

Notice of Meeting

Finance Advisory Committee Meeting

A Finance Advisory Committee Meeting of Byron Shire Council will be held as follows:

Venue	Conference Room, Station Street, Mullumbimby
Date	Thursday, 15 February 2024
Time	2.00pm

Esmeralda Davis
Director Corporate and Community Services

I2024/197
Distributed 08/02/24

CONFLICT OF INTERESTS

What is a “Conflict of Interests” - A conflict of interests can be of two types:

Pecuniary - an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated.

Non-pecuniary – a private or personal interest that a Council official has that does not amount to a pecuniary interest as defined in the Code of Conduct for Councillors (eg. A friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature).

Remoteness – a person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to a matter or if the interest is of a kind specified in the Code of Conduct for Councillors.

Who has a Pecuniary Interest? - a person has a pecuniary interest in a matter if the pecuniary interest is the interest of the person, or another person with whom the person is associated (see below).

Relatives, Partners - a person is taken to have a pecuniary interest in a matter if:

- The person’s spouse or de facto partner or a relative of the person has a pecuniary interest in the matter, or
- The person, or a nominee, partners or employer of the person, is a member of a company or other body that has a pecuniary interest in the matter.

N.B. “Relative”, in relation to a person means any of the following:

- (a) the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descends or adopted child of the person or of the person’s spouse;
- (b) the spouse or de facto partners of the person or of a person referred to in paragraph (a)

No Interest in the Matter - however, a person is not taken to have a pecuniary interest in a matter:

- If the person is unaware of the relevant pecuniary interest of the spouse, de facto partner, relative or company or other body, or
- Just because the person is a member of, or is employed by, the Council.
- Just because the person is a member of, or a delegate of the Council to, a company or other body that has a pecuniary interest in the matter provided that the person has no beneficial interest in any shares of the company or body.

Disclosure and participation in meetings

- A Councillor or a member of a Council Committee who has a pecuniary interest in any matter with which the Council is concerned and who is present at a meeting of the Council or Committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.
- The Councillor or member must not be present at, or in sight of, the meeting of the Council or Committee:
 - (a) at any time during which the matter is being considered or discussed by the Council or Committee, or

- (b) at any time during which the Council or Committee is voting on any question in relation to the matter.

No Knowledge - a person does not breach this Clause if the person did not know and could not reasonably be expected to have known that the matter under consideration at the meeting was a matter in which he or she had a pecuniary interest.

Non-pecuniary Interests - Must be disclosed in meetings.

There are a broad range of options available for managing conflicts & the option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with. Non-pecuniary conflicts of interests must be dealt with in at least one of the following ways:

- It may be appropriate that no action be taken where the potential for conflict is minimal. However, Councillors should consider providing an explanation of why they consider a conflict does not exist.
- Limit involvement if practical (eg. Participate in discussion but not in decision making or vice-versa). Care needs to be taken when exercising this option.
- Remove the source of the conflict (eg. Relinquishing or divesting the personal interest that creates the conflict)
- Have no involvement by absenting yourself from and not taking part in any debate or voting on the issue as of the provisions in the Code of Conduct (particularly if you have a significant non-pecuniary interest)

Committee members are reminded that they should declare and manage all conflicts of interest in respect of any matter on this Agenda, in accordance with the [Code of Conduct](#).

RECORDING OF VOTING ON PLANNING MATTERS

Clause 375A of the Local Government Act 1993 – Recording of voting on planning matters

- (1) In this section, **planning decision** means a decision made in the exercise of a function of a council under the Environmental Planning and Assessment Act 1979:
 - (a) including a decision relating to a development application, an environmental planning instrument, a development control plan or a development contribution plan under that Act, but
 - (b) not including the making of an order under that Act.
- (2) The general manager is required to keep a register containing, for each planning decision made at a meeting of the council or a council committee, the names of the councillors who supported the decision and the names of any councillors who opposed (or are taken to have opposed) the decision.
- (3) For the purpose of maintaining the register, a division is required to be called whenever a motion for a planning decision is put at a meeting of the council or a council committee.
- (4) Each decision recorded in the register is to be described in the register or identified in a manner that enables the description to be obtained from another publicly available document and is to include the information required by the regulations.
- (5) This section extends to a meeting that is closed to the public.

OATH AND AFFIRMATION FOR COUNCILLORS

Councillors are reminded of the oath of office or affirmation of office made at or before their first meeting of the council in accordance with Clause 233A of the Local Government Act 1993. This includes undertaking the duties of the office of councillor in the best interests of the people of Byron Shire and the Byron Shire Council and faithfully and impartially carrying out the functions, powers, authorities and discretions vested under the Act or any other Act to the best of one's ability and judgment.

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BUSINESS OF MEETING

1. APOLOGIES

2. DECLARATIONS OF INTEREST – PECUNIARY AND NON-PECUNIARY

3. STAFF REPORTS

Corporate and Community Services

3.1	Budget Review - 1 October 2023 to 31 December 2023	6
3.2	2024/25 Budget Parameters	106

STAFF REPORTS - CORPORATE AND COMMUNITY SERVICES

Report No. 3.1 Budget Review - 1 October 2023 to 31 December 2023

5 **Directorate:** Corporate and Community Services
Report Author: James Brickley, Manager Finance
File No: I2024/60

Summary:

10 This report has been prepared to comply with Section 203 of the *Local Government (General) Regulation 2021* and to inform Council and the community of Council's estimated financial position for the 2023/2024 financial year, reviewed as at 31 December 2023.

15 This report contains an overview of the proposed budget variations for the General Fund, Water Fund and Sewerage Fund. The specific details of these proposed variations are included in Attachment 1 and 2 for Council's consideration and authorisation.

