

16 QUARTERLY FINANCIAL REPORT

FILE REFERENCE INT2010638

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RECOMMENDATION

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

Attachments

1 Financial Performance Report 11 Pages

EXECUTIVE SUMMARY

This report details Council's financial performance for the six months ended 31 December 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. Note that if actual income is greater than budgeted income or actual expenditure is less than budgeted, the variance is favourable. If actual income is less than budgeted or actual expenditure is greater than budgeted expenditure, the variance is unfavourable.
- 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. The Monthly Financial Performance Report is subsequently presented to the Senior Leadership Team.

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 31 December 2019.

The operating result for the six months ended 31 December 2019 is a surplus of \$1.8m. This is \$1.7m better than the year-to-date budgeted surplus of \$0.04m.

Operating income is \$0.5m favourable to budget, predominantly in Operating Grants. Operating expenditure is \$1.2m favourable to budget, mainly in Materials & Services. Detailed variance analysis is included in the attached report.

The total cash balance as at 31 December 2019 is \$98.9m, which is \$12.4m lower than at the end of June 2019. Excluding developer related funds, the cash balance is \$60.8m.

Total project expenditure for the six months to 31 December 2019 is \$37.3m, which is \$6.6m more than at the same time last year and \$8.5m 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 31 December 2019.



Financial Performance Report

**For the period
1 July 2019
to
31 December 2019**

Contents
December 2019

Executive Summary	1
Income Statement	2
Income Statement Major Variance Analysis - Operating Income	3
Income Statement Major Variance Analysis - Operating Expenditure	4
Income Statement Major Variance Analysis - Capital / Non-Recurrent Items	5
Balance Sheet	6
Cash Flow Statement	7
Capital Works	8

Executive Summary

December 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 31 December 2019 against the adopted budget.

Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	59,441	58,928	513	0.9%	F
Operating Expenditure	57,651	58,887	1,236	2.1%	F
Operating Surplus/(Deficit)	1,790	41	1,749		

The operating surplus of \$1.8m is \$1.7m better than the year-to-date budgeted surplus of \$41k. At the end of December, revenue is \$0.5m favourable, and expenditure (after excluding funded capital works expensed) is \$2.6m favourable.

As at the end of December, the forecast result for the end of the 2019-20 financial year is an operating deficit of \$0.1m, which is \$4.3m unfavourable to the budgeted operating surplus of \$4.1m. Revenue is forecast to be \$0.2m favourable, mainly in Operating Grants, due to receipt of the bushfire recovery grant of \$1.5m, partly offset by income from supplementary rates, fees & charges, and interest which are all forecast to be under budget. Expenditure is forecast to be \$4.5m over budget, mainly in Materials & Services and Employee Benefits.

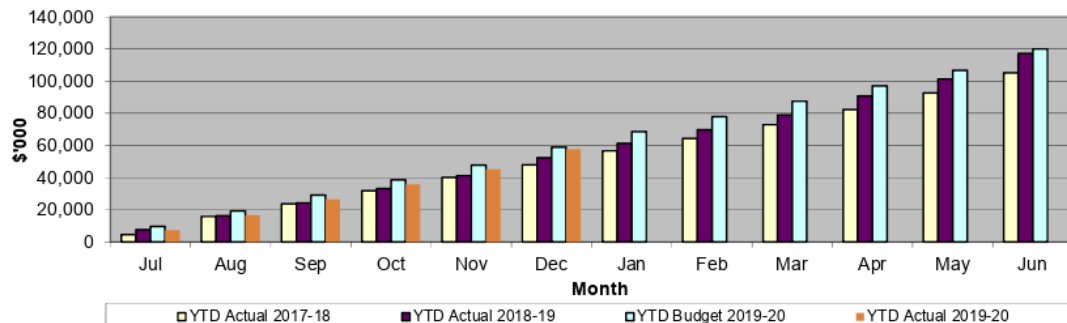
The total cash balance at the end of December 2019 is \$98.9m, which is \$12.4m lower than as at the end of June 2019. Council cash is \$9.9m lower and DCP cash is \$2.5m lower. The total cash amount of \$98.9m is currently \$44.8m above the restricted cash balance of \$54.1m. This cash balance is committed to capital carry-forwards to 2019-20 and general Council operations. The forecast cash balance at the end of 2019-20 is \$103.4m, compared to the budgeted amount of \$85.5m.

