

## FINANCIAL REPORTS

### **3 QUARTERLY FINANCIAL REPORT**

FILE REFERENCE INT1729583

RESPONSIBLE GENERAL MANAGER Derek Madden

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#### RECOMMENDATION

That the quarterly financial report for the period 1 July 2016 to 31 March 2017 be received and noted.

#### Attachments

1 Financial performance report 10 Pages

#### EXECUTIVE SUMMARY

This report details Council's financial performance for the nine months ended 31 March 2017.

#### 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

#### POLICY IMPLICATIONS

Nil.

#### RELEVANCE TO COUNCIL PLAN

Monitoring the financial performance of the organisation against the annual budget and longer term financial outlooks. 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 2016-17 budget adopted in April 2016 and the actual result as at 31 March 2017.

The operating result for the nine months ended 31 March 2017 is a surplus of \$5.734m. This is \$4.153m better than the budgeted surplus of \$1.581m.

Operating income is \$2.869m favourable to budget, predominantly in Rates & Charges, Statutory Fees & Fines and Interest. Operating expenditure is \$1.284m favourable to budget, mainly in Materials & Services, partly offset by Depreciation.

The total cash balance as at 31 March 2017 is \$82.617m, which is \$31.314m higher than at the end of June 2016. Excluding developer related funds, the cash balance is \$40.880m. Capital Works expenditure for the nine months to 31 March 2017 is \$25.202m, which is \$9.960m more than at the same time last year.

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 March 2017.



# **Financial Performance Report**

**For the period  
1 July 2016  
to  
31 March 2017**

**Contents**  
**March 2017**

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## Executive Summary

### March 2017

#### 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 March 2017 against the adopted budget.

#### Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	75,687	72,818	2,869	3.9%	F
Operating Expenditure	69,953	71,236	1,284	1.8%	F
<b>Operating Surplus/(Deficit)</b>	<b>5,734</b>	<b>1,581</b>	<b>4,153</b>		

The year-to-date operating surplus of \$5.734m is \$4.153m better than the year-to-date budgeted surplus of \$1.581m. Revenue is \$2.869m favourable, and expenditure is \$1.284m favourable.

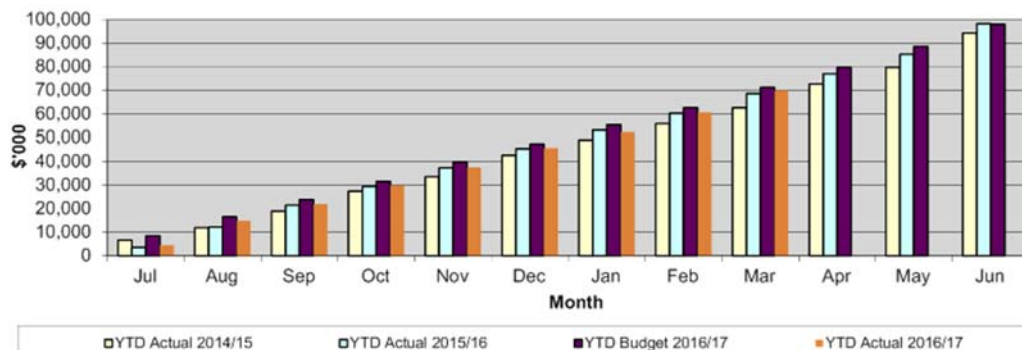
The total cash balance at the end of March 2017 is \$82.617m which is \$31.314m higher than as at the end of June 2016. Council cash is \$17.411m higher, mainly due to receipt of proceeds from the sale of land at South East Business Park, and developer related funds are \$13.903m higher. Excluding developer related funds, the cash balance is \$40.880m.

