

## FINANCIAL REPORTS

### 9 **QUARTERLY FINANCE REPORT**

FILE REFERENCE INT178566

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#### RECOMMENDATION

That the quarterly financial report for the period 1 July 2016 to 31 December 2016 be received and noted.

#### Attachments

- 1 Quarterly Finance Report 10 Pages

#### EXECUTIVE SUMMARY

This report details Council's financial performance for the six months ended 31 December 2016

#### BACKGROUND

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

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

#### FINANCIAL AND RESOURCE IMPLICATIONS

The analysis undertaken as part of the Financial Performance Report is based on the differences between the budget adopted in April 2016 and the actual result as at 31 December 2016.

The operating result for the six months ended 31 December 2016 is a surplus of \$4.786m. This is \$3.662m better than the budgeted surplus of \$1.124m.

Operating income is \$1.969m favourable to budget, predominantly in Rates & Charges and Statutory Fees & Fines. Operating expenditure is \$1.693m favourable to budget, mainly in Materials & Services, partly offset by Depreciation.

The total cash balance as at 31 December 2016 is \$71.839m, which is \$20.536m higher than at the end of June 2016. Excluding developer related funds, the cash balance is \$37.905m.

Capital Works expenditure for the six months to 31 December 2016 is \$17.452m, which is \$8.987m more than at the same time last year.

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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 2016 to 31 December 2016



# **Financial Performance Report**

**For the period  
1 July 2016  
to  
31 December 2016**

**Contents**  
**December 2016**

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## Executive Summary

### December 2016

#### Background

The financial report includes four of the six budgeted financial statements from Section 3 (Financial Statements) of the 2016/17 adopted budget. The information provides a summary of Cardinia Shire Council's financial position and performance for the period to 31 December 2016 against the adopted budget.

#### Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	50,478	48,509	1,969	4.1%	F
Operating Expenditure	45,692	47,385	1,693	3.6%	F
<b>Operating Surplus/(Deficit)</b>	<b>4,786</b>	<b>1,124</b>	<b>3,662</b>		

The year-to-date operating surplus of \$4.786m is \$3.662m better than the year-to-date budgeted surplus of \$1.124m.

Revenue is \$1.969m favourable, and expenditure is \$1.693m favourable. Explanations of significant variances from the adopted budget are included in this report.

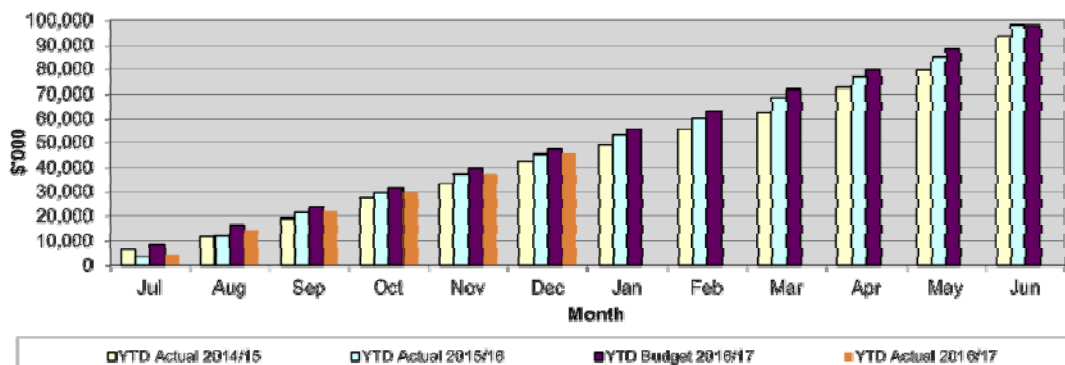
The total cash balance at the end of December 2016 is \$71.839m which is \$20.536m higher than as at the end of June 2016. This is mainly due to receipt of proceeds from the sale of land at South East Business Park and the timing of receipt of rates and charges. Excluding developer related funds, the cash balance is \$37.905m.

Total Project Expenditure is currently \$17.452m, which is \$8.987m more than at the same time last year. This is primarily due to recognition of the land for James Bathe Recreation Reserve.