Total Project Expenditure is currently \$37.3m (or 43.3% of the full year revised budget, with 50% of the year now complete), which is \$6.6m more than as at the same time last year, and \$8.5m higher than the year-to-date budget. The major items of expenditure this financial year have been Land Acquisitions (\$9.1m) and continuing works on major projects - Lang Lang recreation facility (\$3.9m), Pakenham industrial area special charge scheme (\$2.9m), Hills Hub (\$2.8m), and James Bathe Recreation Reserve (\$2.0m). The major projects ahead of budget are Land Acquisitions (by \$8.6m), Pakenham industrial area special charge scheme (\$1.4m) and Hills Hub (\$1.3m), and the major projects behind budget are Koo Wee Rup High School sports facilities (by \$1.2m), Cardinia Cultural Centre extension (\$1.0m) and plant replacement (\$0.9m). As at the end of December, forecast total project expenditure for the 2019-20 financial year is \$71.3m, with estimated carryovers of \$21.1m, compared to the total revised budget (adopted budget plus carry-overs) capital works expenditure for 2019-20 of \$86.1m.

Income Statement
For the period ended 31 December 2019

	Current Month			Year to Date			Full Year
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Budget \$'000
Operating Income							
1 Rates charges	8,249	8,056	194	48,083	48,404	(321)	97,299
2 Statutory fees and fines	415	363	52	1,843	2,171	(328)	5,022
3 User Fees	20	220	(200)	1,099	1,645	(546)	3,625
4 Contributions (cash)	11	0	11	58	0	58	350
5 Grants - Operating	309	151	159	6,224	4,904	1,321	14,338
6 Other revenue	342	100	242	1,425	989	436	1,704
7 Interest	183	165	18	708	816	(108)	1,823
Total Operating Income	9,529	9,054	476	59,441	58,928	513	124,160
Operating Expenditure							
8 Employee benefits	4,564	4,490	(74)	19,818	19,552	(266)	39,523
9 Materials & Services	5,444	4,052	(1,392)	23,913	24,840	927	50,444
10 Bad & doubtful debts	24	11	(12)	112	68	(44)	176
11 Depreciation	2,088	2,088	0	12,309	12,527	218	25,054
12 Other Expenses	90	190	100	649	970	321	2,399
13 Finance costs	191	208	17	850	909	58	2,420
14 Internal Charges (should be zero)	0	7	7	0	21	21	0
Total Operating Expenditure	12,400	11,047	(1,354)	57,651	58,887	1,236	120,016
Operating Profit/(Loss)	(2,871)	(1,993)	(878)	1,790	41	1,749	4,144
Capital/Non-recurrent items							
15 Grants - Capital	10	0	10	2,963	597	2,366	19,562
16 Capital Contributions (cash)	0	0	0	242	0	242	625
17 Development Levies (cash)	2,199	1,229	970	9,033	9,888	(855)	17,265
18 Capital Contributions (non cash)	2,294	2,680	(386)	11,917	14,367	(2,450)	45,000
19 Development Levies (non cash)	(162)	0	(162)	95	0	95	0
20 Net gain(loss) on disposal of propert	(77)	(0)	(77)	(48)	987	(1,036)	987
Total Capital/Non-rec. items	4,264	3,910	354	24,202	25,840	(1,639)	83,439
Net Surplus	1,393	1,917	(524)	25,992	25,881	110	87,583

Total Operating Expenditure



Income Statement Major Variance Analysis - December 2019

Operating Income

	YTD Variance \$'000 Fav/(Unfav)	Notes to Accounts	Permanent Variance \$'000 Fav/(Unfav)	Timing Variance \$'000 Fav/(Unfav)
1 Rates & Charges	(321)	Rates revenue is lower than budget by \$424k primarily due to lower supplementary rates. Garbage charge revenue, including green waste bin income, is under budget by \$107k but should increase as new services are added during the year. These have been partly offset by interest on rates and charges which are currently better than budget by \$210k.	(424)	103
2 Statutory Fees & Fines	(328)	Development fees (plan checking and supervision) and planning fees are under budget by \$476k and \$101k respectively due to a slowdown in development activity. These have been partly offset by Food and Health Act fees which are \$207k better than budget due to timing.	(229)	(99)
3 User Fees	(546)	User charges for a number of activities, including Cardinia Cultural Centre (\$234k), Emerald Lake Park (\$78k) and Passive Reserves (\$60k) are under budget, and are forecast to be under budget at the end of the year. Cardinia LiFE (\$86k) income is currently under budget by \$86k due to timing.	(372)	(174)
4 Contributions (Cash)	58	Decorative light pole, native vegetation and other minor contributions are better than budget due to timing.		58
5 Grants - Operating	1,321	Unbudgeted grants totalling \$313k have been recognised - the most significant being for recycling processing (\$124k) and Cannibal Creek Biodiversity (\$122k). Budgeted grants are \$1.0m better than budget, primarily due to the Busfire grant (\$767k), School Crossing Supervisors grant (\$129k) and the Urban Fringe Weeds grant (\$100k).	1,180	141
6 Other Revenue	436	Cost recovery income is better than budget, mainly as a result of the receipt of unbudgeted items totalling \$421k, the major item being for Capital Works.	177	259
7 Interest	(108)	Interest on DCP investments is under budget by \$116k, but has been partly offset by better than budgeted interest on Council investments of \$8k.	(108)	
Total	513		224	289

