



# Ordinary Meeting of Council

## SUPPLEMENTARY

### AGENDA

22 May 2024

**Council Chambers**  
**257 Crawford Street, Queanbeyan**

**Presentations for items listed on the Agenda can be made in writing, via Zoom or in person. A live stream of the meeting can be viewed at: <http://webcast.qprc.nsw.gov.au/>**

#### **Statement of Ethical Obligations**

The Mayor and Councillors are reminded that they remain bound by the Oath/Affirmation of Office made at the start of the council term to undertake their civic duties in the best interests of the people of Queanbeyan-Palerang Regional Council and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the *Local Government Act 1993* or any other Act, to the best of their skill and judgement.

The Mayor and Councillors are also reminded of the requirement for disclosure of conflicts of interest in relation to items listed for consideration on the Agenda or which are considered at this meeting in accordance with the Code of Conduct and Code of Meeting Practice.

On-site Inspections - Nil

**SUPPLEMENTARY REPORT**

9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024 .....2

**LIST OF ATTACHMENT**

**Open Attachments**

Item 9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024  
*Attachment 1 3rd Quarter Budget Review Statement as at 31 March 2024  
(Under Separate Cover)*

**Closed Attachments**

*Nil*

9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024  
(Ref: ; Author: Monaghan/Sligar)

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File Reference: 43.7.2-28

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**Recommendation**

**That Council:**

- 1. Receive the March 2024 Quarterly Budget Review Statement.**
  - 2. Adopt the budget variations outlined in the report.**
  - 3. Note the opinion of the Responsible Accounting Officer in relation to Council's financial performance and projected year result is satisfactory.**
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**Summary**

The March 2024 Quarterly Budget Review Statement (QBRs) provides a summary of Council's financial performance at the end of the March 2024 quarter and reports on progress made against the original budget adopted by Council in its 2023/24 Operational Plan.

**Cash Result**

The budget adjustments recommended to Council for approval result in maintaining a level of unrestricted cash of approximately \$3m. This level of unrestricted cash is required to support the draft 2024/25 budget position.

The budgeted unrestricted cash balance of \$3m has only been able to be achieved by borrowing funds from Council's internal reserves for Employee Leave Entitlements and Financial Assistance Grant forward payment.

A significant impact on Council's unrestricted cash is the delay to the sale of Council property on Rutledge Street, Queanbeyan. Delays with the completion and move into the Nellie Hamilton Centre has had a cumulative effect with settlement of the Contract of Sale dependent upon the issuing of the Subdivision Certificate. Whilst the proposed subdivision plan has been submitted to NSW Land Registry Services for review, there are now not enough weeks in the financial year for the full approval process to be completed. This will result in the forecast cash injection of \$8m not occurring by 30 June.

This budget review takes this risk into consideration by removing the forecast cash receipt. This has resulted in a review of the internal reserve balances to ensure Council has sufficient unrestricted cash as at 30 June 2024 to support the 2024/25 budget.

It is proposed that we temporarily reduce the amount of any Financial Assistance Grant received in advance as well as the Employee Leave Entitlements reserves.

Once the settlement has occurred for the sale of these assets and the funds have been received, a report will be brought back to Council proposing to place part of these funds back into reserve to offset any reductions we may make at the end of this financial year.

**9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024 (Ref: ; Author: Monaghan/Sligar) (Continued)**

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**Operating Result (Income Statement)**

The proposed budget adjustments result in a net reduction to the consolidated budgeted deficit before capital items of \$5.6m. The forecast consolidated position is now \$1.8m surplus. A positive sewer fund result has offset the general fund deficit for the consolidated position.

It is important to note the difference between the cash position and the Net Result (Surplus/Deficit). The net result of Council includes many non-cash items such as depreciation and accrued income and expenditure that impacts the net result but not cash.

The impact of the 18% Special Rate Variation (SRV) on the 2023/24 General Fund budget, is an improvement to the financial position of \$5.8m. Without the SRV, Council's projected year end consolidated result would be a deficit of \$4m. Council's cash position would be negatively impacted which would have flow on effects to service provision and asset renewals.

**Background**

Quarterly Budget Review Statements provide progress reporting against the original annual budget, and subsequent revisions at the end of each quarter. A detailed list of budget adjustments recommended is provided in the below listed reports included in the March QBRS.

**Report**

See attached report for full details of the QBRS.

**Risk/Policy/Legislation Considerations**

Council prepares quarterly budget review statements in accordance with clause 203(1) of the Local Government (General) Regulation 2005 which requires that, not later than 2 months after the end of each quarter, excluding the June quarter, the Responsible Accounting Officer (RAO) must submit a budget review statement to Council.

The budget review statement must include or be accompanied by a report as to whether or not the RAO believes that the statement indicates that the financial position of the Council is satisfactory, having regard to the original estimate of income and expenditure, and if that position is unsatisfactory, recommendations for remedial action.

In the opinion of the RAO, the March QBRS projects that the financial position as at 30 June 2024 will be satisfactory but at high risk. It is noted remedial action has already been taken including:

1. Future budgets need to be in surplus to restore to an adequate level of working capital. Opportunities to improve the general fund's income has begun with the implementation of the special rate variation of 18% for 3 years. Focus needs to be on future year results.
2. Opportunities to increase other revenue must be considered.
3. Expenditure reductions including opportunities for efficiency savings and re-prioritisation of services to a financially sustainable level is to be a focus of each budget review.
4. Confirm Council's objectives:
  - a. that general fund expenditure does not exceed income.
  - b. there is enough available cash to pay current liabilities.
  - c. and assets are maintained to a standard that meets community expectations.

