

17) LATE ITEM REPORT – ANNUAL FINANCIAL STATEMENTS AND AUDITOR'S REPORT YEAR ENDING 30 JUNE 2020 (FM.FR.1)

Author: Director Finance & Corporate Services

IP&R Link: Strategic Priority 2 - An Efficient Sustainable and Customer Focussed Organisation - Key Result Area 2.3 Improving Performance and Managing Risk 2.3.1 Monitoring of organisational and operational performance is regular, accessible and understandable.

RECOMMENDATION:

That the 2019/20 Financial Statements and Auditors Reports be received.

REPORT

Council's Financial Statements for the year ending 30 June, 2020 have been completed and in accordance with Section 418 (1) of the Local Government Act 1993 (the Act) are now presented to the public.

In accordance with Section 420 of the Act, any person may make a submission in writing with respect to Council's Annual Financial Statements or the Auditors Reports. The closing date for submissions is Wednesday 16 December, 2020.

A copy of Council's Audited Financial Statements may be viewed on Council's website at www.ctw.nsw.gov.au or alternately are available at Council's Administration Office located at 30 Church Street, Blayney.

Ms Katy Henry, on behalf of the Audit Office of NSW will be presenting an outline of the conduct of the Audit and the Auditors Reports at this meeting.

The draft accounts were sent to Council's Audit Risk and Improvement Committee (ARIC) for review prior to submission. Leanne Smith the contract audit partner made a presentation to the ARIC regarding the conduct of the Audit at the Committee meeting held on 3 November, 2020. The Financial Statements were lodged with the Office of Local Government (OLG) on 24 November, 2020 after unqualified audit reports had been received. This lodgement met the deadline set by the Office of Local Government of 30th November, 2020.

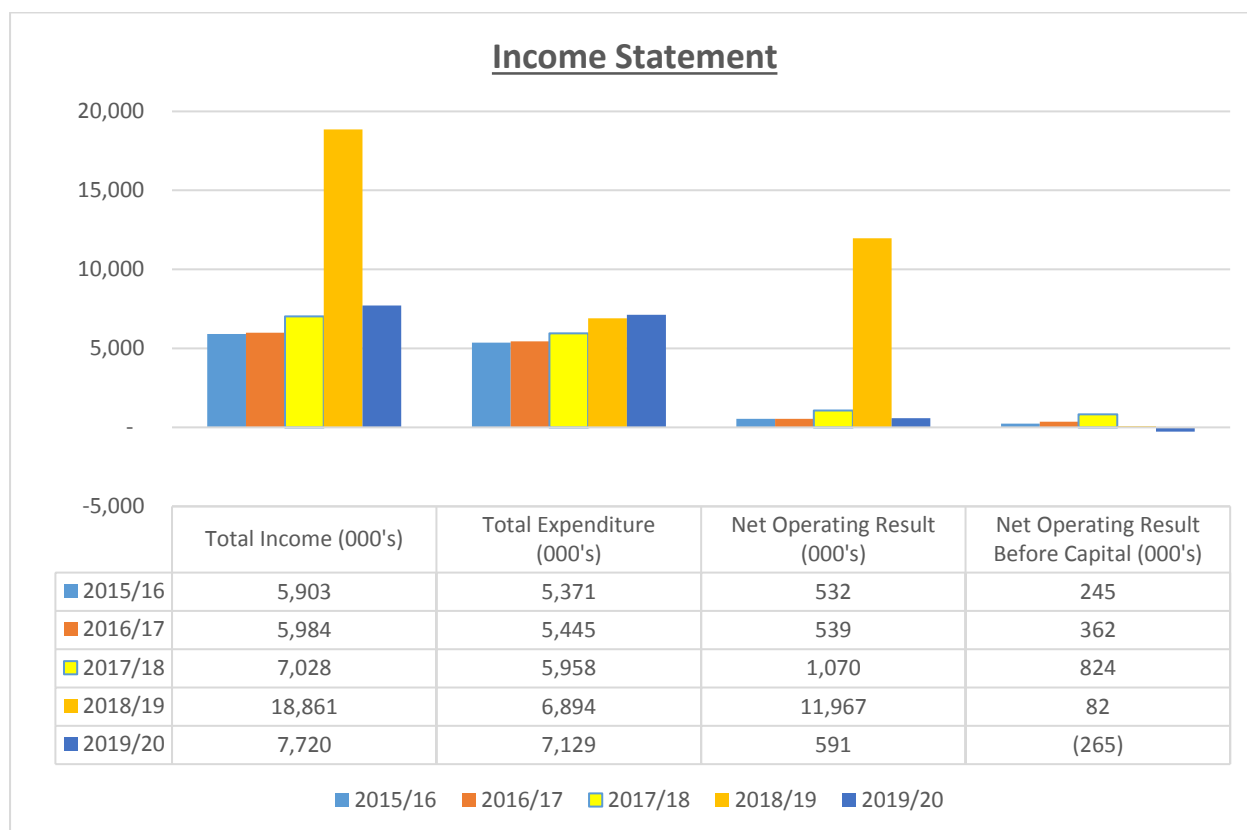
It is important to also acknowledge the efforts and support of Leanne Smith and her staff, Karen Taylor and the NSW Audit Office staff, for their efforts in getting the Financial Statements signed off. In particular, we thank Leanne and her team for their patience and capacity to get matters resolved during a period when the Responsible Accounting Officer was not available.