Income Statement Major Variance Analysis - December 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	2,366	Favourable variance is due to the recognition of unbudgeted grants totalling \$1.3m, the major ones being for Beaconsfield Recreation Reserve universal facilities upgrade (\$503k) and Emerald Community Hub (\$300k), and a \$1.1m variance due to the timing of receipt of budgeted grants.	1,271	1,095
16 Capital Contributions (Cash)	242	Unbudgeted contributions to the Fairbridge Lane Cockatoo special charge scheme (\$240k) and Lang Lang sporting facilities (\$2k) have been recognised.	242	
17 Development Levies (Cash)	(855)	Developer levies, community infrastructure levies, and public open space levies recognised total \$9.0m, which is \$855k under budget, due to a slowdown in development. Non-DCP levies are \$2.0m lower and DCP related levies are \$1.1m higher.	(855)	
18 Capital Contributions (Non-Cash)	(2,450)	This includes the value of developer contributed assets - roads, footpaths, bridges and drains, and is \$2.5m lower than the year-to-date budget.		(2,450)
19 Development Levies (Non-Cash)	95	This includes the value of DCP related developer contributed assets - roads, footpaths, bridges and drains, which currently total \$95k. This item was not budgeted.	95	
20 Net Gain/(Loss) on Disposal of Assets	(1,036)	The net proceeds from the sale of land and plant are \$839k under budget due to timing. Additionally, the value of disposed infrastructure assets currently totals \$196k.	(196)	(840)
Total	(1,639)		557	(2,196)

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 31 December 2019

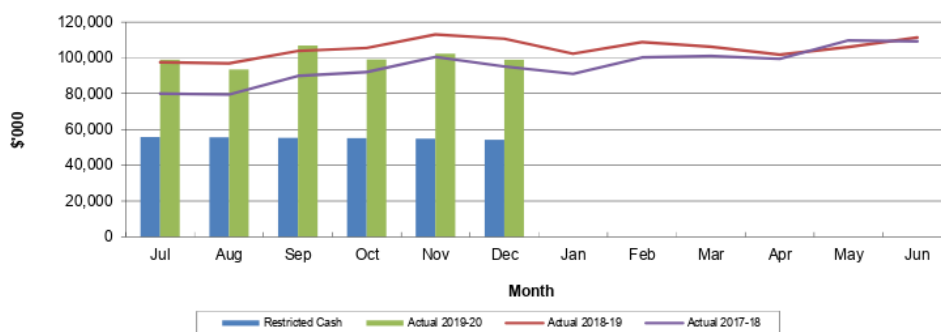
	Prior Month \$'000	Current Month \$'000	Prior Year June 2019 \$'000	Monthly Change \$'000	Yearly Change \$'000	Adopted Budget \$'000
Current Assets						
Cash & Cash Equivalents	102,298	98,896	111,293	(3,403)	(12,397)	85,504
Trade & Other Receivables	79,177	67,289	21,247	(11,888)	46,042	19,264
Accrued Income	0	0	351	0	(351)	425
Prepayments	2,363	5,378	2,929	3,015	2,449	1,348
Inventories/Land Held for Resale	2,787	2,781	2,783	(6)	(2)	26
Total Current Assets	186,626	174,345	138,603	(12,281)	35,742	106,567
Non Current Assets						
Intangible Assets	562	538	684	(24)	(146)	587
Trade & Other Receivables	91	91	5,549	0	(5,458)	11,483
Investments Long Term	1,331	1,331	1,331	0	0	1,493
Land	742,230	742,223	736,640	(7)	5,583	675,106
Buildings	220,042	221,588	209,996	1,546	11,592	253,202
Recreational, Leisure & Community Facilities	46,130	47,295	44,422	1,165	2,873	48,640
Plant & Machinery	6,413	6,453	6,360	40	93	10,623
Furniture, Equipment & Computers	1,915	1,925	1,845	10	80	4,465
Roads	290,687	291,915	287,015	1,228	4,900	366,567
Footpaths	80,459	80,665	79,917	205	748	68,137
Drains	226,038	227,508	223,098	1,469	4,410	171,398
Bridges	58,192	58,252	58,846	59	(594)	59,262
Off-street Car Parks	9,755	9,983	9,781	228	202	8,382
Other Infrastructure	1,859	1,955	1,465	96	490	2,846
Total Non Current Assets	1,685,706	1,691,722	1,666,949	6,016	24,773	1,682,191
TOTAL ASSETS	1,872,332	1,866,066	1,805,552	(6,265)	60,514	1,788,758
Current Liabilities						
Trade and other payables	70,562	65,080	24,124	(5,482)	40,956	23,711
Trust funds and deposits	13,025	11,377	12,178	(1,649)	(801)	12,422
Provisions	5,950	5,629	7,094	(321)	(1,465)	4,090
Interest-bearing loans and borrowings	12,631	12,631	12,607	0	24	4,911
Total Current Liabilities	102,168	94,717	56,003	(7,451)	38,714	45,134
Non Current Liabilities						
Provisions	122,304	122,737	1,257	433	121,480	4,112
Interest-bearing loans and borrowings	22,936	22,296	24,557	(640)	(2,261)	30,467
Trade and other payables	6,078	6,078	8,934	0	(2,856)	10,261
Total Non Current Liabilities	151,318	151,111	34,748	(207)	116,363	44,841
TOTAL LIABILITIES	253,486	245,828	90,751	(7,658)	155,077	89,975
NET ASSETS	1,618,845	1,620,238	1,714,801	1,393	(94,563)	1,698,783
Equity						
Accumulated Surplus	1,043,550	1,044,943	1,018,960	1,393	25,983	1,088,929
Reserves	575,295	575,295	695,841	0	(120,546)	609,854
TOTAL EQUITY	1,618,845	1,620,238	1,714,801	1,393	(94,563)	1,698,783