**Income Statement**  
**For the period ended 31 December 2016**

	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	6,447	6,456	(9)	39,268	38,734	534	77,468
2 Statutory fees and fines	482	227	255	1,730	1,211	518	3,215
3 User Fees	167	137	30	1,146	1,057	89	2,342
4 Contributions (cash)	52	16	36	120	61	59	118
5 Grants - Operating	177	120	57	6,220	5,931	288	11,456
6 Other revenue	134	239	(105)	1,343	1,136	208	2,740
7 Interest	132	54	78	652	379	273	752
<b>Total Operating Income</b>	<b>7,591</b>	<b>7,249</b>	<b>343</b>	<b>50,478</b>	<b>48,509</b>	<b>1,969</b>	<b>98,089</b>
<b>Operating Expenditure</b>							
8 Employee benefits	2,553	2,373	(179)	14,948	15,042	94	31,747
9 Materials & Services	3,500	3,126	(373)	18,701	20,311	1,610	40,520
10 Bad & doubtful debts	26	13	(14)	37	77	40	172
11 Depreciation	1,597	1,589	(8)	9,752	9,535	(217)	19,070
12 Other Expenses	183	148	(35)	979	1,058	78	2,483
13 Finance costs	330	363	33	1,274	1,397	123	4,054
14 Internal Charges (should be zero)	0	(16)	(16)	0	(35)	(35)	0
<b>Total Operating Expenditure</b>	<b>8,189</b>	<b>7,597</b>	<b>(592)</b>	<b>45,692</b>	<b>47,385</b>	<b>1,693</b>	<b>98,046</b>
<b>Operating Profit/(Loss)</b>	<b>(598)</b>	<b>(348)</b>	<b>(249)</b>	<b>4,786</b>	<b>1,124</b>	<b>3,662</b>	<b>43</b>
<b>Capital/Non-recurrent items</b>							
15 Grants - Capital	139	0	139	1,733	820	913	2,072
16 Capital Contributions (cash)	6	0	6	134	128	6	5,238
17 Development Levies (cash)	1,659	70	1,588	8,357	421	7,936	842
18 Capital Contributions (non cash)	1,038	94	944	16,246	564	15,682	1,128
Development Levies (non cash)	0	0	0	(0)	0	(0)	0
19 Net gain(loss) on disposal of property	280	25	255	8,503	0	8,503	0
<b>Total Capital/Non-rec. Items</b>	<b>3,121</b>	<b>189</b>	<b>2,932</b>	<b>34,972</b>	<b>1,933</b>	<b>33,040</b>	<b>9,279</b>
<b>Net Surplus/(Deficit)</b>	<b>2,524</b>	<b>(159)</b>	<b>2,683</b>	<b>39,758</b>	<b>3,057</b>	<b>36,701</b>	<b>9,322</b>

**Total Operating Expenditure**



## Income Statement Major Variance Analysis - December 2016

## Operating Income

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
1 Rates & Charges	534	Rate revenue is \$400k better than budget, primarily due to better than expected supplementary rates. Garbage charges, which includes residential and commercial garbage and green waste, are \$134k better than budget.	211	323
2 Statutory Fees & Fines	518	Development fees (design checking and supervision) are \$281k better than budget due to increased development activity. Planning fees are \$171k better due to the statutory fee increases adopted late last year, and Food Act fees are \$172k better due to timing. These have been partly offset by Local Law and Animal Control fines which are a combined \$94k under budget. The net total of smaller variances is \$12k unfavourable.	171	347
3 User Fees	89	Favourable variance is primarily due to timing of recognition of section 86 committee revenues, which is currently \$86k better than budget. Smaller variances total \$3k favourable.	31	58
4 Contributions (Cash)	59	Decorative light pole contributions are \$47k better than budget due to an increase in volume. The net total of smaller variances is \$12k favourable.	41	18
5 Grants - Operating	288	Unbudgeted grants totalling \$302k have been recognised, the most significant being for flood rectification works. Budgeted grants are \$14k under budget, primarily due to the timing of the Community Resilience and L2P (learner to probationary program) grants.	302	(14)
6 Other Revenue	208	Cost recovery income is \$266k better than budget primarily due to receipt of unbudgeted items. Other variances total \$58k unfavourable.	349	(141)
7 Interest	273	Interest on investments, including DCP investments, are \$200k better than budget due to higher cash balances, and interest on rates, garbage and schemes are \$73k better than budget.	68	205
<b>Total</b>	<b>1,969</b>		<b>1,173</b>	<b>796</b>