20 Attachment 3 contains the Integrated Planning and Reporting Framework (IP&R) Quarterly Budget Review Statement (QBRS) as outlined by the Office of Local Government in circular 10-32.

RECOMMENDATION:




- 25 1. **That Council authorises the itemised budget variations as shown in Attachment 2 (#E2024/4306) which include the following results in the 31 December 2023 Quarterly Review of the 2023/2024 Budget:**
- a) **General Fund – \$1,200 increase to the Estimated Unrestricted Cash Result**
 - b) **General Fund - \$2,772,500 increase in reserves**
 - c) **Water Fund - \$282,400 increase in reserves**
 - d) **Sewerage Fund - \$3,614,200 increase in reserves**
- 30 2. **That Council adopts the revised General Fund Estimated Unrestricted Cash Deficit of \$250,000 for the 2023/2024 financial year as at 31 December 2023.**

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Attachments:

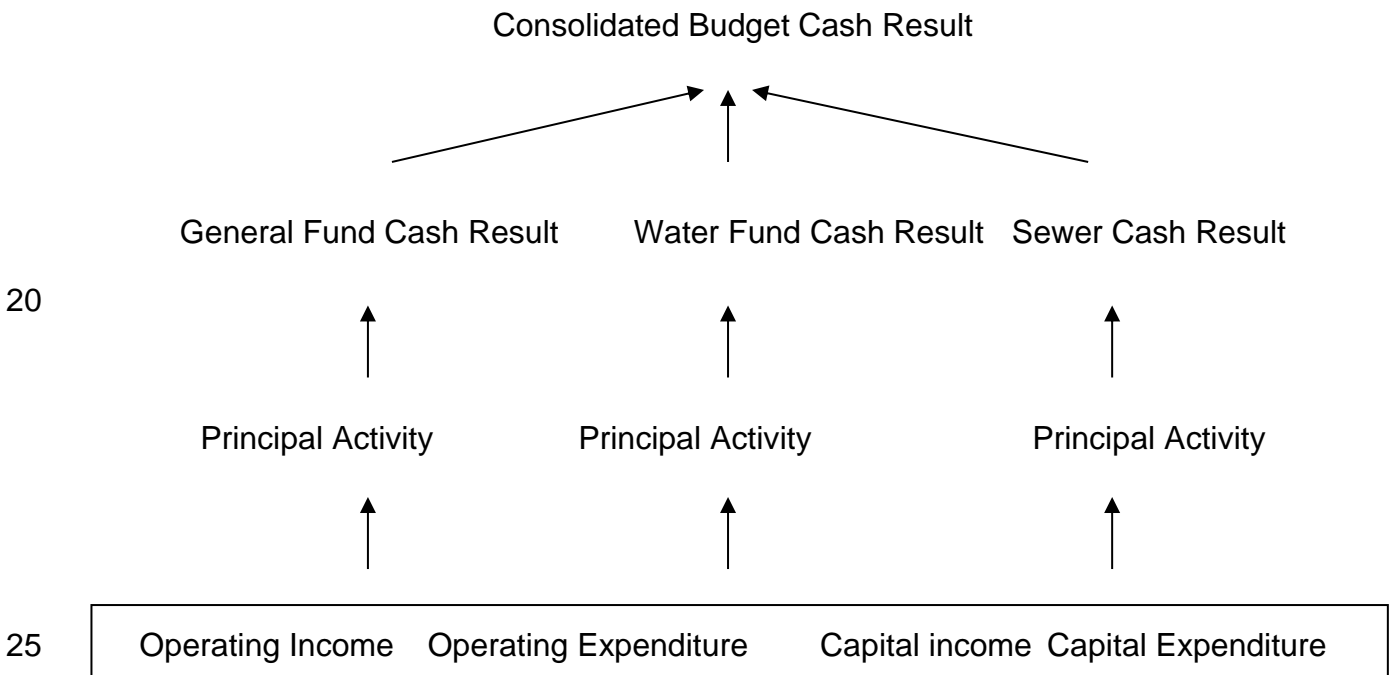
- 1 Budget Variations for General, Water and Sewerage Funds, E2024/4306 , page 20 [↓](#) 
 - 5 2 Itemised Listing of Budget Variations for General, Water and Sewerage Funds, E2024/4295 ,
page 84 [↓](#) 
 - 3 Integrated Planning and Reporting Framework (IP&R) required Quarterly Review
Statements, E2024/4296 , page 88 [↓](#) 
- 10

Report

5 Council adopted the 2023/2024 budget on 22 June 2023 via Resolution **23-280**. Council also considered and adopted the budget carryovers from the 2022/2023 financial year, to be incorporated into the 2023/2024 budget at its Ordinary Meeting held on 24 August 2023 via Resolution **23-414**. Since that date, Council has reviewed the budget taking into consideration the audited 2022/2023 Financial Statement results and progress through the first half of the 2023/2024 financial year. This report considers the December 2023 Quarter Budget Review.

10 The details of the budget review for the Consolidated, General, Water and Sewer Funds are included in Attachment 1, with an itemised listing in Attachment 2. This aims to show the consolidated budget position of Council, as well as a breakdown by Fund and Principal Activity. The document in Attachment 1 is also effectively a publication outlining a review of the budget and is intended to provide Councillors with more detailed information to assist with decision making regarding Council's finances.

15 Contained in the document at Attachment 1 is the following reporting hierarchy:



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5 The pages within Attachment 1 are presented (from left to right) by showing the original budget as adopted by Council on 30 June 2023 plus the adopted carryover budgets from 2022/2023 followed by the resolutions between July and September and the revote (or adjustment for this review) and then the revised position projected for 30 June 2024 as at 31 December 2023.

On the far right of the Principal Activity, there is a column titled "Note". If this is populated by a number, it indicates there has been an adjustment in the quarterly review. This number then corresponds to the notes at the end of the Attachment 1 which provides an explanation of the variation.