Comments: Trade & Other Receivables (current) have increased by \$46.0m primarily due to the recognition of rate debtors for the year. The total of infrastructure assets has increased by a total of \$30.4m due to the recognition of new and developer contributed assets. Trade & Other Payables (current) have increased by \$41.0m mainly as a result of recognition of unearned rates and charges for the remainder of the year. Provisions (non-current) have increased by \$121.5m 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 31 December 2019

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Adopted Budget \$'000
Cash flows from operating activities				
Receipts				
Rates and Charges	51,785	48,293	3,493	96,585
Statutory Fees and Fines	2,048	2,511	(463)	5,022
User Fees	1,040	1,702	(662)	3,404
Grants - operating	6,659	7,169	(510)	14,338
Grants - capital	2,963	9,781	(6,818)	19,562
Contributions	10,962	9,120	1,842	18,240
Interest received	926	912	15	1,823
Trust funds and deposits taken and repaid	(1,691)	-	(1,691)	-
Other Receipts	328	852	(524)	1,704
GST received (net)	7,460	-	7,460	-
Total receipts from operating activities	82,480	80,339	2,141	160,678
Payments				
Employee costs	(19,845)	(19,662)	(184)	(39,323)
Materials and Services	(47,054)	(24,924)	(22,131)	(49,847)
Total payments from operating activities	(66,899)	(44,585)	(22,314)	(89,170)
Net cash provided by operating activities	15,581	35,754	(20,173)	71,508
Cash flows from investing activities				
Payments for property, plant and equipment	(25,189)	(41,383)	16,194	(82,765)
Proceeds from sales of assets	295	2,877	(2,582)	5,753
Net cash used in investing activities	(24,894)	(38,506)	13,612	(77,012)
Cash flows from financing activities				
Finance costs	(850)	(1,210)	360	(2,420)
Proceeds from borrowings (loan funds)	-	-	-	3,000
Repayment of borrowings	(2,236)	(2,393)	157	(4,786)
Net cash provided by financing	(3,086)	(3,603)	517	(4,205)
Change in cash held	(12,397)	(6,355)	(6,044)	(9,710)
Cash at beginning	111,293	43,714	67,579	43,714
Cash at end	98,896	37,359	61,535	34,004

