

16 QUARTERLY FINANCIAL REPORT

FILE REFERENCE INT1987570

RESPONSIBLE GENERAL MANAGER Tom McQualter

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RECOMMENDATION

That the quarterly financial report for the period 1 July 2019 to 30 September 2019 be received and noted.

Attachments

1 Financial Performance Report 10 Pages

EXECUTIVE SUMMARY

This report details Council's financial performance for the three months ended 30 September 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.

FINANCIAL AND RESOURCE IMPLICATIONS

The analysis undertaken as part of the Financial Performance Report is based on the differences between the 2019-20 budget adopted in June 2019 and the actual result as at 30 September 2019.

The operating result for the three months ended 30 September 2019 is a surplus of \$1.7m. This is \$1.4m better than the year-to-date budgeted surplus of \$0.2m.

Operating income is \$1.3m unfavourable to budget, predominantly in Rates & Charges and Statutory Fees & Fines. Operating expenditure is \$2.7m favourable to budget, mainly in Materials & Services. Detailed variance analysis is included in the attached report.

The total cash balance as at 30 September 2019 is \$106.9m, which is \$4.4m lower than at the end of June 2019. Excluding developer related funds, the cash balance is \$63.7m.

Total project expenditure for the three months to 30 September 2019 is \$11.5m, which is \$1.8m less than at the same time last year, but \$0.1m higher 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 2019 to 30 September 2019.



Financial Performance Report

**For the period
1 July 2019
to
30 September 2019**

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September 2019

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Executive Summary

September 2019

Background

The financial report includes four of the six budgeted financial statements from Section 3 (Financial Statements) of the 2019-20 adopted budget. The information provides a summary of Cardinia Shire Council's financial position and performance for the period to 30 September 2019 against the adopted budget.

Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	28,204	29,462	(1,258)	-4.3%	U
Operating Expenditure	26,550	29,241	2,691	9.2%	F
Operating Surplus/(Deficit)	1,654	221	1,433		

The operating surplus of \$1.7m is \$1.4m better than the year-to-date budgeted surplus of \$0.2m. At the end of September, revenue is \$1.3m unfavourable, and expenditure is \$2.7m favourable. Commentary of variances to budget are included in this report.

The total cash balance at the end of September 2019 is \$106.9m, which is \$4.4m lower than as at the end of June 2019. Council cash is \$7.0m lower and DCP cash is \$2.6m higher. Excluding DCPs, the cash balance is \$63.7m, and is committed to capital carry-forwards to 2019-20 and general Council operations.

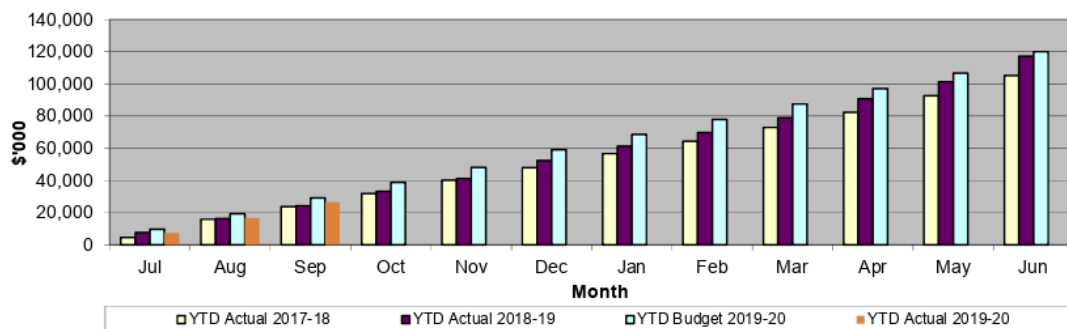
Total Project Expenditure is currently \$11.5m (or 13.3% of the full year revised budget), which is \$1.8m less than as at the same time last year, and \$0.1m higher than the year-to-date budget. The major items of expenditure this financial year have been continuing works on major projects - Lang Lang recreation facility (\$1.7m), Pakenham industrial area special charge scheme (\$1.5m), Hills Hub (\$1.3m), James Bathe Recreation Reserve (\$1.2m) and Deep Creek Reserve (\$1.1m).

As at the end of September, the total of the bushfire claims for the Bunyip Complex Bushfires submitted with the Department of Treasury and Finance is \$2.6m. These claims are currently being assessed by VicRoads and the Department of Health and Human Services. The income amount budgeted in 2019-20 for the bushfire claim is \$0.75m. Total expenditure in 2018-19 was \$3.0m and year-to-date 2019-20 is \$0.1m plus outstanding commitments of \$0.5m.

