

## **7 QUARTERLY FINANCE REPORT**

FILE REFERENCE INT1933578

RESPONSIBLE GENERAL MANAGER Andrew Pomeroy

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### **RECOMMENDATION**

That the quarterly financial report for the period 1 July 2018 to 31 March 2019 be received and noted.

### **Attachments**

1 Quarterly Finance Report 8 Pages

### **EXECUTIVE SUMMARY**

This report details Council's financial performance for the nine months ended 31 March 2019.

### **BACKGROUND**

The report is broken into a number of parts highlighting different components that affect the financial performance of Council:

- Income Statement – Analysed by Income, Expenditure and Non-Recurrent Items;
- Balance Sheet;
- Cashflow Statement; and
- Capital Works.

### **POLICY IMPLICATIONS**

Nil

### **RELEVANCE TO COUNCIL PLAN**

Monitoring the financial performance of the organisation against the annual budget and longer term financial outlooks meets the following Council Plan objective:-

5.3.3 Manage the municipality's finances and assets in a responsible way.

### **CONSULTATION/COMMUNICATION**

Accountants within the Finance business unit meet monthly with Departmental Managers to discuss their year-to-date progress against the budget for both the Operating and Capital Works programs. Results of these discussions provide input to the completion of the Monthly Financial Performance Report and are further discussed with the relevant General Manager.

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## FINANCIAL AND RESOURCE IMPLICATIONS

The analysis undertaken as part of the Financial Performance Report is based on the differences between the 2018-19 budget adopted in May 2018 and the actual result as at 31 March 2019.

The operating result for the nine months ended 31 March 2019 is a surplus of \$6.3m. This is \$7.6m better than the year-to-date budgeted deficit of \$1.3m.

Operating income is \$5.3m favourable to budget, predominantly in Operating Grants, Interest and Rates & Charges. Operating expenditure is \$2.2m favourable to budget, mainly in Finance Costs and Materials & Services, partly offset by Employee Benefits. Detailed variance analysis is included in the attached report.

The total cash balance as at 31 March 2019 is \$106.2m, which is \$3.1m lower than at the end of June 2018. Excluding developer related funds, the cash balance is \$68.5m.

Total project expenditure for the nine months to 31 March 2019 is \$41.8m, which is \$15.8m more than at the same time last year, but \$12.0m lower than the year-to-date budget.

For further details, Councillors are referred to the detailed Financial Performance Report attached.

## CONCLUSION

It is appropriate that the Council receives and notes the Financial Performance Report for the period 1 July 2018 to 31 March 2019.



# **Financial Performance Report**

**For the period  
1 July 2018  
to  
31 March 2019**

**Contents**  
**March 2019**

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## Executive Summary

### March 2019

#### Background

The financial report includes four of the six budgeted financial statements from Section 3 (Financial Statements) of the 2018-19 adopted budget. The information provides a summary of Cardinia Shire Council's financial position and performance for the period to 31 March 2019 against the adopted budget.

#### Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	85,246	79,900	5,345	6.7%	F
Operating Expenditure	78,942	81,167	2,224	2.7%	F
<b>Operating Surplus/(Deficit)</b>	<b>6,303</b>	<b>(1,266)</b>	<b>7,570</b>		

The operating surplus of \$6.3m is \$7.6m better than the year-to-date budgeted deficit of \$1.3m. At the end of March, revenue is \$5.3m favourable, and expenditure is \$2.2m favourable. Commentary of variances to budget are included in this report.

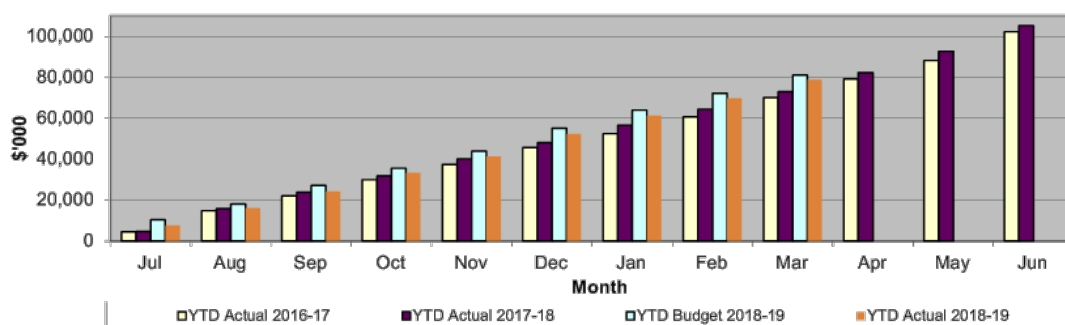
The total cash balance at the end of March 2019 is \$106.2m, which is \$3.1m lower than as at the end of June 2018. Council cash is \$1.8m higher and Developer Contribution Plan (DCP) cash is \$4.9m lower. Excluding DCPs, the cash balance is \$68.5m, and is committed to capital carry-forwards to 2018-19 and general Council operations. The final rates instalment for the year, which is due at the end of May, will have a positive impact on the cash flow.