Cash and Cash Equivalents Balances



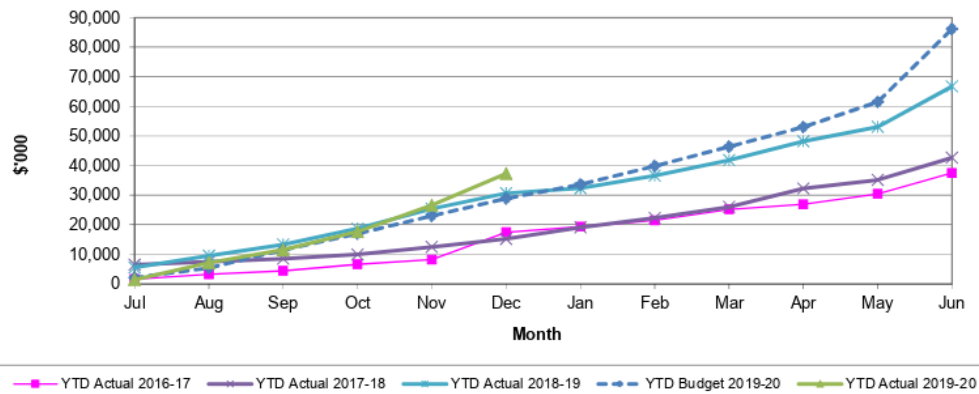
Comments: The total cash balance at the end of December 2019 is \$98.9m, which is \$12.4m lower than as at the end of June 2019. Council cash is \$9.9m lower and DCP cash is \$2.5m lower. The total cash amount of \$98.9m is currently \$44.8m above the restricted cash balance of \$54.1m. This cash balance is committed to capital carry-forwards to 2019-20 and general Council operations.

Capital Works As at 31 December 2019

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
DCP Works in Kind not yet credited	1,379	-	(1,379)	-	-
Deposits for asset purchases	3,187	-	(3,187)	-	-
Land	4,659	459	(4,200)	6,236	6,236
Buildings (including Buildings ledger)	14,575	10,988	(3,587)	28,389	20,842
Recreational & Community	3,486	9,059	5,573	19,007	12,908
Plant & Machinery	957	1,431	474	3,402	2,115
Furniture & Equipment	139	-	(139)	50	50
Roads	5,255	4,243	(1,012)	22,262	14,095
Footpaths	785	839	54	1,866	1,369
Drains	471	50	(421)	450	450
Bridges	160	139	(21)	1,051	452
Off Street Car Parks	347	553	207	723	546
Other Infrastructure	518	56	(462)	168	173
Intangibles (including software)	-	222	222	772	560
Project Expenditure	35,917	28,039	(7,879)	84,376	59,797
Add non capital project expenditure:					
Capital Works	1,187	403	(784)	790	605
Community Capital Works	176	335	159	838	450
Priority Works	12	45	33	120	150
Total Project Expenditure	37,293	28,822	(8,471)	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 \$37.3m (or 43.3% of the full year revised budget, with 50% of the year now complete), which is \$6.6m more than as at the same time last year, and \$8.5m higher than the year-to-date budget. The major items of expenditure this financial year have been Land Acquisitions (\$9.1m) and continuing works on major projects - Lang Lang recreation facility (\$3.9m), Pakenham industrial area special charge scheme (\$2.9m), Hills Hub (\$2.8m), and James Bathe Recreation Reserve (\$2.0m). The major projects ahead of budget are Land Acquisitions (by \$8.6m), Pakenham industrial area special charge scheme (\$1.4m) and Hills Hub (\$1.3m), and the major projects behind budget are Koo Wee Rup High School sports facilities (by \$1.2m), Cardinia Cultural Centre extension (\$1.0m) and plant replacement (\$0.9m). Refer to Appendix 4 - Capital Works Program - for further information on the 2019-20 Capital Works program.

A number of projects budgeted this financial year have been identified as not being completed until future financial years, including - McGregor Road/Pakenham Bypass interchange, Cora Lynn Reserve pavilion, roads sealing program, Toomuc Reserve senior pavilion and Koo Wee Rup football/netball pavilion.

Capital Works
As at 31 December 2019

Major capital carry-overs from 2018-19 to 2019-20

	Adopted Budget 2019-20 \$'000	Carry-overs from 2018-19 \$'000	Revised Budget 2019-20 \$'000	YTD Actual \$'000	Balance of funds \$'000
Peet Street Special Charge Scheme construction	-	3,989	3,989	2,932	1,058
Cardinia Cultural Centre Exhibition Space	-	1,792	1,792	785	1,007
Worrell Reserve pavilion construction	700	1,778	2,478	1,703	775
Integrated Children's Facility - Timbertop	-	1,726	1,726	76	1,650
Roads Sealing Program	2,500	1,718	4,218	96	4,122
Bunyip Soccer Facility	1,080	1,508	2,588	1,845	743

The table above lists the projects with the major carried over amounts from 2018-19 and how they tracking against year-to-date expenditure.