Council also recognises the support and effort of John Stuart from John Stuart and Associates for assisting with the completion of the Statements and the assistance with the conduct of the Audit.

Everyone is encouraged to review the full set of Financial Statements and Audit Reports available on Council's website at: www.ctw.nsw.gov.au. Any submissions, questions or queries can be directed to water@ctw.nsw.gov.au

Below are some key comparisons of the 2019/20 result compared to the previous 4 years.

Income Statement



The Net Operating Result before Capital of a loss of \$265K was notable in the following areas:

- Total Income fell from 18,861K in 2018/19 to 7,720K in 2019/20 attributable primarily to the one off recognition of the capital grant of 11,258K for the Carcoar to Orange Pipeline in 2018/19. If this factor was removed the 2018/19 income would have been 7,603K with 2019/20 resulting in a slight increase of 117K to 7,720K.
- User charges increased by around 2% from 6,452K in 2018/19 to 6,588K in 2019/20.
- Total Expenses increased by 3% from 6,894K to 7,129K.
- Depreciation increased from 2,761K in 2018/19 to 2,803K in 2019/20.
- Depreciation represents 40% of total operating costs which indicates the large investment in water infrastructure required to supply water around the CTW service area.
- Employee costs decreased by 2% from 2,026K in 2018/19 to 1,991K in 2019/20. This was attributable to the engagement of staff on capital projects

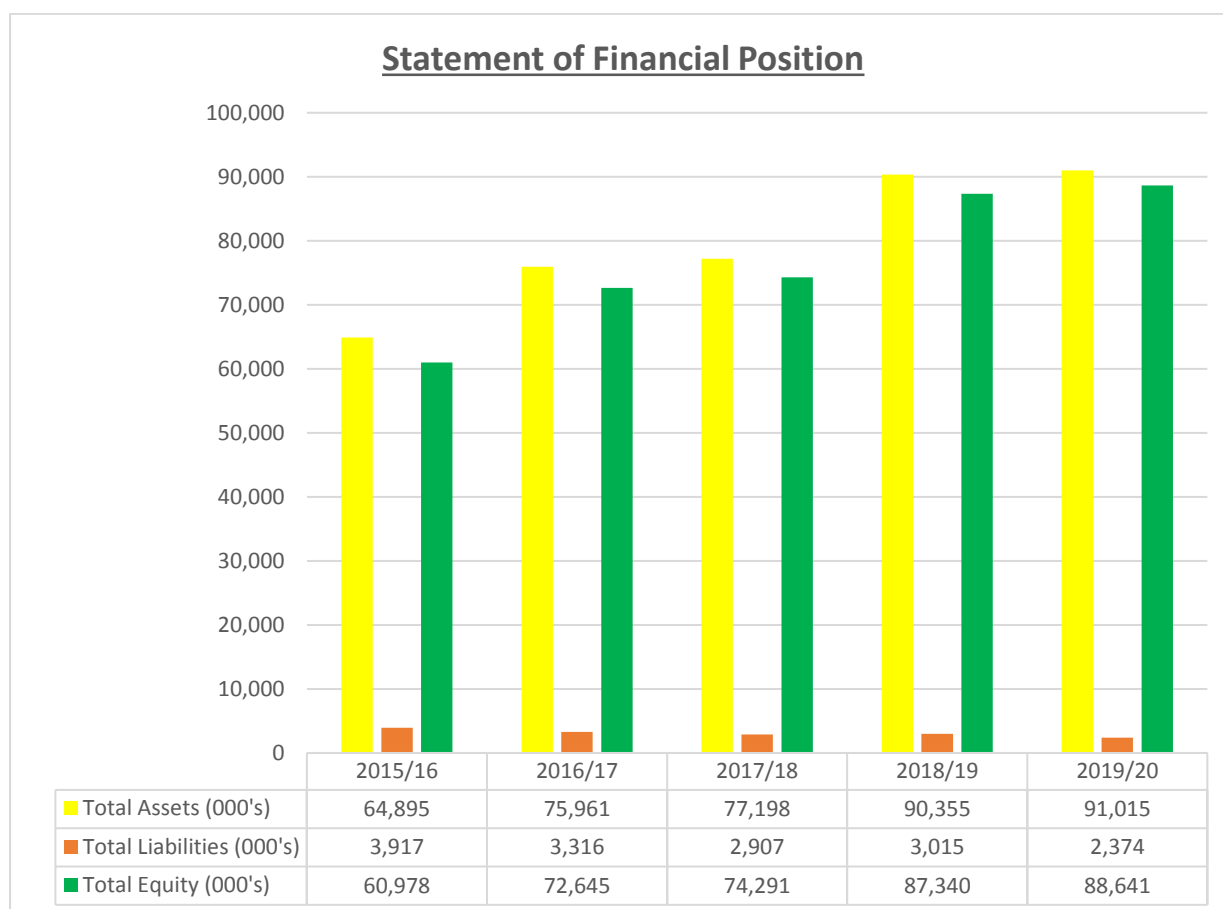
rather than operations in 2019/20 and a reduction in leave entitlement expenses.(decreased from 264K in 2018/19 to 207K in 2019/20)