Total Project Expenditure is currently \$25.202m, which is \$9.960m 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 March 2017**

	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	6,468	6,456	12	58,831	58,101	730	77,468
2 Statutory fees and fines	235	202	33	2,651	2,112	539	3,215
3 User Fees	222	138	84	1,860	1,605	254	2,342
4 Contributions (cash)	(3)	12	(15)	270	90	181	118
5 Grants - Operating	208	124	84	9,096	8,667	429	11,456
6 Other revenue	179	244	(65)	1,934	1,697	236	2,740
7 Interest	65	54	11	1,046	546	500	752
<b>Total Operating Income</b>	<b>7,374</b>	<b>7,229</b>	<b>144</b>	<b>75,687</b>	<b>72,818</b>	<b>2,869</b>	<b>98,089</b>
<b>Operating Expenditure</b>							
8 Employee benefits	3,652	3,423	(228)	23,217	23,255	38	31,691
9 Materials & Services	3,343	3,006	(337)	27,968	29,592	1,623	40,576
10 Bad & doubtful debts	4	13	9	41	115	74	172
11 Depreciation	1,661	1,589	(72)	14,952	14,303	(650)	19,070
12 Other Expenses	243	142	(101)	1,776	1,831	55	2,483
13 Finance costs	317	352	35	1,998	2,188	189	4,054
14 Internal Charges (should be zero)	0	(12)	(12)	0	(47)	(47)	0
<b>Total Operating Expenditure</b>	<b>9,220</b>	<b>8,512</b>	<b>(707)</b>	<b>69,953</b>	<b>71,236</b>	<b>1,284</b>	<b>98,046</b>
<b>Operating Profit/(Loss)</b>	<b>(1,846)</b>	<b>(1,283)</b>	<b>(563)</b>	<b>5,734</b>	<b>1,581</b>	<b>4,153</b>	<b>43</b>
<b>Capital/Non-recurrent items</b>							
15 Grants - Capital	851	0	851	2,756	1,877	879	2,072
16 Capital Contributions (cash)	0	2,000	(2,000)	134	2,128	(1,994)	5,238
17 Capital Contributions Exp (cash)	(7,794)	0	(7,794)	(7,794)	0	(7,794)	0
18 Development Levies (cash)	470	70	399	19,422	631	18,790	842
19 Capital Contributions (non cash)	3,138	94	3,044	25,077	846	24,231	1,128
20 Capital Contributions Exp (non cash)	(4,357)	0	(4,357)	(4,357)	0	(4,357)	0
Development Levies (non cash)	0	0	0	(0)	0	(0)	0
21 Net gain(loss) on disposal of assets	(7)	25	(32)	8,504	0	8,504	0
<b>Total Capital/Non-rec. items</b>	<b>(7,700)</b>	<b>2,189</b>	<b>(9,889)</b>	<b>43,741</b>	<b>5,482</b>	<b>38,259</b>	<b>9,279</b>
<b>Net Surplus/(Deficit)</b>	<b>(9,546)</b>	<b>906</b>	<b>(10,452)</b>	<b>49,475</b>	<b>7,063</b>	<b>42,412</b>	<b>9,322</b>

**Total Operating Expenditure**



**Income Statement Major Variance Analysis - March 2017**

**Operating Income**

	<b>YTD Variance \$'000</b>	<b>Notes to Accounts</b>	<b>Permanent Variance \$'000</b>	<b>Timing Variance \$'000</b>
<b>1 Rates &amp; Charges</b>	<b>730</b>	Rate revenue is \$543k better than budget, primarily due to better than expected supplementary rates. Garbage charges, which includes residential and commercial garbage and green waste, are \$187k better than budget.	584	146
<b>2 Statutory Fees &amp; Fines</b>	<b>539</b>	Development fees (design checking and supervision) are \$392k better than budget due to increased development activity and Planning fees are \$375k better due to the statutory fee increases adopted late last year. These have been partly offset by Local Law and Animal Control fines which are a combined \$156k under budget and Fire Prevention fines which are \$73k under.	539	
<b>3 User Fees</b>	<b>254</b>	Favourable variance is primarily due to Cardinia Cultural Centre income which is \$243k better than budget (offset in other income and expenditure), and the recognition of section 86 committee revenue which is currently \$142k better than budget. These have been partly offset by smaller variances which total \$131k unfavourable.	254	
<b>4 Contributions (Cash)</b>	<b>181</b>	Decorative light pole contributions are \$171k better than budget due to an increase in volume. The net total of smaller variances is \$10k favourable.	176	5
<b>5 Grants - Operating</b>	<b>429</b>	Unbudgeted grants totalling \$293k have been recognised, the most significant being for flood rectification works. Budgeted grants are \$136k better than budget, primarily due to the Maternal & Child Health and School Crossing Supervisor grants.	293	136
<b>6 Other Revenue</b>	<b>236</b>	Cost recovery income is \$322k better than budget primarily due to receipt of unbudgeted items. Other variances total \$86k unfavourable.	311	(75)
<b>7 Interest</b>	<b>500</b>	Interest on investments, including DCP investments, are \$433k better than budget due to higher cash balances, and interest on rates, garbage and schemes are \$67k better than budget.	294	206
<b>Total</b>	<b>2,869</b>		<b>2,451</b>	<b>418</b>