Total Project Expenditure is currently \$41.8m (or 39.3% of the full year revised budget), which is \$15.8m more than as at the same time last year, but \$12.0m lower than the year-to-date budget. The major items of expenditure this financial year have been the purchases of land at 280 Princes Hwy Officer (Gin Gin Bin Reserve) and at the corner of Rix Road and Officer South Road Officer (future road reserve), and continuing works on major projects - Cardinia Cultural Centre, Deep Creek Reserve, James Bathe Recreation Reserve and Hills Hub.

**Income Statement**  
**For the period ended 31 March 2019**

	Current Month			Year to Date			Adopted
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000
<b>Operating Income</b>							
1 Rates charges	8,140	7,453	686	68,328	67,080	1,248	89,271
2 Statutory fees and fines	278	335	(56)	3,547	3,157	390	4,466
3 User Fees	197	150	47	1,984	2,043	(60)	3,197
4 Contributions (cash)	11	2	8	194	47	147	78
5 Grants - Operating	375	267	107	7,264	5,871	1,393	12,269
6 Other revenue	189	143	47	2,267	1,404	863	1,821
7 Interest	211	39	173	1,662	299	1,363	624
<b>Total Operating Income</b>	<b>9,400</b>	<b>8,389</b>	<b>1,012</b>	<b>85,246</b>	<b>79,900</b>	<b>5,345</b>	<b>111,726</b>
<b>Operating Expenditure</b>							
8 Employee benefits	2,934	2,729	(205)	26,549	25,880	(669)	35,797
9 Materials & Services	3,984	3,453	(531)	32,825	33,789	964	46,763
10 Bad & doubtful debts	11	13	2	64	118	54	176
11 Depreciation	1,945	1,883	(62)	16,644	16,949	305	22,598
12 Other Expenses	104	231	128	1,366	1,532	166	2,502
13 Finance costs	178	650	473	1,495	2,899	1,404	4,447
14 Internal Charges (should be zero)	0	0	0	0	0	0	0
<b>Total Operating Expenditure</b>	<b>9,156</b>	<b>8,959</b>	<b>(197)</b>	<b>78,942</b>	<b>81,167</b>	<b>2,224</b>	<b>112,283</b>
<b>Operating Profit/(Loss)</b>	<b>245</b>	<b>(571)</b>	<b>815</b>	<b>6,303</b>	<b>(1,266)</b>	<b>7,570</b>	<b>(557)</b>
<b>Capital/Non-recurrent items</b>							
15 Grants - Capital	1,833	586	1,247	4,781	1,464	3,317	4,621
16 Capital Contributions (cash)	0	0	0	191	0	191	0
17 Development Levies (cash)	892	73	819	10,660	658	10,003	877
18 Capital Contributions (non cash)	(1,315)	0	(1,315)	42,550	0	42,550	0
19 Development Levies (non cash)	3,769	0	3,769	3,243	0	3,243	0
20 Net gain(loss) on disposal of propert	24	0	24	(946)	0	(946)	0
<b>Total Capital/Non-rec. items</b>	<b>5,202</b>	<b>659</b>	<b>4,543</b>	<b>60,479</b>	<b>2,122</b>	<b>58,358</b>	<b>5,498</b>
<b>Net Surplus</b>	<b>5,446</b>	<b>88</b>	<b>5,358</b>	<b>66,783</b>	<b>855</b>	<b>65,927</b>	<b>4,941</b>