## Income Statement Major Variance Analysis - December 2016

## Operating Expenditure

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
8 Employee Benefits	94	Employee benefits are \$94k under budget primarily due to vacancies within the organisation.		94
9 Materials & Services	1,610	Contracts are under budget by a total of \$1,056m, the major variances being for the green waste bin, hardgreen waste and putrescible disposal contracts which are all under budget, partly offset by the Melbourne Water drainage works contract which is over budget. The net total of other variances is \$554k under budget. This is primarily due to the timing of several major activities, including Street Lighting, Strategic Planning plans, and Roads Resheeting. Expenditure which is budgeted in the Capital Works program totals \$702k.	(52)  (702)	1,118  1,256
10 Bad & Doubtful Debts	40	Animal Control bad and doubtful debts are \$34k under budget, and smaller variances total \$6k under budget, all due to timing.		40
11 Depreciation	(217)	Unfavourable variance is mainly due to a large increase in developer contributed assets and the construction of several new Council buildings.	(217)	
12 Other Expenses	78	Favourable variance is primarily due to timing of several major activities including Garbage Collection other expenditure and Hardware lease costs. Expenditure which is budgeted in the Capital Works program totals \$123k.	(123)	201
13 Finance Costs	123	Interest on loans are \$93k under budget primarily due to the timing of the draw down of the new 2016/17 loan, and bank charges are \$30k under budget due to timing.	93	30
14 Internal Charges	(35)	Internal charges actual income matches internal charges actual expenditure across the organisation. This account will have a nil variance at the end of the financial year.		(35)
<b>Total</b>	<b>1,693</b>		<b>(1,011)</b>	<b>2,704</b>



## Income Statement Major Variance Analysis - December 2016

## Capital / Non-Recurrent Items

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	913	Capital grants are \$913k better than budget primarily due to the receipt of unbudgeted grants totalling \$626k, the major one being for Arena Kindergarten, and the timing of the Roads to Recovery grant which is currently \$319k better than budget. These have been partly offset by the VGC local roads capital grant which is \$32k under budget.	594	319
16 Capital Contributions (Cash)	6	Minor variance is due to recognition of an unbudgeted cash contribution.	6	
17 Development Levies (Cash)	7,936	Developer levies, community infrastructure levies, and public open space levies recognized total \$8.357m, which is \$7.936m better than budget. Non-DCP levies are \$998k better and DCP related levies are \$6.938m better.	7,936	
18 Capital Contributions (Non-Cash)	15,682	The value of developer contributed assets year-to-date is \$16.246m, which is \$15.682m better than budget. Non-DCP contributions are \$10.712m better and DCP related contributions are \$4.970k better.	15,682	
19 Net Gain/(Loss) on Disposal of Assets	8,503	Favourable variance is primarily due to recognition of the net proceeds of \$8.443m from the sale of land at South East Business Park. Additionally, net proceeds from sale of other land and plant and disposal of infrastructure assets are a combined \$60k better than budget.	8,842	(339)
<b>Total</b>	<b>33,048</b>		<b>33,060</b>	<b>(20)</b>

