



GENERAL MANAGER'S REPORT

13th November 2007

**GM5 FINANCIAL STATEMENT FOR THE PERIOD TO 30TH
SEPTEMBER 2007
FILE: 321 JCC (NRN) {Folio No. *}**

SUMMARY:

Reporting that the Budget Review for the quarter ending 30th September 2007 has been prepared for all funds

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DESCRIPTION:

The Budget Review Summary is attached at [Appendix C Part1, Part2, Part3- Page K53](#).

The Budget review summary incorporates a note's section outlining major variations for the quarter.

A comparison of the estimated financial result of each fund for the September quarter is as follows:

Fund	Adopted Budget 2007/08	Following Revotes / Approved Variations	September Budget Review
General	50,295 (S)	178,695 (S)	168,822 (S)
Water	0	0	0
Sewer	0	0	0

General Fund

The Budget review shows a revised surplus as at the close of the quarter of \$168,822, a reduction of \$9,873 from the updated result for 2007 / 08.

Council has received preliminary advice that Workers Compensation Insurance premiums may increase. Any variation is subject to negotiation and has subsequently not been included in this review.

The significant variations in revenue funded items that contributed to the result in the quarter are set out below:

Deficit Variations

Decreased Income:	\$
Close of Laboratory	250,566
Pension Subsidy – General	21,625

Financial Assistance Grant	68,591
Rental – Community Buildings	22,439

Increased Expenditure

Kempsey Pool Investigation	15,000
Rates – Fire Control	5,970
Transfer to DWMS Reserve	30,675
Coordination of Services for Young People	26,994
Rates – Industrial Subdivision	6,395
Capital Works – Community Buildings	17,434

Surplus Variations

Increased Income

Pension Subsidy – DWMS	30,675
Other Waste Charges	32,050
Contribution to Legal Costs	37,369
Grant – Coordination of Services for Young People	26,994
Rent – Belgrave Street Property	11,126

Decreased Expenditure

Close of Laboratory	230,358
Shredding Garden Waste	16,000
Legal Costs – Dev. Control	10,000
Superannuation	40,000
Rates – Community Buildings	19,271

Working Funds

Working Funds comprise those uncommitted funds held by council from surpluses generated in previous years. By nature Working funds are readily convertible to cash in the short term. The Working funds provide council with a buffer against the impact of significant unbudgeted financial imposts. It is considered prudent to maintain the level of Working Funds at approximately \$650,000.

Council budgeted for a minor surplus in 2007 / 08, however as noted above that surplus is now estimated to be \$168,882.

Balance 1/7/2007	\$449,442
Plus: 2007 / 08 anticipated result	\$168,882
Estimated Balance 30/6/2008	\$618,324
i.e. In the order of \$32,000 less than the desired level	

Employee Leave Entitlement Reserve

Council in its 2006 / 07 annual budget provided for the commencement of a medium term strategy to rebuild its employee leave entitlement reserve. Council's liability as at 30th June 2007 was in the order of \$7.2m. A minimum reserve in the order of 20% (\$1.44m) of the liability would be prudent. Dependant on retirements etc. during 2007 / 08 it is estimated the balance in this reserve will only be \$515,000 as at 30.6.08.

Water Fund

The review reveals a zero result for 2007 / 08 as at 30th September 2007.

2 minor variations to expenditure have occurred however these have been funded by a corresponding reduction in the transfer to the tariff equalisation reserve.

The variations in revenue funded items that contributed to the result in the quarter are set out below:

Decreased Expenditure	\$
Transfer to Tariff Equalisation Reserve	10,206
Increased Expenditure	
Proportion of Laboratory Management Charges	9,499
Council Rates	707

The estimated Working Fund balance as at 30 June 2008 is \$249,793.

In addition to the above \$266,638 is estimated to be available in the Tariff Equalisation Reserve and \$943,149 in the Augmentation Reserve as at 30th June 2008.

Sewerage Fund

The review also shows a zero result for 2007 / 08 as at 30th September 2007 and this has been achieved by decreasing the transfer to the Augmentation Works Reserve.

The variations in revenue funded items in the quarter are set out below:

Decreased Income	\$
Laboratory Rental	5,600
Increased Expenditure	
EPA License Fees	5,496
Proportion of Laboratory Management charges	9,348
Council Rates	7,969
Decreased Expenditure	
Transfer to Augmentation Reserve	28,413

The estimated Working Fund balance as at 30th June 2008 is \$685,925.

Significant reserve funds in the order of \$1.825m as at 30th June 2008 are estimated to be held. The funds are proposed to be expended on future augmentation works thereby limiting required future borrowings.

Water Services Fleet

As at 30th September 2007 only minor capital transactions had taken place. Operating expenses were below budget on a pro-rata basis. Operating incomes are in line with pro-rata budget figures.

Both these items will be monitored as any capital program is dependent on the operating result.

REPORT IMPLICATIONS:

- *Environmental*

Nil

- *Social*

Nil

- *Economic (Financial)*

The financial implications of the following recommendation would be:

- a. a reduction in the General Fund budgeted surplus of \$9,873*
- b. a zero variation in the Water Fund budgeted result and*
- c. a zero variation in the Sewer Fund budgeted result*

- *Policy or Statutory*

Nil

- *Director's Review*

Nil

RECOMMENDATION:

That the Budget Review for the period ending 30th September 2007 be adopted and the variations contained therein be approved and financed from the sources as indicated.

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A V Burgess
GENERAL MANAGER