**Total Operating Expenditure**



## Income Statement Major Variance Analysis - March 2019

## Operating Income

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
1 Rates & Charges	1,248	Rates and charges revenue is better than budget primarily due to higher supplementary rates and interest charges than budgeted. Garbage charge revenue is also better, but has been partly offset by lower lower green waste bin revenue.	1,006	242
2 Statutory Fees & Fines	390	Favourable variance is primarily due to local laws fines (parking), building services fees (lodgement), animal control fees (pet registrations) and planning fees (planning permit, property information, and subdivision certification) which are all better than budget.	247	143
3 User Fees	(60)	Unfavourable variance is primarily due to Cardinia Cultural Centre user fees which are \$0.1m under budget as a result of the impact of building works currently in progress. These have been partly offset by better than budgeted income from asset protection fees.	(96)	36
4 Contributions (Cash)	147	Decorative light pole contributions are \$0.1m better than budget due to an increase in volume.	166	(19)
5 Grants - Operating	1,393	Budgeted grants are \$0.4m better than budget, primarily due to additional grant funding for School Crossing Supervisors and Maternal & Child Health. Additionally, unbudgeted grants totalling \$1.0m have been recognised, the major ones being for the Safer Together, Social Housing and Cannibal Creek Biodiversity programs, and also for recycling processing. This additional income will be offset by additional expenditure.	1,332	61
6 Other Revenue	863	Cost recovery income is \$0.8m better than budget, mainly as a result of the receipt of unbudgeted items totalling \$0.7m.	678	185
7 Interest	1,363	Interest on investments is \$0.8m better than budget due to higher cash balances. Additionally, interest on DCP investments, which was not budgeted, totals \$0.6m.	1,208	155
<b>Total</b>	<b>5,345</b>		<b>4,542</b>	<b>803</b>

## Income Statement Major Variance Analysis - March 2019

## Operating Expenditure

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
<b>8 Employee Benefits</b>	<b>(669)</b>	Employee benefits expenditure is currently \$0.7m over budget primarily due to the impact of new positions approved during the year and other staffing changes. This has been partly offset by an increase in funding from external sources, including grant and fee income.	(669)	
<b>9 Materials &amp; Services</b>	<b>964</b>	Capital works, community capital works and priority works operating expenditure which is budgeted in the Capital Works program totals \$1.3m. Contracts are \$1.8m under budget. This is primarily due to the parks & gardens, recycling processing, green waste bin and dangerous tree removal contracts, which are all currently under budget. Contracts are forecast to be a total of \$0.6m under budget at the end of financial year. Other variances total \$0.5m under budget, with favourable variances currently in roads resheeting and street lighting, partly offset by an unfavourable variance in Growth Area Planning legal fees and Cardinia Road DCP landscaping and environmental work expenses. These other items are forecast to be a total of \$1.8m over budget at the end of the financial year.	(1,334)  444  (1,384)	  1,329  1,910
<b>10 Bad &amp; Doubtful Debts</b>	<b>54</b>	Bad and doubtful debts are currently under budget, mainly in Animal Control. These have been partly offset by unbudgeted debts in rates and property services, relating to special charge schemes, which have been recognised.	(37)	91
<b>11 Depreciation</b>	<b>305</b>	Depreciation expense is currently under budget, primarily in the buildings and recreation categories, but this variance is expected to decrease as new and contributed assets are recognised during the year.		305
<b>12 Other Expenses</b>	<b>166</b>	Under expenditure in garbage collection other expenditure and audit fees has been partly offset by capital works and priority works expenditure which is budgeted in the Capital Works program.	(178)	344
<b>13 Finance Costs</b>	<b>1,404</b>	Interest on loans are \$1.4m under budget primarily due to budgeted loans not yet drawn down.	1,307	97
<b>14 Internal Charges</b>	<b>0</b>	Internal charges actual income matches internal charges actual expenditure across the organisation.		
<b>Total</b>	<b>2,224</b>		<b>(1,851)</b>	<b>4,075</b>