10 There is also information detailing restricted assets (reserves) to show Council's estimated balances as at 30 June 2024 for all Council's reserves.

A summary of Capital Works is also included by Fund and Principal Activity.

Office of Local Government Budget Review Guidelines:

15 The Office of Local Government on 10 December 2010 issued the new Quarterly Budget Review Guidelines via Circular 10-32, with the reporting requirements to apply from 1 July 2011. This report includes a Quarterly Budget Review Statement (refer Attachment 3) prepared by Council in accordance with the guidelines.

20 The Quarterly Budget Review Guidelines set a minimum standard of disclosure, with these standards being included in the Local Government Code of Accounting Practice and Financial Reporting as mandatory requirements for Councils to address.

Since the introduction of the new planning and reporting framework for NSW Local Government, it is now a requirement for Councils to provide the following components when submitting a Quarterly Budget Review Statement (QBRs):

- 25 • A signed statement by the Responsible Accounting Officer on Council's financial position at the end of the year based on the information in the QBRs
- Budget review income and expenses statement in one of the following formats:
 - Consolidated
 - By fund (e.g. General, Water, Sewer)
 - By function, activity, program etc. to align with the management plan/operational plan
- 30 • Budget Review Capital Budget
- Budget Review Cash and Investments Position
- Budget Review Key performance indicators
- Budget Review Contracts and Other Expenses

The above components are included in Attachment 3 and outlined below:

35 Income and Expenditure Budget Review Statement by Type

This shows Council's income and Expenditure by type. This has been split by Fund. Adjustments are shown, looking from left to right. These adjustments are commented on through the last 13 pages of Attachment 1.

Capital Budget Review Statement

5 This statement identifies in summary Council’s capital works program on a consolidated basis and then split by Fund. It also identifies how the capital works program is funded. As this is the first quarterly review for the reporting period, the Statement may not necessarily indicate the total progress achieved on the delivery of the capital works program.

Cash and Investments Budget Review Statement

10 This statement reconciles Council’s restricted funds (reserves) against available cash and investments. Council has attempted to indicate an actual position as at 31 December 2023 of each reserve to show a total cash position of reserves with any difference between that position and total cash and investments held as available cash and investments. It should be recognised that the figure is at a point in time and may vary greatly in future quarterly reviews depending on cash flow movements.

Key Performance Indicators (KPIs)

At this stage, the KPIs within this report are:

- 15 ○ **Debt Service Ratio** - This assesses the impact of loan principal and interest repayments on the discretionary revenue of Council.
- **Rates and Annual Charges Outstanding Ratio** – This assesses the impact of uncollected rates and annual charges on Councils liquidity and the adequacy of recovery efforts.
- 20 ○ **Asset Renewals Ratio** – This assesses the rate at which assets are being renewed relative to the rate at which they are depreciating.

These may be expanded in future to accommodate any additional KPIs that Council may adopt to use in the future.

25 **Contracts and Other Expenses** - This report highlights any contracts Council entered into during the July to September quarter that are greater than \$50,000.

CONSOLIDATED RESULT

The following table provides a summary of the overall Council budget on a consolidated basis inclusive of all Funds’ budget movements for the 2023/2024 financial year projected to 30 June 2024 but revised as at 31 December 2023.

2023/2024 Budget Review Statement as at 31 December 2023	Original Estimate (Including Carryovers) 1/7/2023	Adjustments to 31 Dec 2023 including Resolutions*	Proposed 31 Dec 2023 Review Revotes	Revised Estimate 30/6/2024 at 31/12/2023
Operating Revenue	117,955,300	(9,220,600)	1,367,800	110,102,500
Operating Expenditure	127,753,000	(6,002,600)	(168,200)	121,582,200

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2023/2024 Budget Review Statement as at 31 December 2023	Original Estimate (Including Carryovers) 1/7/2023	Adjustments to 31 Dec 2023 including Resolutions*	Proposed 31 Dec 2023 Review Revotes	Revised Estimate 30/6/2024 at 31/12/2023
Operating Result – Surplus/Deficit	(9,797,700)	(3,218,000)	1,536,000	(11,479,700)
Add: Capital Revenue	155,394,600	(102,747,000)	(2,725,500)	49,922,100
Change in Net Assets	145,596,900	(105,965,000)	(1,189,500)	38,442,400
Add: Non Cash Expenses	20,523,000	0	0	20,523,000
Add: Non-Operating Funds Employed	10,487,100	1,200,000	0	11,687,100
Subtract: Funds Deployed for Non-Operating Purposes	(204,353,500)	100,747,700	7,859,800	(95,746,000)
Cash Surplus/(Deficit)	(27,746,500)	(4,017,300)	6,670,300	(25,093,500)
Restricted Funds – Increase / (Decrease)	(27,311,500)	(4,201,100)	6,669,100	(24,843,500)
Forecast Result for the Year – Surplus/(Deficit) – Unrestricted Cash Result	(435,000)	183,800	1,200	(250,000)

GENERAL FUND

In terms of the General Fund projected Unrestricted Cash Result the following table provides a reconciliation of the estimated position as at 31 December 2023:

Opening Balance – 1 July 2022	\$0
Plus original budget movement and carryovers	(435,000)
Council Resolutions July – September Quarter	185,000
Council Resolutions October – December Quarter	(1,200)
Recommendations within this Review – increase/(decrease)	1,200
Estimated Unrestricted Cash Result Closing Balance – 30 June 2024	(\$250,000)

- 5 The General Fund financial position overall has increased by \$1,200 as a result of this budget review, leaving the forecast cash result for the year at an estimated deficit of \$250,000. The proposed budget changes are detailed in Attachment 1 and summarised further in this report below.