Income Statement
For the period ended 30 September 2019

	Current Month			Year to Date			Adopted
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000
Operating Income							
1 Rates charges	7,779	8,055	(277)	23,691	24,242	(551)	97,299
2 Statutory fees and fines	220	419	(199)	731	1,248	(517)	5,022
3 User Fees	171	212	(42)	485	785	(299)	3,625
4 Contributions (cash)	16	0	16	35	0	35	350
5 Grants - Operating	316	180	137	2,394	2,326	69	14,338
6 Other revenue	413	99	314	552	492	59	1,704
7 Interest	234	179	54	316	370	(54)	1,823
Total Operating Income	9,148	9,144	4	28,204	29,462	(1,258)	124,160
Operating Expenditure							
8 Employee benefits	3,029	3,012	(18)	8,998	9,035	37	39,523
9 Materials & Services	4,264	4,151	(113)	10,889	13,283	2,394	50,444
10 Bad & doubtful debts	0	11	11	16	34	18	176
11 Depreciation	2,087	2,088	1	6,127	6,264	137	25,054
12 Other Expenses	194	175	(19)	315	424	109	2,399
13 Finance costs	234	228	(6)	205	200	(4)	2,420
14 Internal Charges (should be zero)	0	(13)	(13)	0	0	0	0
Total Operating Expenditure	9,809	9,652	(156)	26,550	29,241	2,691	120,016
Operating Profit/(Loss)	(660)	(508)	(153)	1,654	221	1,433	4,144
Capital/Non-recurrent items							
15 Grants - Capital	1,553	0	1,553	2,420	499	1,921	19,562
16 Capital Contributions (cash)	0	0	0	240	0	240	625
17 Development Levies (cash)	2,183	1,229	954	4,316	6,200	(1,884)	17,265
18 Capital Contributions (non cash)	1,588	436	1,152	3,673	3,284	389	45,000
19 Development Levies (non cash)	(609)	0	(609)	314	0	314	0
20 Net gain(loss) on disposal of prop	22	987	(966)	75	987	(912)	987
Total Capital/Non-rec. items	4,737	2,653	2,083	11,037	10,970	67	83,439
Net Surplus	4,076	2,146	1,931	12,691	11,191	1,500	87,583

Total Operating Expenditure



Income Statement Major Variance Analysis - September 2019

Operating Income

	YTD Variance \$'000 Fav/(Unfav)	Notes to Accounts	Permanent Variance \$'000 Fav/(Unfav)	Timing Variance \$'000 Fav/(Unfav)
1 Rates & Charges	(551)	Rates revenue is lower than budget by \$401k primarily due to timing of raising supplementary rates. Garbage charge revenue, including green waste bin income, is under budget by \$187k but should increase as new services are added during the year.		(551)
2 Statutory Fees & Fines	(517)	Development fees (plan checking and supervision) and animal registration fees are both under budget by \$342k and \$90k respectively due to timing. Animal fees will be rephased to better align with expected actuals.		(517)
3 User Fees	(299)	User charges for a number of activities, including Cardinia Cultural Centre (\$74k), Cardinia LiFE (\$43k), Engineering Services (\$42k) and Passive Reserves (\$30k), are currently under budget due to timing.		(299)
4 Contributions (Cash)	35	Decorative light pole and other minor contributions are better than budget due to timing. Several items in this category will be rephased.		35
5 Grants - Operating	69	Unbudgeted grants totalling \$63k have been recognised, the major ones being for Roadside Weeds (\$29k) and Seniors Inclusion and Participation (\$25k). Budgeted grants overall are in line with budget.	63	6
6 Other Revenue	59	Cost recovery income is better than budget, mainly as a result of the receipt of unbudgeted items totalling \$74k, including Rates & Property Services and Capital Works.	74	(15)
7 Interest	(54)	Interest on DCP investments is currently under budget, but has been partly offset by better than budgeted interest on Council investments.		(54)
Total	(1,258)		137	(1,395)

Note: Council's income streams will be impacted by newly adopted accounting standards from 1 July 2019. Capital grants will have the most impact. According to these standards, income will have to be deferred until performance obligations/milestones are met as per the grant schedule or contract. At year-end, Finance with the help of Project Managers will identify the income against those performance obligations are not completed and the income will be carried forward to the following financial year, so surplus will be reduced by this amount. The Accounting Standards are: AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Non-for-Profit Entities.