## Income Statement Major Variance Analysis - March 2019

## Capital / Non-Recurrent Items

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	3,317	Favourable variance is due to the recognition of unbudgeted grants totalling \$3.1m, the major ones being for Bunyip River Road blackspot project, Gembrook playground and skate park, and Emerald Community Hub. Additionally, the budgeted Roads to Recovery grant is \$0.2m better than budget.	3,317	
16 Capital Contributions (Cash)	191	Unbudgeted contributions to Environmental solar projects, the Peet Street Pakenham industrial area special charge scheme and Ulmer Road Emerald construction have been recognised.	191	
17 Development Levies (Cash)	10,003	Developer levies, community infrastructure levies, and public open space levies recognised total \$10.7m, which is \$10.0m better than budget. Non-DCP levies are \$2.9m better and DCP related levies are \$7.1m better.	9,783	220
18 Capital Contributions (Non-Cash)	42,550	This includes the value of developer contributed assets - roads, footpaths, bridges and drains. This item was not budgeted in 2018-19.	42,550	
19 Development Levies (Non-Cash)	3,243	This includes the value of DCP related developer contributed assets - roads, footpaths, bridges and drains. This item was not budgeted in 2018-19.	3,243	
20 Net Gain/(Loss) on Disposal of Assets	(946)	The value of disposed infrastructure assets totalling \$1.4m have been partly offset by the net proceeds from the sale of land and plant, which are \$0.4m better than budget.	(1,364)	418
<b>Total</b>	<b>58,358</b>		<b>57,720</b>	<b>638</b>

**Balance Sheet**  
**As at 31 March 2019**

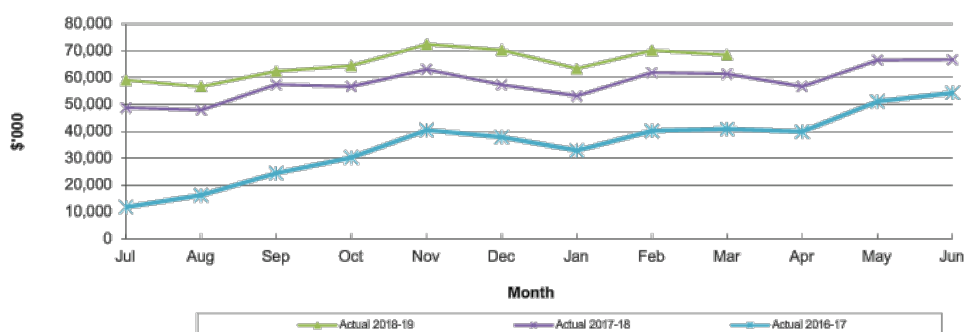
	Prior Month \$'000	Current Month \$'000	Prior Year June 2018 \$'000	Monthly Change \$'000	Yearly Change \$'000
<b>Current Assets</b>					
Cash & Cash Equivalents	108,810	106,170	109,311	(2,639)	(3,140)
Trade & Other Receivables	56,026	48,994	32,527	(7,032)	16,467
Accrued Income	0	0	425	0	(425)
Prepayments	959	959	1,348	0	(389)
Inventories/Land Held for Resale	20	19	26	(1)	(7)
<b>Total Current Assets</b>	<b>165,814</b>	<b>156,142</b>	<b>143,636</b>	<b>(9,672)</b>	<b>12,506</b>
<b>Non Current Assets</b>					
Intangible Assets	467	449	587	(18)	(138)
Trade & Other Receivables	1,374	1,374	4	0	1,370
Investments Long Term	1,534	1,534	1,534	0	0
Land	727,988	727,987	660,573	(2)	67,413
Buildings	198,402	199,930	183,735	1,528	16,195
Recreational, Leisure & Community Facilities	38,218	38,739	33,734	521	5,005
Plant & Machinery	6,067	5,930	5,735	(138)	195
Furniture, Equipment & Computers	2,105	2,118	2,114	12	4
Roads	264,228	265,599	254,278	1,372	11,321
Footpaths	78,070	78,363	74,394	292	3,969
Drains	210,018	210,221	200,114	203	10,107
Bridges	53,176	53,101	51,289	(75)	1,812
Off-street Car Parks	7,483	8,069	7,183	586	886
Other Infrastructure	1,094	1,383	771	290	612
<b>Total Non Current Assets</b>	<b>1,590,225</b>	<b>1,594,797</b>	<b>1,476,044</b>	<b>4,572</b>	<b>118,753</b>
<b>TOTAL ASSETS</b>	<b>1,756,040</b>	<b>1,750,940</b>	<b>1,619,681</b>	<b>(5,100)</b>	<b>131,259</b>
<b>Current Liabilities</b>					
Trade and other payables	44,992	37,288	15,264	(7,704)	22,024
Trust funds and deposits	14,397	12,366	11,059	(2,030)	1,307
Provisions	6,811	6,811	6,817	0	(6)
Interest-bearing loans and borrowings	4,514	4,514	4,514	0	0
<b>Total Current Liabilities</b>	<b>70,714</b>	<b>60,980</b>	<b>37,655</b>	<b>(9,734)</b>	<b>23,325</b>
<b>Non Current Liabilities</b>					
Provisions	111,401	111,532	990	131	110,542
Interest-bearing loans and borrowings	34,417	33,761	37,164	(656)	(3,403)
Trade and other payables	4,231	4,231	10,261	0	(6,030)
<b>Total Non Current Liabilities</b>	<b>150,049</b>	<b>149,524</b>	<b>48,415</b>	<b>(525)</b>	<b>101,109</b>
<b>TOTAL LIABILITIES</b>	<b>220,763</b>	<b>210,504</b>	<b>86,070</b>	<b>(10,259)</b>	<b>124,434</b>
<b>NET ASSETS</b>	<b>1,535,276</b>	<b>1,540,435</b>	<b>1,533,611</b>	<b>5,159</b>	<b>6,825</b>
<b>Equity</b>					
Accumulated Surplus	986,277	991,437	921,967	5,159	69,470
Reserves	548,999	548,999	611,644	0	(62,645)
<b>TOTAL EQUITY</b>	<b>1,535,276</b>	<b>1,540,435</b>	<b>1,533,611</b>	<b>5,159</b>	<b>6,825</b>