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Council Resolutions

Resolution **23-498** states “that Council pays the hire fees for the Ocean Shores Community Centre by Ocean Shores Art Expo on 3 to 6 November 2023”. The total of these fees was \$1,200.

5 Budget Adjustments

The budget adjustments identified in Attachments 1 and 2 for the General Fund have been summarised by Budget Directorate in the following table:

Budget Directorate	Revenue Increase/ (Decrease) \$	Expenditure Increase/ (Decrease) \$	Unrestricted Cash Increase/ (Decrease) \$
General Manager	110,200	110,200	0
Corporate & Community Services	622,600	622,100	500
Infrastructure Services	2,296,800	2,275,500	21,300
Sustainable Environment & Economy	197,300	217,900	(20,600)
Total Budget Movements	3,226,900	3,225,700	1,200

Budget Adjustment Comments

10 Within each of the Budget Directorates of the General Fund, are a series of budget adjustments identified in detail at Attachment 1 and 2. More detailed notes on these are provided in Attachment 1 but in summary the major additional items included are summarised below by Directorate and are included in the overall budget adjustments table above.

General Manager

- 15
- In the People & Culture program, it is proposed to increase operating income by \$103,200 due to a performance rebate received from Statecover. This can be transferred to the People & Culture reserve for use on future People & Culture initiatives.

Corporate and Community Services

- 20
- In the Corporate Services program, it is proposed to increase operating income by \$525,200 due to income received from Public Works Advisory (PWA) for building and facility damage resulting from the February 2022 flood event. This can be moved to the Flood Recovery reserve which is where the payments for the repairs were originally made from in the previous financial year.

25

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- In the Community Development program, it is proposed to increase the budget for Homelessness projects by \$20,000 until contractual documentation for external funding is executed. It is proposed to reimburse the Community Development reserve by June 2024 once this has been finalised.
5
- In the Childrens Service program, it is proposed to increase operating expenditure due to the cleaning contract being higher than the allocated budget (\$14,000) and an increase required for the equipment and building maintenance budget (\$32,300). The proposed increase to the maintenance budget is due to new fences being constructed as a result of security breaches from the skatepark, with this being funded from developer contributions.
10
- In the Public Libraries program, it is proposed to increase operating income due to actual income received for the per capita grant (\$7,500) and the Local Priority Grant (\$23,600) being more than the budget. It is proposed to increase operating expenditure due to increased costs relating to the Local Priority Grant expenditure to match the income received.
15

Infrastructure Services

- In the Depot Services Program, it is proposed to increase operating income due to the SEE directorate reimbursing the plant fund for the purchase of a Community Enforcement vehicle. This can be transferred to the Plant reserve which initially purchased the vehicle.
20
- In the Local Roads and Drainage program, there are a number of adjustments outlined under Note 10 on pages 51 to 53 in the Budget Variations explanations section of Attachment 1. Further disclosure is included in the first and second pages of Attachment 2 under the budget program heading Local Roads and Drainage.
25
- In the Infrastructure Recovery program, it is proposed to transfer \$182,300 from the Infrastructure Services carryover reserve and transfer it to the Flood Recovery reserve. This amount is Councils' contribution to the February 2022 Natural Disaster. Council is an "Opt-in" Council which means the contribution required is the lesser of 0.75% of Councils total rate revenue from 2 years prior (\$24,310,000) or \$1 million. This was restricted in the Infrastructure Services carryover reserve in the 2022 Financial year. It is proposed to increase capital income and expenditure by \$2,139,700 due to funding agreements being approved for the Sherrys Bridge EPAR (\$145,400 - EPAR 10) and the Mulumbimby Road EPAR (\$1,994,300 - EPAR 11).
30
35
- In the Open Space and Recreation program, there are a number of adjustments outlined under Note 12 on page 51 in the Budget Variations explanations section of Attachment 1. Further disclosure is included on the second page of Attachment 2 under the budget program heading Open Space & Recreation.
40
- In the Quarries program, it is proposed to add a budget of \$300,000 to enable the initial stages of the Quarry remediation, with funding from the Quarry reserve.
45

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- 5 In the Waste Management program, it is proposed to decrease operating income due to the budget tracking lower than anticipated with less tonnage coming through the gate. It is proposed to decrease operating expenditure by \$918,500 due to a decrease in disposal costs as a result of less waste (\$1,231,500) offset by increases to green waste processing and plant costs (\$150,000) and an adjustment required for the Butler Street contamination assessment. Council engaged a consultant to prepare and issue a Request For Detailed Quote (RFQ) for the Additional PFAS Assessment and Ecological Risk Assessment, Butler Street Reserve and surrounding (\$150,000). The objective of the work is to determine the extent of PFAS contamination and to collect additional data to meet the requirements of the ecological risk assessment to address the data gaps identified the NSW EPA. \$13,000 is also required to fund urgent property repairs at 1 Dingo Lane.
- 15 In the Cavanbah Centre program, it is proposed to increase capital expenditure due to a grant received for the Cavanbah Centre car park repairs (\$437,300) and shelving required in Cavanbah Centre sheds (\$10,300).
- 20 In the Facilities Management program, it is proposed to increase operating income due to an insurance payment received from Statewide Mutual for damage caused to 10 Lawson Street, Byron Bay by a vehicle. It is proposed to increase operating expenditure due to the vehicle damage at 10 Lawson Street (\$46,600), and the following community building maintenance projects: - Asbestos Removal (\$60,000), Marvell Hall New Access Ramp (\$50,000), Durrumbul Hall Floor Repairs (\$40,000), Lillypilli Preschool Roof & Guttering (\$160,000) and the Byron Scout Hall (\$40,000)