Income Statement Major Variance Analysis - September 2019

Operating Expenditure

	YTD Variance \$'000 Fav/(Unfav)	Notes to Accounts	Permanent Variance \$'000 Fav/(Unfav)	Timing Variance \$'000 Fav/(Unfav)
8 Employee Benefits	37	Employee benefits are currently slightly under budget. This is mainly due to vacant positions and the later start of new budgeted positions.		37
9 Materials & Services	2,394	Capital works, community capital works and priority works operating expenditure which is budgeted in the Capital Works program totals \$0.5m. Contracts are \$1.9m under budget. This is primarily due to waste contracts (hard/green waste (\$399k), green waste bin (\$336k), recycling processing (\$246k), garbage collection (\$203k), putrescible disposal (\$182k), recycling collection (\$175k)) which are all currently under budget due to timing. Other variances total \$1.0m under budget, with favourable variances currently in street lighting (\$254k), software licences (\$211k) and organisational training (\$139k).	(545)	1,906 1,033
10 Bad & Doubtful Debts	18	Bad and doubtful debts are currently under budget, mainly in Animal Control, and primarily due to timing.		18
11 Depreciation	137	Depreciation expense is currently under budget, primarily in the buildings category, but this variance is expected to decrease as new and contributed assets are recognised during the year.		137
12 Other Expenses	109	Under expenditure in garbage collection (\$42k) and animal control (\$40k) other expenditure have been partly offset by hardware rent/lease expenditure (\$74k), all due to timing.		109
13 Finance Costs	(4)	Interest on loans are over budget mainly due to timing, but have been partly offset by bank charges, which are under budget.		(4)
14 Internal Charges	0	Internal charges actual income matches internal charges actual expenditure across the organisation.		
Total	2,691		(545)	3,236

Income Statement Major Variance Analysis - September 2019

Capital / Non-Recurrent Items

	YTD Variance \$'000 Fav/(Unfav)	Notes to Accounts	Permanent Variance \$'000 Fav/(Unfav)	Timing Variance \$'000 Fav/(Unfav)
15 Grants - Capital	1,921	Favourable variance is due to the recognition of unbudgeted grants totalling \$0.8m, the major ones being for Beaconsfield Recreation Reserve universal facilities upgrade and Emerald Community Hub. Additionally, budgeted grants are \$1.1m better than budget due to timing.	769	1,152
16 Capital Contributions (Cash)	240	Unbudgeted contributions to the Fairbridge Lane Cockatoo special charge scheme have been recognised.	240	
17 Development Levies (Cash)	(1,884)	Developer levies, community infrastructure levies, and public open space levies recognised total \$4.3m, which is \$1.9m under budget. Non-DCP levies are \$2.4m lower and DCP related levies are \$0.5m better.		(1,884)
18 Capital Contributions (Non-Cash)	389	This includes the value of developer contributed assets - roads, footpaths, bridges and drains, and is \$0.4m better than the year-to-date budget.		389
19 Development Levies (Non-Cash)	314	This includes the value of DCP related developer contributed assets - roads, footpaths, bridges and drains, and is \$0.3m better than the year-to-date budget.		314
20 Net Gain/(Loss) on Disposal of Assets	(912)	The net proceeds from the sale of land and plant are \$0.8m under budget due to timing. Additionally, the value of disposed infrastructure assets currently totals \$0.1m.	(64)	(848)
Total	67		945	(878)

Note: Council's income streams will be impacted by newly adopted accounting standards from 1 July 2019. Capital grants will have the most impact. According to these standards, income will have to be deferred until performance obligations/milestones are met as per the grant schedule or contract. At year-end, Finance with the help of Project Managers will identify the income against those performance obligations are not completed and the income will be carried forward to the following financial year, so surplus will be reduced by this amount. The Accounting Standards are: AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Non-for-Profit Entities.