**9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024 (Ref: ; Author: Monaghan/Sligar) (Continued)**

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**Financial, Budget and Resource Implications**

**Unrestricted Cash budget adjustments of \$31k** allows the projected June 2024 unrestricted cash position to be maintained at approximately \$3m.

**Consolidated net budget adjustments of \$5.6m** will reduce the projected June 2024 operating deficit (after carry forwards) before capital items from \$3.75m to a small surplus of \$1.8m

**General Fund net budget adjustments of \$2.6m** will reduce the projected June 2024 operating deficit (after carry forwards) before capital items from \$5.87m at the end of December to \$3.23m. This is primarily due to the following projects:

- Income from developer contributions has been significantly higher than forecast by \$4m, with all funds being placed in reserve.
- Further increase of \$1.3m of interest on investments.
- Nellie Hamilton Centre loan interest of \$1.8m to be capitalised.
- A review of employee costs across the organisation has identified net savings of \$775k.

**Water Fund net budget adjustments of \$88k** will decrease the projected June 2024 surplus (after carry forwards) before capital items from \$724k to \$636k. This is primarily due to the following projects:

- The North Elmslea pressure pump project has been placed on hold pending a new tender process. This has resulted in forecast income no longer expected to be realised and a reduction to the capital works program of approximately \$1m.
- Additional income from interest on investments of \$800k.

**Sewer Fund net budget adjustments of \$892k** will increase the projected June 2024 surplus (after carry forwards) before capital items from \$1.4m to \$3m. This is primarily due to the following projects:

- Additional income over and above what was originally forecast of \$1m.
- Additional income from interest on investments of \$2m, due to increased cash holdings due to the delays in progressing the Queanbeyan Sewage Treatment Plant construction.

**Capital Projects**

The original capital works 2023-24 budget plus approved budget adjustment is \$88m (excluding loan repayments) as at the December 2023.

This budget review is recommending a deferral of the capital works program of \$17.9m, with expenditure as at 31 March 2024 of \$27.4m. The proposed new capital works program is \$70.1m

**9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024 (Ref: ; Author: Monaghan/Sligar) (Continued)**

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These proposed budget adjustments are due to the timing of a number of projects being moved into the 2024/25 financial year including:

- Queanbeyan Sewage Treatment Plant, \$14m.
- \$1m for the North Elmslea Pressure Pump station project which has been delayed.
- \$4.7m for the new Bungendore Pool which will be moved to a future year.

**Cash Reserves**

The cash and reserves summary, reports Council's current total reserve funds, and balance of unrestricted cash that is used for everyday cash flow purposes as at 31 March 2024. Unrestricted cash can move significantly up and down throughout the year based on large cashflow movements for quarterly rates instalments, grant payments and spending on large capital projects. The majority of Council's projected year end cash is externally restricted, forecast to be \$213m as at June 2024, and limited in its use to specific purposes by contracts or legislation.

Projected Internal reserves balance of \$23.1M, are used as a device to restrict portions of surplus cash to make them unavailable for general purposes. They are a decision of Council to set aside surpluses for future expenditure, for example, employee leave entitlements, plant purchases, and infrastructure replacement. It is recognised that internal reserves balances are subject to change, via a Council resolution, based on the need of Council and may not guarantee that the cash is available for its original intended purpose.

All the internal and external reserves have been reconciled as at 31 March 2024 and shown in the attached report.

Recommended budget adjustments to reserves include but are not limited to the following:

- Increase to Sewer fund reserve due to the delay with the Queanbeyan Sewage Treatment Plant project.
- Increase to Waster fund reserve due to the delay with the North Elmslea pressure pump statement project.
- Proposed reduction to internal reserves inline with Council's Restricted Fund policy
- Increase to the Department of Education compensation reserve to reflect the delay in progressing the new Bungendore Pool project.
- Adjustment to funds held in reserve for the Financial Assistance grant in advance and Employee Leave Entitlements, to offset the delay in the settlement of the sale of properties on Rutledge Street. Once the settlement occurs and funds are received, Council can elect to place part of these funds back into internal reserves.

Cash and Reserves reported are a point in time measure. As at 31 March 2024 there is a projected year end unrestricted cash balance of \$3.0m.

**Links to QPRC/Regional Strategic Plans**

This report is part of the Operational Plan 2023-24 reporting and in accordance with the NSW Local Government Regulations, and OLG Annual Reporting compliance requirements.


9.9 Quarterly Budget Review Statement for the Quarter Ending 31 March 2024 (Ref: ;  
Author: Monaghan/Sligar) (Continued)

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**Conclusion**

The March Quarterly Budget Review Statement provides a summary of Council's financial performance and reports on progress against the adopted budget and projected financial position to 30 June 2024 which will be satisfactory but high risk, in the short term with further ongoing action to be taken to secure Council's financial sustainability.

**Attachments**

Attachment 1  3rd Quarter Budget Review Statement as at 31 March 2024 (*Under Separate Cover*)