25 **Sustainable Environment and Economy**

- 30 In the Development & Certification program, it is proposed to increase operating income due to budgets required for the Swimming Pool Act fees (\$20,800, moved from the Environment and Compliance program), Fire Safety Fees (\$15,000), Occupation Certificates (\$20,000) and Design Excellence Panel meeting fees (\$15,000) and a decrease against Complying Development Certificate income (\$2,200). It is proposed to increase operating expenditure due to budgets required for Design Excellence Panel member fees (\$10,000), NRPP Panel member costs (\$10,000) and Priority Planning projects (\$100,000, funded from the Development & Certification reserve). It is proposed to increase the budgets for the Australian Coastal Council Membership (\$3,000) and Councils' Heritage Advisor (\$6,500).
- 40 In the Planning Policy & Natural Environment program, it is proposed to increase operating income by \$47,400 due to grants received for WIRES – No Bats No Me project (\$2,700), Stage 2 Southern Coastal Management Program (\$13,100) and the Cavanbah & Belongil Beach Dune Recovery program (\$31,600). Operating expenditure increased due to the above grants in addition to an increase for the Azility subscription (\$2,400) and a Council contribution for the Cavanbah & Belongil Beach Dune Recovery project (\$31,600). It is proposed to decrease operating expenditure by \$75,900 due to the CMP for Byron Bay Embayment grant being expended in the last financial year. This should be reimbursing the Land & Natural Environment reserve which is where the original expenditure was funded from.
- 45

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- 5 • In the Environment & Compliance program, it is proposed to decrease operating income due to the budget for Swimming pool inspections being transferred to the Development & Certification program, above (\$20,800) and an increase to the budget for Food Administration Fees where actual income is slightly higher than the budget (\$2,100). It proposed to increase operating expenditure by \$7,000 due to the addition of a new pool vehicle within the Compliance team and the running costs associated with this. In addition to this increase, it is proposed to decrease the Compliance Priorities Program- Option 1 budget by \$198,100.

WATER FUND

- 10 After completion of the 2022/2023 Financial Statements the Water Fund as at 30 June 2023 has a capital works reserve of \$5,702,300 and held \$1,720,900 in section 64 developer contributions.

The estimated Water Fund reserve balances as at 30 June 2024, and forecast in this Quarter Budget Review, are derived as follows:

15 Capital Works Reserve

Opening Reserve Balance at 1 July 2023	\$5,702,300
Plus original budget reserve movement	(3,254,300)
Resolutions July - September Quarter – increase / (decrease)	(690,700)
September Quarterly Review Adjustments – increase / (decrease)	(1,208,600)
Resolutions October - December Quarter – increase / (decrease)	0
December Quarterly Review Adjustments – increase / (decrease)	251,000
Forecast Reserve Movement for 2023/2024 – Increase / (Decrease)	(4,902,600)
Estimated Reserve Balance at 30 June 2024	\$799,700

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Section 64 Developer Contributions

Opening Reserve Balance at 1 July 2023	\$1,720,900
Plus original budget reserve movement	(2,199,600)
Resolutions July - September Quarter – increase / (decrease)	(917,900)
September Quarterly Review Adjustments – increase / (decrease)	2,291,800
Resolutions October - December Quarter – increase / (decrease)	0
December Quarterly Review Adjustments – increase / (decrease)	31,400
Forecast Reserve Movement for 2023/2024 – Increase / (Decrease)	(794,300)
Estimated Reserve Balance at 30 June 2024	\$926,600

Movements for Water Fund can be seen in Attachment 1 with a proposed estimated decrease to reserves (including S64 Contributions) overall of \$282,400 from the 31 December 2023 Quarter Budget Review.

5 SEWERAGE FUND

After completion of the 2022/2023 Financial Statements the Sewer Fund as at 30 June 2023 has a capital works reserve of \$3,935,300 and plant reserve of \$896,200. It also held \$5,448,900 in section 64 developer contributions and a \$272,500 unexpended grant.

Capital Works Reserve

Opening Reserve Balance at 1 July 2023	\$3,935,500
Plus original budget reserve movement	(504,300)
Resolutions July - September Quarter – increase / (decrease)	(1,613,600)
September Quarterly Review Adjustments – increase / (decrease)	(666,600)
Resolutions October - December Quarter – increase / (decrease)	0
December Quarterly Review Adjustments – increase / (decrease)	2,479,100
Forecast Reserve Movement for 2023/2024 – Increase / (Decrease)	(305,400)
Estimated Reserve Balance at 30 June 2024	\$3,630,100

10 Plant Reserve

Opening Reserve Balance at 1 July 2023	\$896,200
Plus original budget reserve movement	0
Resolutions July - September Quarter – increase / (decrease)	0
September Quarterly Review Adjustments – increase / (decrease)	0
Resolutions October - December Quarter – increase / (decrease)	0

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December Quarterly Review Adjustments – increase / (decrease)	0
Forecast Reserve Movement for 2023/2024 – Increase / (Decrease)	0
Estimated Reserve Balance at 30 June 2024	\$896,200

It is proposed to create a reserve for Property Development -Temporary Housing funded from income received for temporary housing on Sewer Fund land.

Property Development Reserve – Temporary Housing

Opening Reserve Balance at 1 July 2023	\$0
Plus original budget reserve movement	136,200
Resolutions July - September Quarter – increase / (decrease)	0
September Quarterly Review Adjustments – increase / (decrease)	0
Resolutions October - December Quarter – increase / (decrease)	0
December Quarterly Review Adjustments – increase / (decrease)	0
Forecast Reserve Movement for 2023/2024 – Increase / (Decrease)	136,200
Estimated Reserve Balance at 30 June 2024	\$136,200

Section 64 Developer Contributions

Opening Reserve Balance at 1 July 2023	\$5,448,900
Plus original budget reserve movement	(610,000)
Resolutions July - September Quarter – increase / (decrease)	(865,700)
September Quarterly Review Adjustments – increase / (decrease)	193,300
Resolutions October - December Quarter – increase / (decrease)	0
December Quarterly Review Adjustments – increase / (decrease)	1,135,100
Forecast Reserve Movement for 2023/2024 – Increase / (Decrease)	(147,300)
Estimated Reserve Balance at 30 June 2024	\$5,301,600

- 5 Movements for the Sewerage Fund can be seen in Attachment 1 with a proposed estimated overall increase to reserves (including S64 Contributions) of \$3,614,200 from the 31 December 2023 Quarter Budget Review.