**Balance Sheet**  
**As at 31 December 2016**

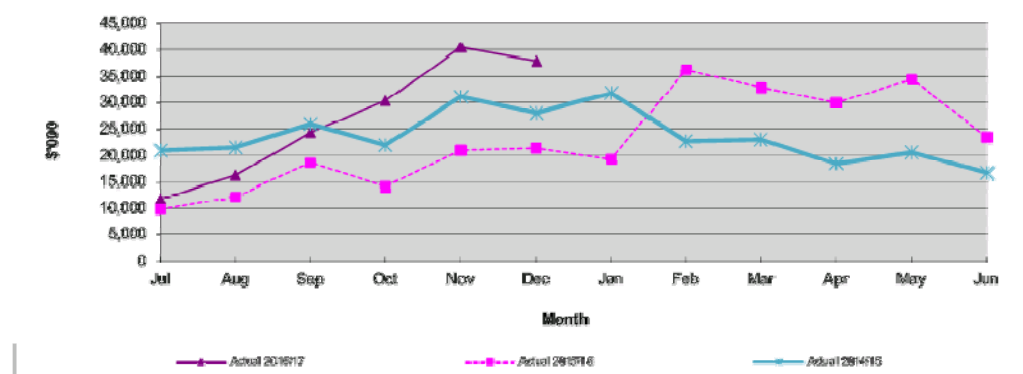
	Prior Month \$'000	Current Month \$'000	Prior Year June 2016 \$'000	Monthly Change \$'000	Yearly Change \$'000
<b>Current Assets</b>					
Cash & Cash Equivalents	72,255	71,839	51,303	(416)	20,536
Trade & Other Receivables	59,978	65,752	27,241	5,774	38,511
Accrued Income	0	0	296	0	(296)
Prepayments	0	0	351	0	(351)
Inventories/Land Held for Resale	17	23	8,739	7	(8,716)
<b>Total Current Assets</b>	<b>132,250</b>	<b>137,614</b>	<b>87,930</b>	<b>5,364</b>	<b>49,684</b>
<b>Non Current Assets</b>					
Intangible Assets	603	646	669	43	(23)
Trade & Other Receivables	4,607	4,607	4	0	4,604
Investments Long Term	1,591	1,591	1,591	0	0
Land	338,988	339,171	330,698	184	8,473
Buildings	117,718	118,085	115,400	367	2,685
Other Structures	23,585	23,526	23,876	(60)	(350)
Plant & Machinery	6,091	6,021	6,481	(71)	(460)
Furniture, Equipment & Computers	2,685	2,566	2,680	(119)	(114)
Roads	233,586	234,388	231,307	801	3,081
Footpaths	60,645	60,717	58,922	72	1,795
Drains	166,625	166,750	163,696	125	3,054
Bridges	44,756	44,688	45,158	(68)	(470)
Off-street Car Parks	7,641	7,633	7,729	(8)	(95)
Other Infrastructure	337	336	344	(1)	(8)
<b>Total Non Current Assets</b>	<b>1,009,459</b>	<b>1,010,726</b>	<b>988,554</b>	<b>1,266</b>	<b>22,172</b>
<b>TOTAL ASSETS</b>	<b>1,141,710</b>	<b>1,148,339</b>	<b>1,076,484</b>	<b>6,630</b>	<b>71,856</b>
<b>Current Liabilities</b>					
Trade and other payables	51,546	55,917	16,603	4,371	39,314
Trust funds and deposits	10,291	10,583	9,825	293	758
Provisions	6,314	6,456	5,555	142	900
Interest-bearing loans and borrowings	4,765	4,765	4,765	0	0
<b>Total Current Liabilities</b>	<b>72,915</b>	<b>77,720</b>	<b>36,748</b>	<b>4,805</b>	<b>40,972</b>
<b>Non Current Liabilities</b>					
Provisions	37,145	37,084	1,909	(61)	35,175
Interest-bearing loans and borrowings	45,821	45,183	47,521	(638)	(2,338)
Trade and other payables	0	0	6,155	0	(6,155)
<b>Total Non Current Liabilities</b>	<b>82,966</b>	<b>82,267</b>	<b>55,586</b>	<b>(699)</b>	<b>26,681</b>
<b>TOTAL LIABILITIES</b>	<b>155,881</b>	<b>159,987</b>	<b>92,334</b>	<b>4,106</b>	<b>67,653</b>
<b>NET ASSETS</b>	<b>985,829</b>	<b>988,352</b>	<b>984,150</b>	<b>2,524</b>	<b>4,203</b>
<b>Equity</b>					
Accumulated Surplus	667,748	670,271	630,326	2,524	39,945
Reserves	318,081	318,081	353,823	0	(35,742)
<b>TOTAL EQUITY</b>	<b>985,829</b>	<b>988,352</b>	<b>984,150</b>	<b>2,524</b>	<b>4,203</b>

Comments: Trade & Other Receivables (current) have increased by \$38.511m mainly due to recognition of rate debtors for 2016/17, and Trade & Other Payables (current) have increased by \$39.314m mainly due to recognition of unamrt rates and charges for the remainder of 2016/17. Provisions (non-current) have increased by \$35.175m due to recognition of future DCP commitments, but have been offset by a similar decrease in Reserves. The increase in Accumulated Surplus of \$39.945m relates to the YTD Net Surplus.

### Cash Flow Statement For the period ended 31 December 2016

	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	41,727	38,466	3,261	76,932
Statutory Fees and Fines	1,904	1,608	296	3,215
User Fees	1,047	821	226	1,641
Grants - operating	6,171	5,728	443	11,456
Grants - capital	1,722	1,036	686	2,072
Contributions	6,682	3,099	3,583	6,198
Other Revenue	2,451	1,746	705	3,492
GST received (net)	2,668	-	2,668	-
<b>Total receipts from operating activities</b>	<b>64,372</b>	<b>52,504</b>	<b>11,868</b>	<b>105,006</b>
<b>Payments</b>				
Employee benefits	(15,162)	(15,603)	441	(31,205)
Contracts, Materials and Services	(27,529)	(20,981)	(6,548)	(41,962)
<b>Total payments from operating activities</b>	<b>(42,691)</b>	<b>(36,584)</b>	<b>(6,107)</b>	<b>(73,167)</b>
<b>Net cash provided by operating activities</b>	<b>21,681</b>	<b>15,920</b>	<b>5,761</b>	<b>31,838</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(8,360)	(16,595)	8,235	(33,190)
Proceeds from sales of assets	10,827	1,100	9,727	2,200
<b>Net cash used in investing activities</b>	<b>2,467</b>	<b>(15,495)</b>	<b>17,962</b>	<b>(30,990)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(1,274)	(2,027)	753	(4,054)
Proceeds from borrowings (loan funds)	-	-	-	3,250
Repayment of borrowings	(2,338)	(2,554)	216	(5,107)
<b>Net cash provided by financing</b>	<b>(3,612)</b>	<b>(4,581)</b>	<b>969</b>	<b>(5,911)</b>
<b>Change in cash held</b>	<b>20,536</b>	<b>(4,156)</b>	<b>24,692</b>	<b>(5,063)</b>
<b>Cash at beginning</b>	<b>51,303</b>	<b>37,171</b>	<b>14,132</b>	<b>37,171</b>
<b>Cash at end</b>	<b>71,839</b>	<b>33,015</b>	<b>38,824</b>	<b>32,108</b>