- Other Expenses increased by 8% from 940K to 1,016K which was driven primarily by increases in general insurances, communication costs and advertising.
- Despite the high level of water restrictions in place during the drought, there was a very small increase in water user charges from 4,790K to 4,910K. With the revenue policy resulting in a 6 % increase in user charges in 2019/20 , the overall increase in user charges represented a 2.5% nominal revenue increase. Effectively, this represented an estimated 3.5% reduction in water sale volumes in real terms.

Statement of Financial Position

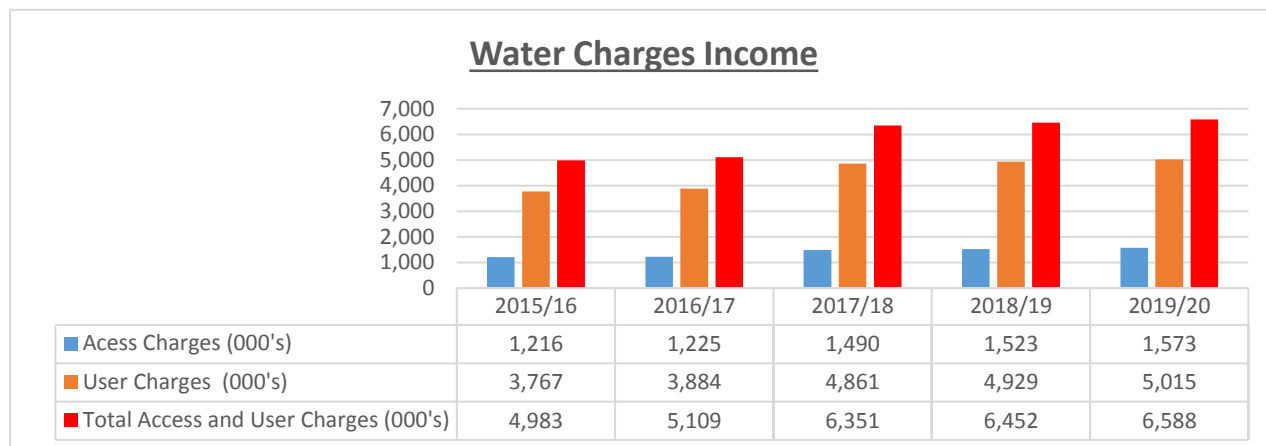
As can be seen on the graphs below the net assets grew from 87,340K in 18/19 to 88,641K in 19/20. This is mainly attributable to the operating result including capital amounts of 591K and the indexation of water infrastructure carry values by 710K.

Total liabilities reduced from 3,015K to 2,374K mainly attributable to an decrease in payables from 732K to 476K and a decrease in the non-current loan liability from 945K to 413K (current loan will be fully repaid in March 2022)



Water Charges Income

This consists of both access charges and water usage charge income. Council adopted a 2% increase in access charges and a 6% increase usage charges in 2019/20 to fund its ongoing capital expenditure program. It should be noted that level 4 & 5 water restrictions were in place across the CTW network in 2019/20 as the severe drought continued. The total water charges (access plus usage) increased by 2% from 6,452K to 6,588K.