Legal Expenses

- 10 One of the major financial concerns for Council over previous years has been legal expenses. Not only does this item represent a large expenditure item funded by general revenue, but can also be susceptible to large fluctuations.

The table that follows indicates the allocated budget and actual legal expenditure within Council on a fund basis as at 31 December 2023.

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Total Legal Income & Expenditure as at 31 December 2023

Program	2023/2024 Budget (\$)	Actual (\$)	Percentage To Revised Budget
Income			
Legal Expenses Recovered	0	32,000	0%
Total Income	0	32,000	0%
Expenditure			
General Legal Expenses	210,000	76,935	36.63%
Total Expenditure General Fund	210,000	76,935	36.63%

Note: This should continue to be monitored to ensure there is enough funding for future expenses.

Strategic Considerations

5 Community Strategic Plan and Operational Plan

CSP Objective	CSP Strategy	DP Action	Code	OP Activity
1: Effective Leadership	1.3: Ethical and efficient management of resources	1.3.1: Financial Management - Ensure the financial integrity and sustainability of Council through effective financial management	1.3.1.2	Provide Quarterly Budget Reviews to Council for adoption.

Legal/Statutory/Policy Considerations

In accordance with Section 203 of the Local Government (General) Regulation 2021 the Responsible Accounting Officer of a Council must:

- 10 (1) *Not later than 2 months after the end of each quarter (except the June quarter), the responsible accounting officer of a council must prepare and submit to the council a budget review statement that shows, by reference to the estimate of income and expenditure set out in the statement of the council's revenue policy included in the*

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operational plan for the relevant year, a revised estimate of the income and expenditure for that year.

(2) *A budget review statement must include or be accompanied by:*

5 (a) *a report as to whether or not the responsible accounting officer 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*

(b) *if that position is unsatisfactory, recommendations for remedial action.*

(3) *A budget review statement must also include any information required by the Code to be included in such a statement.*

10 **Financial Considerations**

15 The 31 December 2023 Quarter Budget Review of the 2023/2024 Budget has increased the overall estimated budget result by \$1,200. This leaves the movement against the unrestricted cash balance attributable to the General Fund to an estimated deficit of \$250,000 for the year, leaving the unrestricted cash balance attributable to the General Fund at an estimated \$250,000 deficit at 30 June 2024.

It is the view of the Responsible Accounting Officer that the short term financial position of the Council is still satisfactory for the 2023/2024 financial year, having consideration of the original estimate of income and expenditure at the 31 December 2023 Quarter Budget Review.

20 This opinion is based on the estimated General Fund Unrestricted Cash Result position and that the current indicative budget position for 2023/2024 outlined in this Budget Review is further improved through the remaining quarterly budget reviews for the 2023/2024 financial year. Council must remember it has a short term financial goal of maintaining \$1,000,000 in unrestricted cash.

25 Council must also be mindful of its cash flow position as the financial year progresses given the ongoing expenditure on restoration of infrastructure from the February/May 2022 flood events whilst experiencing significant delays in claims approvals, processing and payments from the NSW State Government. This position will need continual close monitoring as Council is delivering business as usual plus the flood recovery.

30 It is essential that the Quarterly Budget Review for the March 2024 Quarter is carefully considered in terms of delivery capacity and Council's financial position with a view to address the current \$250,000 deficit as a minimum.

December 2023 Quarterly Budget Review



**BYRON SHIRE COUNCIL
2023/2024 Budget Review as at 31 December 2023**

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2023/2024 Budget Review as at 31 December 2023					
Consolidated Budget Cash Result					
Description	Original Est 1-Jul-23	Adjustments Prior to Revote	Revote	Revised Est 30-Jun-24	Actual 30-Jun-24
Operating Revenue	117,852,800	(9,118,100)	1,367,800	110,102,500	89,933,488
Total Division Operating Revenue	117,852,800	(9,118,100)	1,367,800	110,102,500	89,933,488
Operating Expenditure	122,347,900	(597,500)	(168,200)	121,582,200	64,337,778
Total Division Operating Expenditure	122,347,900	(597,500)	(168,200)	121,582,200	64,337,778
Operating Result before Capital Amounts	(4,495,100)	(8,520,600)	1,536,000	(11,479,700)	25,595,710
Add Capital Grants and Contributions					
Capital Grants and Contributions	149,380,800	(98,702,300)	(2,725,500)	47,953,000	8,577,906
Developer Contributions	1,969,100	0	0	1,969,100	3,080,574
Change in Net Assets	146,854,800	(107,222,900)	(1,189,500)	38,442,400	37,254,190
AVAILABLE FUNDS RECONCILIATION					
Add: Non-Cash Expenses					
Depreciation	20,523,000	0	0	20,523,000	10,217,675
Add: Non-operating Funds Employed					
Loan Funds Used	10,487,100	1,200,000	0	11,687,100	4,035,713
Proceeds from Disposal of Assets	0	0	0	0	10,712
Subtract Funds Deployed for Non-Operating Purposes					
Capital Works	(189,687,000)	90,165,800	7,859,800	(91,661,400)	(48,504,199)
Repayment of Principal on Loans	(4,084,600)	0	0	(4,084,600)	(1,036,243)
Cash Surplus / (Deficit)	(15,906,700)	(15,857,100)	6,670,300	(25,093,500)	1,977,848
Equity Movements					
Restricted Funds - Increase / (Decrease)	(15,471,700)	(16,040,900)	6,669,100	(24,843,500)	1,210,813
Transfer to Unexpended Grants					
Transfer to Unexpended Loans					
Forecast result for the year - surplus / (deficit) - Unrestricted Cash Result	(435,000)	183,800	1,200	(250,000)	767,035