Cash and Cash Equivalents Balances - excluding DCPs



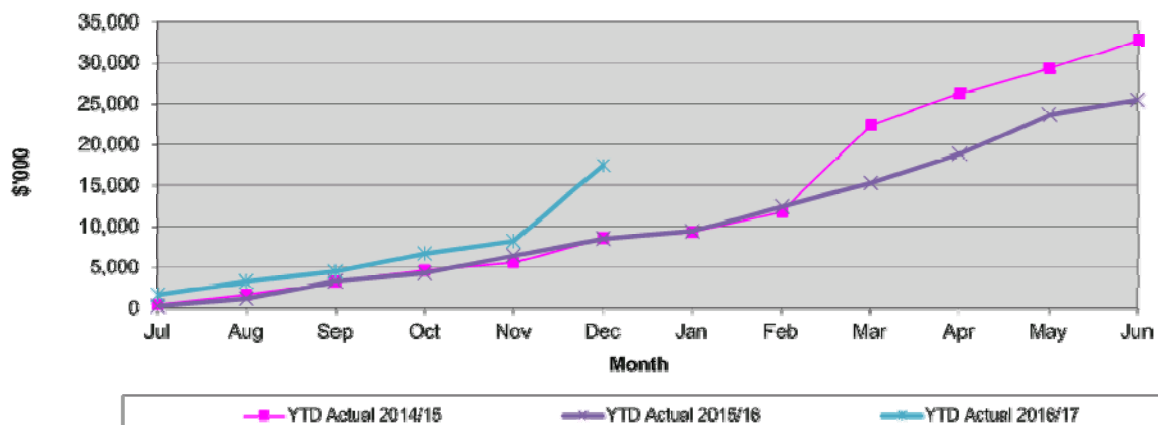
Comments: The total cash balance at the end of December 2016 is \$71.839m which is \$20.536m higher than as at the end of June 2016. This is mainly due to receipt of proceeds from the sale of land at South East Business Park and the timing of receipt of rates and charges. Excluding developer related funds, the cash balance is \$37.905m, as shown in the graph above.

### Capital Works As at 31 December 2016

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
DCP Works in Kind not yet credited	7,160	-	(7,160)	-	-
Land	1,300	640	(660)	6,672	1,370
Buildings (including Buildings ledger)	4,814	9,668	4,854	22,025	17,619
Community	145	486	341	1,234	1,090
Plant & Machinery	333	1,550	1,217	2,686	2,300
Furniture & Equipment	77	170	93	455	400
Roads	1,923	7,036	5,113	21,237	10,922
Footpaths	627	907	280	1,442	1,412
Drains	123	205	82	455	380
Bridges	10	300	290	1,108	600
Off Street Car Parks	9	-	(9)	-	-
Intangibles (including software)	57	-	(57)	-	-
<b>Project Expenditure</b>	<b>16,577</b>	<b>20,962</b>	<b>4,385</b>	<b>57,314</b>	<b>36,093</b>
<b>Add non capital project expenditure:</b>					
Capital Works	504	-	(504)	-	-
Community Capital Works	154	237	83	618	550
Priority Works	216	91	(125)	205	150
<b>Total Project Expenditure</b>	<b>17,452</b>	<b>21,290</b>	<b>3,838</b>	<b>58,138</b>	<b>36,793</b>

\*Revised Budget is the 2016/17 Adopted Budget plus carry-overs from 2015/16.

#### Project Expenditure - excluding new Civic Centre



Comments: Total Project Expenditure is currently \$17.452m, which is \$8.987m more than at the same time last year. This is primarily due to recognition of the land for James Bathie Recreation Reserve, which is included in the DCP Works in Kind category above. Note that for comparison purposes, the graph above excludes payments for the purchase of the new Civic Centre in 2014/15.