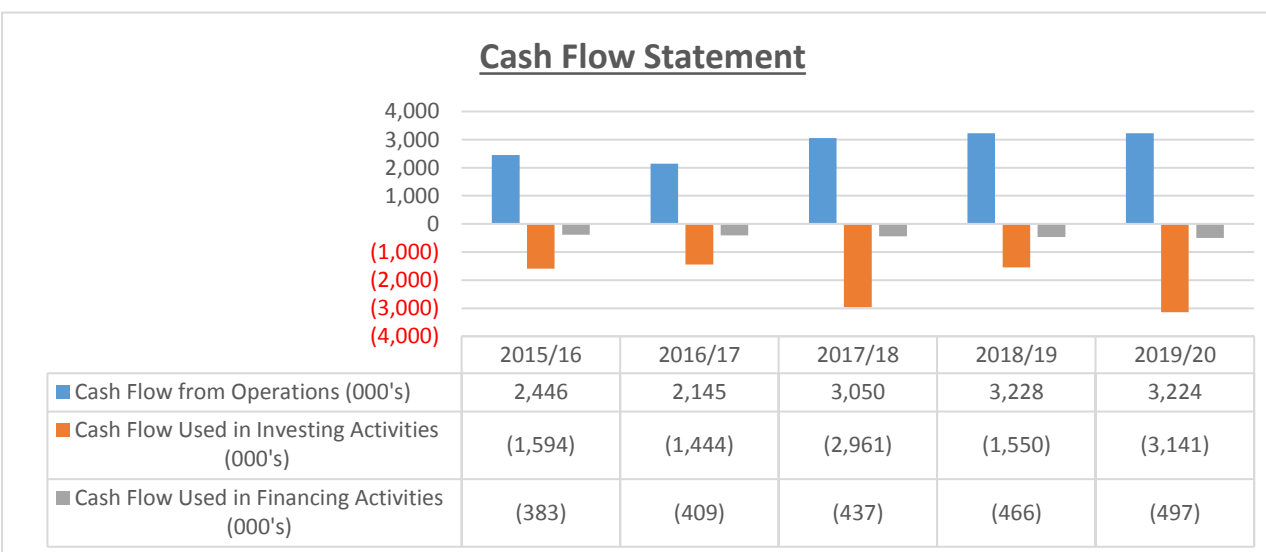
Cash Flow Statement

Council generated 3,224K from operations in 19/20. This was similar to the 3,228K achieved in 2018/19.

Cash used for investing activities included 2,376K for capital expenditure and 5,200K used to purchase term deposits. These outflows were offset by sales of plant and equipment of 321K and the redemption of investments of 4,100K.

Financing activities consisted of loan principal repayments of 497K. This existing loan will be fully repaid by March 2022 at the completion of its 20 year term.

Overall cash and investments increased by 686K from 6,129K in 18/19 to 6,815K in 19/20.