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2023/2024 Budget Review as at 31 December 2023					
General Fund Budget Cash Result					
Description	Original Est 1-Jul-23	Adjustments Prior to Revote	Revote	Revised Est 30-Jun-24	Actual 30-Jun-24
Operating Revenue					
General Manager	27,500	0	110,200	137,700	135,214
Corporate & Community Services	37,750,400	(3,716,800)	556,300	34,589,900	33,727,810
Infrastructure Services	41,373,800	(5,497,200)	604,000	36,480,600	26,192,482
Sustainable Environment and Economy	5,278,900	95,900	97,300	5,472,100	3,101,390
Total Division Operating Revenue	84,430,600	(9,118,100)	1,367,800	76,680,300	63,156,897
Operating Expenditure					
General Manager	297,500	49,700	0	347,200	378,927
Corporate & Community Services	6,574,300	2,500,200	96,900	9,171,400	5,993,503
Infrastructure Services	54,434,900	(4,462,600)	(313,500)	49,658,800	24,703,038
Sustainable Environment and Economy	13,819,600	1,208,800	48,400	15,076,800	7,161,725
Depreciation	15,696,200	0	0	15,696,200	7,848,100
Total Division Operating Expenditure	90,822,500	(703,900)	(168,200)	89,950,400	46,085,294
Operating Result before Capital Amounts	(6,391,900)	(8,414,200)	1,536,000	(13,270,100)	17,071,603
Add Capital Grants and Contributions					
Capital Grants and Contributions	145,370,800	(100,102,300)	2,041,400	47,309,900	8,354,772
Developer Contributions (Section 94)	969,100	0	0	969,100	917,412
Change in Net Assets	139,948,000	(108,516,500)	3,577,400	35,008,900	26,343,788
AVAILABLE FUNDS RECONCILIATION					
Add: Non-Cash Expenses					
Depreciation	15,696,200	0	0	15,696,200	7,848,100
Add: Non-operating Funds Employed					
Loan Funds Used	10,487,100	1,200,000	0	11,687,100	4,035,713
Proceeds from Disposal of Assets	0	0	0	0	10,712
Subtract Funds Deployed for Non-Operating Purposes					
Capital Works	(174,301,000)	94,937,400	(803,700)	(80,167,300)	(44,137,471)
Repayment of Principal on Loans	(1,305,000)	0	0	(1,305,000)	(663,144)
Cash Surplus / (Deficit)	(9,474,700)	(12,379,100)	2,773,700	(19,080,100)	(6,562,302)
Equity Movements					
Restricted Funds - Increase / (Decrease)	(9,039,700)	(12,562,900)	2,772,500	(18,830,100)	4,232,617
Forecast result for the year - surplus / (deficit) - Unrestricted Cash Result	(435,000)	183,800	1,200	(250,000)	(10,794,919)

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2023/2024 Budget Review as at 31 December 2023					
Water Fund Budget Cash Result					
Description	Original Est 1-Jul-23	Adjustments Prior to Revote	Revote	Revised Est 30-Jun-24	Actual 30-Jun-24
Operating Revenue					
Water Supply Management	12,277,700	0	0	12,277,700	7,069,980
Total Division Operating Revenue	12,277,700	0	0	12,277,700	7,069,980
Operating Expenditure					
Water Supply Management	12,019,700	0	0	12,019,700	8,573,868
Depreciation	1,550,500	0	0	1,550,500	1,550,500
Total Division Operating Expenditure	13,570,200	0	0	13,570,200	10,124,368
Operating Result before Capital Amounts	(1,292,500)	0	0	(1,292,500)	(3,054,388)
Add Capital Grants and Contributions					
Capital Grants and Contributions	4,010,000	1,400,000	(5,000,000)	410,000	0
Developer Contributions (Section 64)	250,000	0	0	250,000	539,387
Change in Net Assets	2,967,500	1,400,000	(5,000,000)	(632,500)	(2,515,001)
AVAILABLE FUNDS RECONCILIATION					
Add: Non-Cash Expenses					
Depreciation	1,550,500	0	0	1,550,500	1,550,500
Add: Non-operating Funds Employed					
Loan Funds Used	0	0	0	0	0
Subtract Funds Deployed for Non-Operating Purposes					
Capital Works	(9,971,900)	(1,925,400)	5,282,400	(6,614,900)	(2,138,444)
Repayment of Principal on Loans	0	0	0	0	0
Cash Surplus / (Deficit)	(5,453,900)	(525,400)	282,400	(5,696,900)	(3,102,945)
Equity Movements					
Restricted Funds - Increase / (Decrease)	(5,453,900)	(525,400)	282,400	(5,696,900)	(2,686,109)
Forecast result for the year - surplus / (deficit) - Unrestricted Cash Result	0	0	0	0	

Report No. 3.2 2024/25 Budget Paramaters

Directorate: Corporate and Community Services

Report Author: James Brickley, Manager Finance

File No: I2024/136

5 **Summary:**

This report is provided to the Finance Advisory Committee to consider the proposed parameters and structural issues impacting the preparation of the 2024/2025 budget. Aside from the proposed budget parameters, the structural issues to the budget have existed for some time and consideration should be given to address them.

