increase based on the successful receipt of the Accelerated Local Environment Plan (LEP) Review Program grant, that will contribute to the cost of developing a new Georges River Council LEP.
4	Capital Grants and Contributions	Favourable increase as a result of the receipt of three voluntary planning contributions totaling \$4m.
5	Net Gain / Loss on Disposal	Favourable increase as a result of the timing before year end of the sale of heavy and light vehicles.
Operating Expenditure		
6	Material and Contracts	Savings in expenditure on tipping fees, consultants and contractors helped in reducing costs in Materials and Contracts.
Capital Budget		
7	New Assets	Minor adjustments based on year-end forecasts and additional works required by Sydney Water, increased earth works and additional service upgrades for Stage 2 at Penshurst Park Sporting Hub. As such, budget adjustment is required for original contract value of \$530k and an additional non budgeted funds of \$1.28m from the Section 94 open space plan and general revenue are required. The Section 94 open space plan has a forecast closing balance of \$8.7m as at 30 June 2020.
8	Renewal Assets	Reduction as a result of the anticipated timing of expenditure for the renewal of heavy and light vehicle plant and additional works required by Ausgrid and Sydney Water resulting in a variation for Hurstville Central Plaza. As such, additional non budgeted funds of \$780k from the Section 94 open space and non-residential development plans are required. The section 94 open space plan has a forecast closing balance of \$8.7m and the non-residential development plan has a forecast closing balance of \$2.1m as at 30 June 2020.

Table 4: Key Performance Indicators

Ratios	Ratio Description	Benchmark	Original Budget 2018/19	Revised Budget	Projected Year End Result 2018/19	Mar 2019 YTD Actuals
Operating Performance	This ratio measures Council's achievement of containing operating expenditure within operating revenue	Greater than 0%	-8.14%	-7.57%	-6.44%	0.62%
Own Source Operating Revenue	This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.	Greater than 60%	84.48%	78.29%	76.68%	75.27%
Unrestricted Current Ratio	To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	Greater than 1.5x	1.34	1.26	1.26	1.93

Table 5: Restricted Cash Reserves

Description	Purpose	Audited Balance 30/06/18 (\$'000)	Closing Balance 31/03/19 (\$'000)	Projected Closing Balance 30/06/2019 (\$'000)
Externally Restricted Cash Reserves				
Section 7.11	Developer contributions for improvement of public infrastructure.	62,832	62,063	57,989
Section 7.12	Development levies contributed to fund public infrastructure, amenities and services.	2,624	2,593	2,441
Voluntary Planning Agreement	Provision for public amenities, open space and infrastructure in accordance with the Policy on Planning Agreements	4,944	7,445	12,501
Stormwater Drainage Levy	Storm water infrastructure maintenance	1,287	1,271	1,104
Domestic Waste Management	Provision for the cost of planned future Domestic Waste Management Services in accordance with legislation.	18,345	20,472	21,095
Specific Purpose Unexpended Grants	Grants received in previous years for ongoing projects.	3,514	2,737	633
Infrastructure Plus - Investment	Special rate levied for the renewal and maintenance of local infrastructure.	455	57	
Environmental Levies	Balance of former Kogarah levies for environmental projects	93	93	93
Town Improvement Funds	For the improvements to Riverwood, Penshurst, Hurstville and Mortdale town centres including public space and infrastructure upgrades and maintenance.	1,953	2,352	2,203
Sub Total - Externally Restricted Cash		96,047	99,083	98,059
Internally Restricted Cash Reserve				
Employee Leave Entitlement	Fund employees leave entitlements on resignation or retirement.	9,113	9,113	9,113
Plant Replacement	Fund replacement costs of plant equipment.	1,364	2,227	485
Car Replacement	Fund replacement of Council owned vehicles.	1,827	1,757	1,636
Election	Fund local government elections.	573	836	923
Childcare Equipment	Fund equipment and renewal works at Childcare centres.	235	235	209
Hurstville Golf Course	Maintenance and renewal at Hurstville Golf Course.	264	264	205
Financial Assistance Grant	Prepayment of Financial Assistance Grant held for next year's budget.	2,131	0	2,131
Bonds and Damage Deposits held	DA and Venue Hire Bonds held as security to prevent damage to Council assets.	5,240	5,240	5,240
Merger Initiatives Allocation	Savings identified through efficiencies, for future amalgamation projects	1,515	2,183	2,183
Collateralised Debt Obligation Recovery	Recovery of monies from Lehmann Brothers Investment	5,971	4,214	61
Stronger Communities Fund – Round 1	State Government grant for major projects to benefit the Community within guidelines	7,091	2,411	230
Stronger Communities Fund – Round 2	State Government grant for major projects to benefit the Community within guidelines	0	8,596	6,255
New Council Implementation Fund	State Government approved amalgamation projects as per the Implementation Plan	1,895	0	7