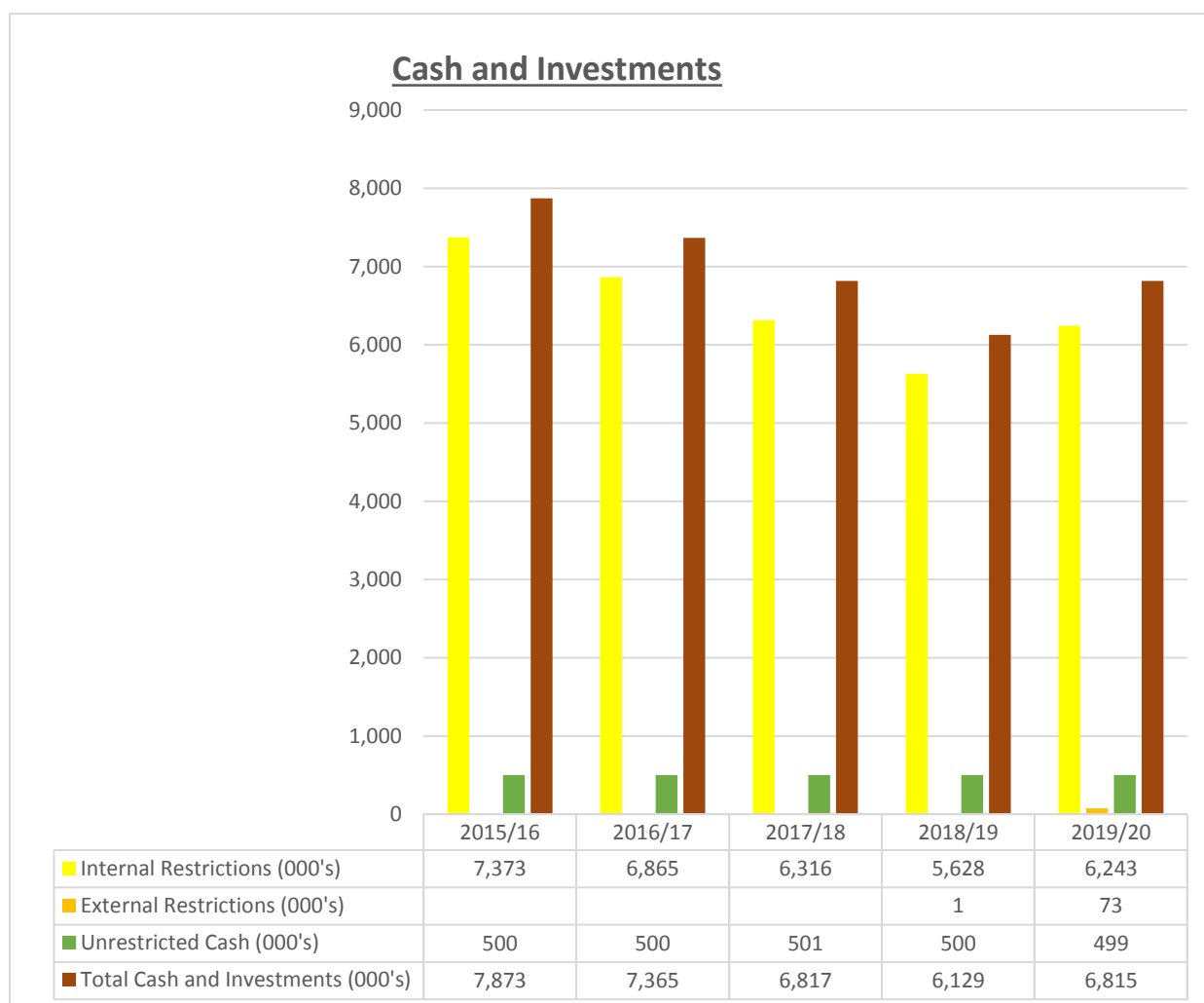
Cash and Investments

Council's cash and investments totalled 6,815K at 30 June, 2020. (Note 7) This consisted of 499K of unrestricted funds, 6,243K of internal restrictions (at discretion of Council) and 73K of external restrictions (unspent specific purpose grants)

The Infrastructure Restriction had a balance of 4,922K at 30 June, 2020, this is an increase of 569K over the balance of 4,353K at 30 June, 2020. This increase was attributable to a number of uncompleted revoted capital works jobs as outlined in the report to Council on the 12 August, 2020.

The Employee Leave Entitlement (ELE) restriction stood at 436K at the 30 June, 2020. With total ELE liabilities at 30 June 2020 being 869K, the restriction cover is now at 51%. As Council has a number of long serving employees, this restriction will need to be monitored closely to ensure that it is sufficient to meet any liabilities if they arise. As the demographic of the workforce changes this will impact the level of ELE restriction required.

Unrestricted cash at a level of 499K provides a degree of flexibility to respond to short term cash demands without needing to resort to transferring funds from restrictions.



BUDGET IMPLICATIONS

The 2019/20 Financial Reports highlight the substantial impact depreciation is having on the underlying operating result of Council. Council is involved in a capital intensive industry where substantial infrastructure is required to deliver a high quality water supply to a small number of consumers spread around a large service area. As the network is renewed and new assets are added, this combined with annual indexation of water infrastructure asset values will place increasing upward pressure on the level of depreciation. Council is currently evaluating strategies to address this issue.

POLICY IMPLICATIONS

Nil

ATTACHMENTS

Nil

18) LATE ITEM REPORT – BUDGET REVIEW STATEMENT – 30 SEPTEMBER 2020 (FM.FR.1)

Author: Director Finance & Corporate Services

IP&R Link: Strategic Priority 2 - An Efficient Sustainable and Customer Focussed Organisation - 2.2 Financial Management – 2.2.2 Complete and report on Quarterly Budget Reviews.

RECOMMENDATION:

That the budget review statement for the quarter ended 30 September 2020 be accepted, and the variations therein be voted.