10

RECOMMENDATION:

15 **That the Finance Advisory Committee considers the proposed parameters to be applied to the 2024/25 budget and discuss the current budget structural issues.**

Report

Council has commenced the process of compiling the draft 2024/25 budget. A series of parameters governs the entire budget development for the organisation. The intent of this report is for the Finance Advisory Committee to consider these parameters as to their relevance, validity or whether alternate parameters should be included.

In addition to consideration of the budget parameters, this report will also outline to the Finance Advisory Committee some structural issues that are impacting the budget and have done so for a number of years. This report will identify these issues and invite the Finance Advisory Committee to discuss and/or address these.

10 Budget Parameters

The overall Council budget is governed by a series of parameters that take into consideration the current economic factors and or conditions imposed upon Council. These parameters drive some of the budget outcomes.

15 Preparation of the 2024/25 Budget along with the other required Integrated Planning and Reporting documents commenced in late November 2023. At this point in time, the first draft of the required documents is being compiled and considered.

Included specifically in the 2024/25 Budget are the following parameters for the information of the Finance Advisory Committee:

- 20 • The budget as at 31 December 2023 Quarterly Budget Review is forming the basis of the initial 2024/25 budget. This will be updated further with outcomes from the 31 March 2023 Quarterly Budget Review once adopted by Council and prior to adoption in June 2023.
- 25 • Rate Peg Allowance – The independent Pricing and Regulatory Tribunal (IPART) have determined the rate peg for Byron Shire Council at 4.8% for 2024/25. This is based on the Cost index 3.9%, Emergency Services Levy Factor 0.2%, Superannuation 0.4% and Population Growth Factor 0.3%. The increase from the rate peg is estimated at \$1.414million.
- 30 • Allowance of 3.8% increase in expenses where applicable which is representative of the Consumer Price Index CPI. This is based off the rate peg on 4.8% less a 1% efficiency reduction which has been budget practice since 2015. Coincidentally this is somewhat lining up with the current Consumer Price Index of 4.1%.
- Wage increase of 3.5% in accordance with the Local Government State Award 2023. Award increase equates to around \$1.2million.
- 35 • Superannuation guarantee increasing from 11.0% to 11.5% for 2024/25 maxing out at 12.0% in 2025/26.
- Insurance premiums – allowing a 10% increase upon indicative advice from the mutual.

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- Electricity – expect a significant increase in 2024/25 possibly up to 30% under new contract but then certainty for the next 11.5 years. Increase is representative of the now impressive pricing under the old contract Council secured but is no longer available in the market.
- 5
- Interest rates for new borrowings. Latest outlook is for stability with potential decreases starting later in 2024. Current indicative loan rates for Council are 4.93% for 10 years and 5.44% for 20 years as at 5 February 2024.

Structural Budget Issues

10 Council's budget cover a wide variety of activities. In recent years it has been difficult to balance the budget and Council has and continues to have structural issues. The issues are as follows:

- Additional dividends from Council's Holiday Parks and Water/Sewerage Funds:

15 In addition to the current overheads charged (\$498,000 holiday parks, \$1.468million, Water, \$1.909million Sewerage totalling \$3.875million) Council also receives dividends from these areas totalling \$6million - being \$1.006million from the holiday parks and \$0.559million each from Water and Sewerage. This then becomes a contribution to and a funding source for the General Fund to fund all of its activities. These amounts have increased over time but are now causing funding issues within the holiday parks, water and sewerage to fund their activities and future capital works. If these charges are reduced, there will be more expenditure for the General Fund to absorb which will reduce available funding for other items.

20

- Funding of the Works Depot:

25 The current budget contains \$780k in direct expenses for the Works Depot and \$615k in overheads. These costs currently and historically have been funded from the Plant Fund and not General Fund. In this instance there is a direct subsidy to the General Fund from the Plant Fund. The impact of these costs is a reduction in the amount available from Plant hire revenues to firstly maintain the fleet and provide funding for fleet replacement. The consequence of this over time has meant fleet assets have been kept longer than they would ordinarily have been which has diminished their residual value and potentially increased maintenance costs.

30

35 The structural issues to the budget have provided a mechanism for additional funding to the General Fund but at the detriment to the Holiday Parks, Water, Sewerage and Plant Operations. The impact of continuing this practice needs to be considered, as well as the impact of ceasing the practice and needed to manage the reduced funding available in the General Fund.

This is something the Finance Advisory Committee may wish to consider as further input into the 2024/25 budget.

Strategic Considerations

Community Strategic Plan and Operational Plan

CSP Objective	CSP Strategy	DP Action	Code	OP Activity
1: Effective Leadership	1.3: Ethical and efficient management of resources	1.3.1: Financial Management - Ensure the financial integrity and sustainability of Council through effective financial management	1.3.1.4	Financial reporting as required provided to Council and management
1: Effective Leadership	1.1: Enhance trust and accountability through open and transparent leadership	1.1.1: Leadership - Enhance leadership effectiveness, capacity, and ethical behaviour	1.1.1.3	Develop 2024/25 Operational Plan

Legal/Statutory/Policy Considerations

- 5 Section 406 of the Local Government Act 1993 and Section 196A of the Local Government (General) Regulation 2021 require Council to comply with the Integrated Planning and Reporting Guidelines. The guidelines require as part of the Annual Operational Plan that Council must prepare a Statement of Revenue Policy and this is to include a detailed estimate of Council’s income and expenditure – essentially the budget.

Financial Considerations

- 10 Council has a goal of achieving \$1million in unrestricted cash, but to date this is currently residing at zero. Council will be looking at the 2022/23 31 March Quarterly Budget Review as an opportunity to initially recover the current \$250,000 budget deficit for 2023/24, and restore some of the unrestricted cash balance.

Consultation and Engagement

- 15 There will be an opportunity for the community to consider all of the Integrated Planning and Reporting documents for 2024/25 when they are placed on public exhibition for 28 days during April/May 2024 where Council will be inviting submissions from the public.