Description	Purpose	Audited Balance 30/06/18	Closing Balance 31/03/19	Projected Closing Balance 30/06/2019
		(\$'000)	(\$'000)	(\$'000)
Asset, Roads and Infrastructure Management	Maintenance and renewal across all of council's assets	10,938	10,004	8,578
Commercial Property	Investing in long term commercial property to generate ongoing income opportunities	18,473	6,201	5,922
Strategic Centres	Acquisition and management of property for strategic uses in key centres	8,103	7,722	7,743
Environmental Sustainability	Projects that improve environmental sustainability in energy and water efficiency and tree planting	447	503	507
Aquatic Facilities	Maintenance, renewal and service improvements to aquatic facilities	1,939	1,640	1,544
Sub Total - Internally Restricted Cash		77,119	63,146	52,972
Total Internally and Externally Restricted Cash		173,166	162,229	151,031

Table 6: Consultancy & Legal Expenses Review

Consultancy Costs by Directorate	YTD Expenditure (\$'000)	Current Budget (\$'000)
Environment and Planning	1,347	2,870
Business and Corporate Services	294	600
Assets and Infrastructure	109	476
City Strategy and Innovation	78	432
Office of the General Manager	212	324
Community and Culture	229	272
Total	2,269	4,974

Definition of consultant:

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high level specialist or professional advice to assist decision making by management. Generally it is the advisory nature of the work that differentiates a consultant from other contractors.

Legal Costs by Directorate	YTD Expenditure (\$'000)	Current Budget (\$'000)
Environment and Planning	963	685
Business and Corporate Services	194	285
Office of the General Manager	52	100
Assets and Infrastructure	48	61
Community and Culture	3	3
Legal Fees Recovery Income	(584)	(211)
Total	676	923

Table 7: Quarter 3 Contracts awarded (greater than \$50,000)

Contract	Contractor	Amount Excl. GST
Q18/493 – Assessment of Planning Proposal Approved Budget \$250,000	Elton Consulting Group Pty Ltd	Schedule of Rates
Q18/468 – Preparation of Development Contribution Plans – Section 7.11 and Section 7.12 Plans	SGS Economics and Planning	\$219,996
Q18/547 - Georges River Vision 2050	SGS Economics & Planning	\$88,000
Q18/512 - Community Engagement Consultants - draft Local Strategic Planning Statement	Taylor Brammer	\$95,535
Q18/466 – PC Desktop Refresh	Net Communication	\$106,478
T18/055 - Construction of the Charles Pirie Reserve Inclusive Sports Amenities Building and Adjoining Carpark	Lanskey Constructions Pty Ltd	\$1,375,639
T18/061 – Advertising Signs	QMS Ltd	\$1,716,000
T18/054 - Construction of Poulton Park Synthetic Football Fields	Polytan Asia Pacific Pty Ltd	\$2,366,732
T18/053 - Construction of the Harold Fraser Oval Community Pavilion	Lanskey Constructions Pty Ltd	\$2,403,800
T18/058 - Ecological Restoration Work Georges River Council Approved Budget \$143,440 P/A	Dragonfly Environmental P/L	Schedule of Rates
	Toolijooa,	
	Hills Bushcare	
	Creatures of Habitat	
	Total Earth Care Pty Ltd	
	Marc Stettner (Sole Trader) T/As Apunga Ecological Management	
	John Allison t/a Native Gardener (Reserve 1)	
	Bush-it Pty Ltd (Reserve 2)	
T18/044 – Security Services	Ultimate Security Pty Ltd	\$760,231
T18/057 - Jubilee Stadium Naming Rights	Network Strata Services Pty Limited	\$267,300
T18/046 - Montgomery Street Kogarah Streetscape Upgrade	Ezy Pave Pty Ltd	\$490,634