REPORT

The Quarterly Budget Review Statement (QBRS) for the period ended 30 September 2020 is submitted for consideration by Council in accordance with clause 203 of the Local Government (General) Regulation 2005.

It is estimated that the original forecast operating budget deficit before capital amounts for 2020/2021 of \$146,716 is now estimated to become a \$166,716 deficit. This is an increased deficit of \$20,000.

The major variations to the operational budget are detailed in the September, 2020 QBR report which is attached to this report.

There are some variations to the operating and capital budget to incorporate the revotes of 2019/20 uncompleted works that were approved by Council at its meeting on 12 August 2020. These works are reported as “approved changes other than by a QBRS”.

The adopted overall cash surplus of \$629,042 as originally estimated for 2020/2021 has now been revised to a surplus of \$609,042. This result is considered to be satisfactory in view of the future operational conditions expected to be experienced by Council.

BUDGET IMPLICATIONS

As outlined in the report.

POLICY IMPLICATIONS

Nil

ATTACHMENTS

Quarterly Budget Review Statement – 30 September, 2020

9 Pages

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Report by Responsible Accounting Officer

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

It is my opinion that the Quarterly Budget Review Statement for Central Tablelands Water for the quarter ended 30/09/20 indicates that Council's projected financial position at 30/6/21 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: 30/11/2020

Peter McFarlane
Responsible Accounting Officer

Budget Review Statement

as at 30 September 2020

Council's Revised Income and Expenditure for the year 2020/2021

Original Budget		Revised Budget	
1,538,187	<u>Operating Revenue</u>	1,538,187	
5,190,812	Availability Charges	5,190,812	
66,000	Water Charges	56,000	
64,368	Interest	70,368	
5,183,000	Other Revenues	6,172,203	
132,558	Capital Grants and Contributions	231,206	
52,000	Operational Grants and Contributions	52,000	
12,226,925	Gains on Disposal of Assets		13,310,776
	<u>Operating Expenses</u>		
2,290,739	Employee Costs	2,260,739	
49,352	Borrowing Costs	49,352	
1,494,350	Materials & Contracts	1,241,350	
0	Legal Costs	16,000	
0	Consultants	381,648	
967,200	Other Expenses	967,200	
0	Loss on Sale of Assets	0	
2,389,000	Depreciation and Impairment	2,389,000	
7,190,641			7,305,289
5,036,284	<u>Operating Result for Period After Capital</u>	Surplus/(Deficit)	6,005,487
(146,716)	<u>Operating Result for Period Before Capital</u>		(166,716)
	<u>Less Non-Operating Expenditure</u>		
6,203,756	Acquisitions of Assets	7,732,749	
531,304	Repayment of Loans	531,304	
250,000	Transfer to Reserves - Plant	314,342	
708,017	Transfer to Reserves - Renewal Reserves	708,017	
143,264	Water Pricing Increase@ 3% - Tfr to Infrastructure	143,264	
50,000	Transfer to Reserves - ELE	50,000	
50,000	Transfer to Reserves - Consultancy	50,000	
629,042	Transfer Estimated Budget Surplus/(Deficit)	609,042	
8,565,383			10,138,718
(3,529,099)			(4,133,231)
	<u>Add Non-Operating Revenue</u>		
190,500	Book Value of Assets Sold	206,135	
-	Loan Funds Raised	-	
206,550	Transfer from Reserves - Plant	270,892	
0	Transfer from Consultancy Reserve	50,000	
30,000	Transfer from Reserves - ELE	30,000	
711,756	Transfer from Reserves - Capital	1,187,204	
1,293	Transfer from External Restriction	0	
1,140,099			1,744,231
(2,389,000)			(2,389,000)
2,389,000	<u>Add Expenses not Involving Flow of Funds</u>		
	Depreciation		2,389,000
\$ -	Budget (Cash) Result Surplus/(Deficit)		\$ -