Balance Sheet
As at 30 September 2019

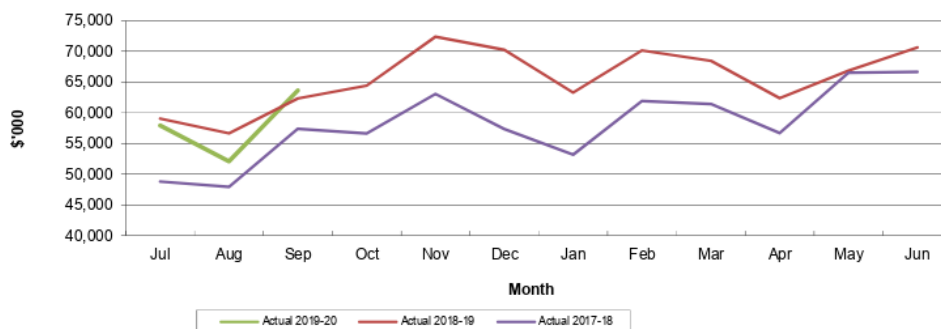
	Prior Month \$'000	Current Month \$'000	Prior Year June 2019 \$'000	Monthly Change \$'000	Yearly Change \$'000	Adopted Budget \$'000
Current Assets						
Cash & Cash Equivalents	93,465	106,851	111,293	13,387	(4,442)	85,504
Trade & Other Receivables	111,388	93,014	21,247	(18,374)	71,767	19,264
Accrued Income	0	0	351	0	(351)	425
Prepayments	2,363	2,363	2,929	0	(566)	1,348
Inventories/Land Held for Resale	2,772	2,784	2,783	11	1	26
Total Current Assets	209,988	205,012	138,603	(4,976)	66,409	106,567
Non Current Assets						
Intangible Assets	634	610	684	(24)	(74)	587
Trade & Other Receivables	90	91	5,549	2	(5,458)	11,483
Investments Long Term	1,331	1,331	1,331	0	0	1,493
Land	736,640	736,900	736,640	260	260	675,106
Buildings	213,229	215,571	209,996	2,343	5,575	253,202
Recreational, Leisure & Community Facilities	44,774	44,833	44,422	60	411	48,640
Plant & Machinery	6,206	6,118	6,360	(88)	(242)	10,623
Furniture, Equipment & Computers	1,850	2,157	1,845	307	312	4,465
Roads	287,963	288,289	287,015	327	1,274	366,567
Footpaths	79,796	79,853	79,917	58	(64)	68,137
Drains	223,608	223,949	223,098	340	851	171,398
Bridges	58,231	58,220	58,846	(11)	(626)	59,262
Off-street Car Parks	9,727	9,716	9,781	(12)	(65)	8,382
Other Infrastructure	1,472	1,531	1,465	59	66	2,846
Total Non Current Assets	1,665,550	1,669,169	1,666,949	3,619	2,220	1,682,191
TOTAL ASSETS	1,875,538	1,874,181	1,805,552	(1,357)	68,629	1,788,758
Current Liabilities						
Trade and other payables	90,886	84,043	24,124	(6,842)	59,919	23,711
Trust funds and deposits	12,833	14,450	12,178	1,617	2,272	12,422
Provisions	6,754	6,534	7,094	(221)	(560)	4,090
Interest-bearing loans and borrowings	12,607	12,640	12,607	33	33	4,911
Total Current Liabilities	123,080	117,667	56,003	(5,412)	61,664	45,134
Non Current Liabilities						
Provisions	1,681	121,750	1,257	120,070	120,493	4,112
Interest-bearing loans and borrowings	24,010	23,706	24,557	(304)	(851)	30,467
Trade and other payables	4,121	4,121	8,934	0	(4,813)	10,261
Total Non Current Liabilities	29,812	149,577	34,748	119,765	114,829	44,841
TOTAL LIABILITIES	152,891	267,245	90,751	114,353	176,494	89,975
NET ASSETS	1,722,647	1,606,937	1,714,801	(115,710)	(107,864)	1,698,783
Equity						
Accumulated Surplus	1,027,569	1,031,642	1,018,960	4,073	12,682	1,088,929
Reserves	695,078	575,295	695,841	(119,783)	(120,546)	609,854
TOTAL EQUITY	1,722,647	1,606,937	1,714,801	(115,710)	(107,864)	1,698,783

Comments: Trade & Other Receivables (current) have increased by \$71.8m primarily due to the recognition of rate debtors for the year. Trade & Other Payables (current) have increased by \$59.9m mainly as a result of recognition of unearned rates and charges for the remainder of the year. Provisions (non-current) have increased by \$120.5m due to the recognition of future DCP commitments, and have been offset by a similar decrease in Reserves.