Comments: Trade and other receivables (current) have increased by \$16.5m due to recognition of rates debtors for the year. Land has increased by \$67.4m primarily due to a revaluation, which has also resulted in an increase in revaluation reserves. Trade and other payables (current) have increased by \$22.0m due to the recognition of unearned rates and charges revenue for the remainder of the year. Provisions (non-current) have increased by \$110.5m due to recognition of future DCP commitments and have been offset by a decrease in reserves. The increase in Accumulated Surplus of \$69.5m primarily relates to the year-to-date net surplus.

### Cash Flow Statement For the period ended 31 March 2019

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Adopted Budget \$'000
<b>Cash flows from operating activities</b>				
<b>Receipts</b>				
Rates and Charges	69,088	66,056	3,032	88,074
Statutory Fees and Fines	3,839	3,350	489	4,466
User Fees	2,174	2,252	(78)	3,003
Grants - operating	7,268	9,202	(1,934)	12,269
Grants - capital	4,786	3,466	1,320	4,621
Contributions	656	59	597	78
Interest received	1,936	594	1,342	792
Development levies	18,169	658	17,511	877
Trust funds and deposits taken and repaid	1,127	-	1,127	-
Other Receipts	1,303	1,829	(526)	2,438
GST received (net)	7,825	-	7,825	-
<b>Total receipts from operating activities</b>	<b>118,171</b>	<b>87,466</b>	<b>30,705</b>	<b>116,618</b>
<b>Payments</b>				
Employee costs	(26,538)	(26,475)	(63)	(35,300)
Materials and Services	(48,682)	(38,141)	(10,541)	(50,855)
<b>Total payments from operating activities</b>	<b>(75,220)</b>	<b>(64,616)</b>	<b>(10,604)</b>	<b>(86,155)</b>
<b>Net cash provided by operating activities</b>	<b>42,951</b>	<b>22,850</b>	<b>20,101</b>	<b>30,462</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(42,636)	(41,742)	(894)	(55,656)
Proceeds from sales of assets	1,444	4,635	(3,191)	6,180
<b>Net cash used in investing activities</b>	<b>(41,192)</b>	<b>(37,107)</b>	<b>(4,085)</b>	<b>(49,476)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(1,495)	(3,335)	1,840	(4,447)
Proceeds from borrowings (loan funds)	-	-	-	23,110
Repayment of borrowings	(3,403)	(4,775)	1,372	(6,366)
<b>Net cash provided by financing</b>	<b>(4,898)</b>	<b>(8,110)</b>	<b>3,212</b>	<b>12,297</b>
<b>Change in cash held</b>	<b>(3,140)</b>	<b>(22,367)</b>	<b>19,228</b>	<b>(6,717)</b>
<b>Cash at beginning</b>	<b>109,311</b>	<b>44,259</b>	<b>65,052</b>	<b>44,259</b>
<b>Cash at end</b>	<b>106,170</b>	<b>21,892</b>	<b>84,280</b>	<b>37,542</b>