Income & Expenses Budget Review Statement

Budget review for the quarter ended 30 September 2020

Income & Expenses - Water Fund

	Original Budget 2020/21	Approved Changes			Revised Budget 2020/21	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
		Other than by a QBRS	Sep QBRS	Dec QBRS					
Income									
Rates and Annual Charges	1,538,187				1,538,187			1,538,187	389,269
User Charges and Fees	5,190,812				5,190,812			5,190,812	491,383
Interest and Investment Revenues	66,000				66,000	(10,000)	1(a)	56,000	15,187
Other Revenues	64,368				64,368	6,000	1(b)	70,368	20,967
Grants & Contributions - Capital	5,183,000	901,203			6,084,203	88,000	1(c)	6,172,203	161,087
Grants & Contributions - Operating	132,558	143,648			276,206	(45,000)	1(d)	23,206	-
Net gain from disposal of assets	52,000		-	-	52,000	-		52,000	-
Total Income from Continuing Operations	12,226,925	1,044,851	-	-	13,271,776	39,000		13,310,776	1,077,893
Expenses									
Employee Costs	2,290,739				2,290,739	(30,000)	2(a)	2,260,739	521,543
Borrowing Costs	49,352				49,352	-		49,352	15,687
Materials & Contracts	1,201,350				1,201,350	40,000	2(b)	1,241,350	330,458
Depreciation	2,389,000				2,389,000			2,389,000	597,250
Impairment	0				-			-	
Legal Costs	10,000				10,000	6,000	2(c)	16,000	2,934
Consultants	283,000	143,648			426,648	(45,000)	2(d)	381,648	4,438
Other Expenses	967,200				967,200			967,200	243,411
Interest & Investment Losses	0				-			-	
Net Loss from disposal of assets					-			-	
Total Expenses from Continuing Operations	7,190,641	143,648	-	-	7,334,289	(29,000)		7,305,289	1,715,721
Net Operating Result from Continuing Operations	5,036,284	901,203	-	-	5,937,487	68,000		6,005,487	(637,828)
Discontinued Operations					-			-	
Net Operating Result from All Operations	5,036,284	901,203	-	-	5,937,487	68,000		6,005,487	(637,828)
Net Operating Result before Capital Items	(146,716)	-	-	-	(146,716)	(20,000)		(166,716)	(798,915)

Income & Expenses Budget Review Statement Recommended changes to revised budget

Budget Variations being recommended include the following material items:

Notes Details

1 (a)	10K reduction in estimated interest income due to lower rates on invested funds and Covid relief measure introduced by Office of Local Government to have a moratorium on interest on arrears of water charges from 1/7/20 to 31/12/20
1(b)	Legal costs recovered from the NBN in respect of the leases prepared for infrastructure palced on the Carcoar Reservoir. This was a direct recovery of all lease preparation costs incurred.
1 (c)	88K capital grant from the Department of Health for Blayney Treatment Plant Fluoride Dosing Unit.
1(d)	Cargabal Water Supply Grant rerduced by costs incurred in 19/20 financial year. A 45 K contract debtor was raised at 30 June 2020 to offset 19/20 costs incurred by Council. This is simply a timing difference across financial years.
2 (a)	Governance and Executive Support position was budgeted for in employee costs but was a labour hire position. Position will be recruited in December 2020. Costs have been transferred to Materials and Contracts.
2 (b)	30K transferred from employee costs for labour hire position (refer Note 2 (a)). An Additional 10K added to budget to purchase InfoCouncil software that will be used to improve the delivery of business papers and agendas and minutes of meetings. It will replace the current word and pdf based system which is time consuming to prepare and format. Council had used this software a number of years ago in a shared licencing arrangement with Blayney Shire Council.
2 (c)	6K of legal costs incurred on behalf of the NBN. This cost was fully recovered (refer to Note 1 (b))
2 (d)	A 45K reduction in consultancy costs that will be incurred in 2020/21 as these costs were incurred on the Caragabal Water Scheme investigation project in 2019/20 (refer note 1 (d))