Cash Flow Statement For the period ended 30 September 2019

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Adopted Budget \$'000
Cash flows from operating activities				
<i>Receipts</i>				
Rates and Charges	26,305	24,146	2,159	96,585
Statutory Fees and Fines	749	1,256	(507)	5,022
User Fees	3,033	851	2,182	3,404
Grants - operating	2,829	3,585	(756)	14,338
Grants - capital	2,420	4,891	(2,471)	19,562
Contributions	4,336	4,560	(224)	18,240
Interest received	534	456	78	1,823
Other Receipts	(582)	426	(1,008)	1,704
GST received (net)	4,789	-	4,789	-
Total receipts from operating activities	44,413	40,170	4,244	160,678
<i>Payments</i>				
Employee costs	(9,590)	(9,831)	241	(39,323)
Materials and Services	(33,945)	(12,462)	(21,483)	(49,847)
Total payments from operating activities	(43,535)	(22,293)	(21,243)	(89,170)
Net cash provided by operating activities	878	17,877	(16,999)	71,508
Cash flows from investing activities				
Payments for property, plant and equipment	(4,573)	(20,691)	16,118	(82,765)
Proceeds from sales of assets	277	1,438	(1,161)	5,753
Net cash used in investing activities	(4,296)	(19,253)	14,957	(77,012)
Cash flows from financing activities				
Finance costs	(205)	(605)	400	(2,420)
Proceeds from borrowings (loan funds)	-	-	-	3,000
Repayment of borrowings	(817)	(1,197)	380	(4,786)
Net cash provided by financing	(1,022)	(1,802)	780	(4,205)
Change in cash held	(4,442)	(3,178)	(1,263)	(9,710)
Cash at beginning	111,293	43,714	67,579	43,714
Cash at end	106,851	40,537	66,317	34,004

Cash and Cash Equivalents Balances - excluding DCPs



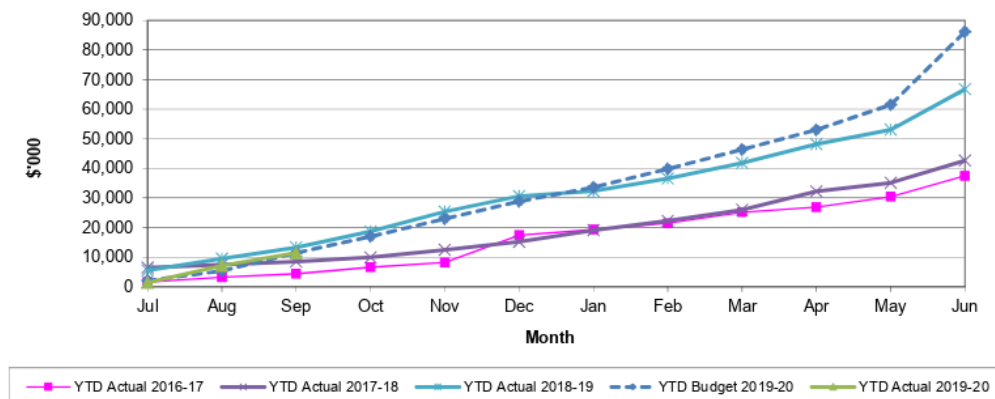
Comments: The total cash balance at the end of September 2019 is \$106.9m, which is \$4.4m lower than as at the end of June 2019. Council cash is \$7.0m lower and DCP cash is \$2.6m higher. Excluding DCPs, the cash balance is \$63.7m. This cash balance is committed to capital carry-forwards to 2019-20 and general Council operations.

Capital Works As at 30 September 2019

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
Deposits for asset purchases	172	-	(172)	-	-
Land	25	459	435	6,236	6,236
Buildings (including Buildings ledger)	7,056	5,218	(1,837)	28,389	20,842
Recreational & Community	829	3,171	2,343	19,007	12,908
Plant & Machinery	227	701	474	3,402	2,115
Furniture & Equipment	82	-	(82)	50	50
Roads	2,132	860	(1,272)	22,262	14,095
Footpaths	279	300	21	1,866	1,369
Drains	62	15	(47)	450	450
Bridges	11	-	(11)	1,051	452
Off Street Car Parks	13	250	237	723	546
Other Infrastructure	80	-	(80)	168	173
Intangibles (including software)	-	135	135	772	560
Project Expenditure	10,966	11,109	143	84,376	59,797
Add non capital project expenditure:					
Capital Works	457	207	(251)	790	605
Community Capital Works	62	84	21	838	450
Priority Works	12	25	13	120	150
Total Project Expenditure	11,497	11,425	(73)	86,123	61,002

*Revised Budget is the 2019-20 Adopted Budget plus carry-overs from 2018-19.

Total Project Expenditure



Comments: Total Project Expenditure is currently \$11.5m (or 13.3% of the full year revised budget), which is \$1.8m less than as at the same time last year, and \$0.1m higher than the year-to-date budget. The major items of expenditure this financial year have been continuing works on major projects - Lang Lang recreation facility (\$1.7m), Pakenham industrial area special charge scheme (\$1.5m), Hills Hub (\$1.3m), James Bathe Recreation Reserve (\$1.2m) and Deep Creek Reserve (\$1.1m).

The following projects budgeted this financial year have already been identified as not being completed until future financial years - Emerald netball facility, Comely Banks Reserve pavilion, Koo Wee Rup football/netball pavilion, Timbertop Integrated Children's Centre, Gembrook Reserve pavilion. Further details will be available at the end of October.