Cash and Cash Equivalents Balances - excluding DCPs



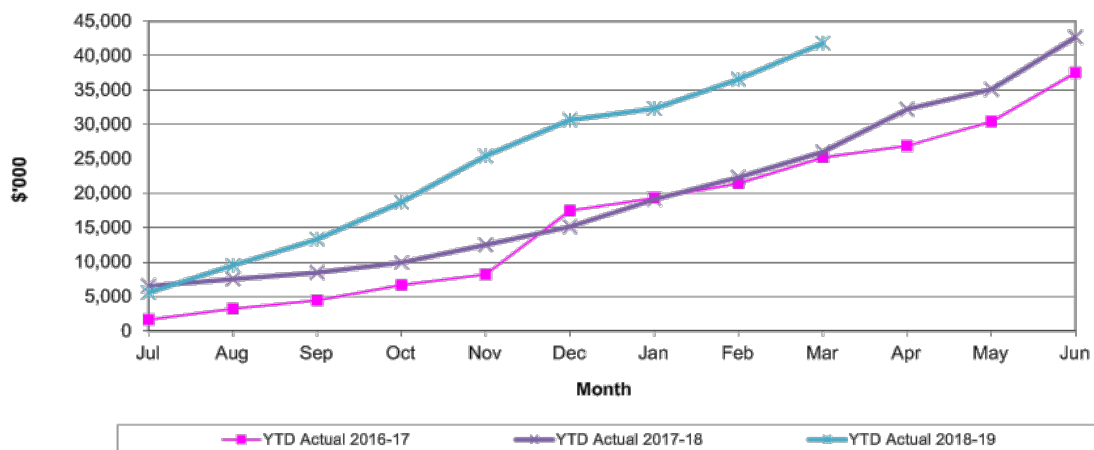
Comments: The total cash balance at the end of March 2019 is \$106.2m, which is \$3.1m lower than as at the end of June 2018. Council cash is \$1.8m higher and Developer Contribution Plan (DCP) cash is \$4.9m lower. Excluding DCPs, the cash balance is \$68.5m, and is committed to capital carry-forwards to 2018-19 and general Council operations. The final rates instalment for the year, which is due at the end of May, will have a positive impact on the cash flow.

### Capital Works As at 31 March 2019

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
Deposits for asset purchases	540	-	(540)	-	-
Land	7,606	975	(6,631)	1,300	1,300
Buildings (including Buildings ledger)	13,411	17,523	4,112	28,029	12,702
Recreational & Community	5,905	16,075	10,170	25,763	13,964
Plant & Machinery	1,451	2,970	1,519	4,195	2,360
Furniture & Equipment	277	58	(219)	60	60
Roads	6,876	11,114	4,239	40,966	24,938
Footpaths	1,485	2,356	871	2,531	2,970
Drains	446	300	(146)	421	421
Bridges	554	1,054	500	1,224	420
Off Street Car Parks	1,143	309	(834)	486	216
Other Infrastructure	624	115	(509)	185	180
Intangibles (including software)	22	395	373	460	460
<b>Project Expenditure</b>	<b>40,340</b>	<b>53,245</b>	<b>12,905</b>	<b>105,621</b>	<b>59,991</b>
<b>Add non capital project expenditure:</b>					
Capital Works	1,119	-	(1,119)	-	-
Community Capital Works	87	392	305	724	500
Priority Works	272	135	(137)	180	150
<b>Total Project Expenditure</b>	<b>41,818</b>	<b>53,772</b>	<b>11,953</b>	<b>106,525</b>	<b>60,641</b>

\*Revised Budget is the 2018-19 Adopted Budget plus carry-overs from 2017-18.

#### Total Project Expenditure



Comments: Total Project Expenditure is currently \$41.8m (or 39.3% of the full year revised budget), which is \$15.8m more than as at the same time last year, but \$12.0m lower than the year-to-date budget. The major items of expenditure this financial year have been the purchases of land at 280 Princes Hwy Officer (Gin Gin Bin Reserve) and at the corner of Rix Road and Officer South Road Officer (future road reserve), and continuing works on major projects - Cardinia Cultural Centre, Deep Creek Reserve, James Bathe Recreation Reserve and Hills Hub.