Capital Budget Review Statement

Budget review for the quarter ended 30 September 2020

Capital Budget - Water Fund

	Original Budget 2020/21	Approved Changes Other than by a QBRs	Revised Budget 2020/21	Variations for this Sep Qtr	Notes	Projected Year End Result	Actual YTD figures
Capital Expenditure							
New Assets							
- Plant & Equipment	20,000		20,000	-		20,000	
- Land Purchase	40,000	16,008	56,008	-		56,008	
- Office Equipment	15,000		15,000	-		15,000	14,960
- Smart Metering		40,592	40,592	-		40,592	40,585
- Telemetry		55,109	55,109	-		55,109	38,650
- Energy Audit Initiatives		28,298	28,298	-		28,298	
- Automatic Filling Stations - Weddin		20,617	20,617	-		20,617	
- Automatic Filling Stations - Cabonne			-	-		-	
- Carcoar WFP Reservoir	4,703,000		4,703,000	-		4,703,000	23,535
- Post Chlorinator - Grenfell North	50,000		50,000	-		50,000	
- Lake Rowlands - Dead Storage		189,000	189,000	-		189,000	
- Woodstock Pump Station - Cowra to CTW		806,703	806,703	-		806,703	40,996
- Orange Pipeline - Water Quality Testing Facility	60,000		60,000	-		60,000	24,505
- Orange to Carcoar Pipeline - CTW Costs			-	-	(a)	-	
- Reticulation Mains - New Connections	30,900		30,000	-		30,000	
Renewal Assets (Replacement)							
- Pump replacements	50,156	31,372	81,528	-		81,528	51,250
- Plant Replacement	459,000	64,342	523,342	-		523,342	92,334
- Canowindra Depot Refurbishment			-	-		-	
- Blayney Office - indoor Refurbishment		14,035	14,035	-		14,035	
- Blayney Office - Outdoor Refurbishment	10,000		10,000	-		10,000	
- Grenfell Depot - Refurbishment	40,000		40,000	-		40,000	
- Blayney Depot - Refurbishment		32,727	32,727	-		32,727	
- Canowindra Depot - Refurbishment		40,000	40,000	-		40,000	
- Reticulation Main Renewals	81,600		81,600	-		81,600	
Water Supply Network							
- Trunk Main 'K' Renewal	15,000	3,143	18,143	-		18,143	6,567
- Lake Rowlands Wall Augmentation	630,000		630,000	-		630,000	2,475
- Carcoar WTP Clearwater Tank Roof			-	85,000	(b)	85,000	
-BWFP - Renew Wallaby Pipeline			-	-		-	
-BWFP- Access Road and Carpark		14,047	14,047	-		14,047	
-BWFP - Flouride Plant (Grant)			-	88,000	(c)	88,000	5,909
Subtotal	6,203,756	1,355,993	7,559,749	173,000		7,732,749	341,766
Loan Repayments (Principal)	531,304		531,304	-		531,304	129,477
Total Capital Expenditure	6,735,060	1,355,993	8,091,053	173,000		8,264,053	471,243
Capital Funding							
User Fees & Charges Funding	531,304		531,304	-		531,304	129,477
Other Revenue			-	-		-	
Capital Grants & Contributions	5,033,000	901,203	5,934,203	88,000	(d)	6,022,203	
Reserves:			-	-		-	
- External Restrictions/Reserves			-	-		-	
- Internal Restrictions/Reserves	918,306	454,790	1,373,096	85,000	(e)	1,458,096	301,311
Receipts from Sale of Assets			-	-		-	
- Plant & Equipment	252,450		252,450	-		252,450	
Total Capital Funding	6,735,060	1,355,993	8,091,053	173,000		8,264,053	430,788
Net Capital Funding	-	-	-	-		-	(40,455)

Capital Budget Review Statement
Recommended changes to revised budget

Budget Variations being recommended include the following material items:

Notes Details

4 (b) Costs to replace roof on Carcoar Treatment Plant Clearwater Tank (CWT) that was damaged in a storm. Repair amount was below deductible amount for reservoir property insurance cover.

4(c) Installation of new fluoride dosing plant at the Blayney Water Treatment Plant. This is 100% funded by the NSW Department of Health.

4 (d) Capital Grant for fluoride dosing plant provided by Department of Health.

4(e) Transfer from Infrastructure Restriction for the CTW Roof at Carcoar Water Treatment Plant.

Leakage Allowances Granted - Financial Year to Dnt

<u>Sept Qtr</u>	<u>No of Applications Granted</u>	<u>Total Allowance Kls</u>	<u>Total Allowance Granted \$</u>
Residential	2	214.65	704.05
Non Residential	0	-	-
Total	2	214.65	704.05

Note: Council's undetected water leaks policy provides for an allowance to be granted if certain conditions are met as per the policy. The granting of a leakage allowance is at the absolute discretion of Council based upon individual circumstances. Property owners are responsible for the maintenance of water infrastructure on their properties.

Contracts Budget Review Statement

Budget review for the quarter ended 30 September 2020
Contracts Listing - contracts entered into during the quarter

Contractor	Contract detail & purpose	Contract Value	Start Date	Duration of Contract	Budgeted (Y/N)	Notes
ICR Engineering	Fabrication and installation of Carcoar Clear water Tank Roc	85,000	03/09/20	3 months	Y	Funded from Infrastructure Restriction

Notes:

1. Minimum reporting level is 1% of estimated income from continuing operations of Council or \$50,000 - whatever is the lesser.
2. Contracts listed are those entered into during the quarter being reported
3. Contracts for employment are not required to be included.