**Income Statement Major Variance Analysis - March 2017**

**Operating Expenditure**

	<b>YTD Variance \$'000</b>	<b>Notes to Accounts</b>	<b>Permanent Variance \$'000</b>	<b>Timing Variance \$'000</b>
<b>8 Employee Benefits</b>	<b>38</b>	Employee benefits are \$38k under budget primarily due to vacancies within the organisation.		38
<b>9 Materials &amp; Services</b>	<b>1,623</b>	Contracts are under budget by a total of \$764k, the major variances being for the green waste bin and putrescible disposal contracts which are both under budget due to timing, partly offset by the Citywide parks and gardens contract which is over budget due to additional sites now being included. The net total of other variances is \$859k under budget. This is primarily due to the timing of several major activities, including Street Lighting, Strategic Planning plans, Corporate Management legal and professional fees, Software licences, and Diesel fuel. These have been partly offset by expenditure which is budgeted in the Capital Works program totalling \$1.255m.	(311)  (1,255)	1,075  2,114
<b>10 Bad &amp; Doubtful Debts</b>	<b>74</b>	Animal Control bad and doubtful debts are \$59k under budget, and smaller variances total \$15k under budget, all due to timing.		74
<b>11 Depreciation</b>	<b>(650)</b>	Unfavourable variance is mainly due to a large increase in developer contributed assets and the construction of several new Council buildings.	(650)	
<b>12 Other Expenses</b>	<b>55</b>	Favourable variance is primarily due to timing of several major activities including Garbage Collection and Animal Control other expenditure. These have been partly offset by expenditure which is budgeted in the Capital Works program totalling \$195k.	(195)	250
<b>13 Finance Costs</b>	<b>189</b>	Interest on loans are \$148k under budget primarily due to the budgeted 2016/17 loan not yet drawn down, and bank charges are \$41k under budget due to timing.	148	41
<b>14 Internal Charges</b>	<b>(47)</b>	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.		(47)
<b>Total</b>	<b>1,284</b>		<b>(2,263)</b>	<b>3,547</b>



**Income Statement Major Variance Analysis - March 2017**

**Capital / Non-Recurrent Items**

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	879	Unbudgeted grants totalling \$640k have been recognised, the major one being for Arena kindergarten. The Roads to Recovery grant is \$288k better than budget, but has been partly offset by the Victoria Grants Commission local roads capital grant which is \$49k under.	879	
16 Capital Contributions (Cash)	(1,994)	Unfavourable variance is due to timing of budgeted contribution for Lang Lang sporting facilities.	6	(2,000)
17 Capital Contributions Exp (Cash)	(7,794)	This entry is the recognition of funds payable to VicRoads for Cardinia Road Developer Contribution Plan (DCP) projects that have been delivered.	(7,794)	
18 Development Levies (Cash)	18,790	Developer levies, community infrastructure levies, and public open space levies recognised total \$19.422m, which is \$18.790m better than budget. Non-DCP levies are \$2.211m better and DCP related levies are \$16.579m better.	18,790	
19 Capital Contributions (Non-Cash)	24,231	The value of developer contributed assets (roads, footpaths, bridges and drains) year-to-date is \$25.077m, which is \$24.231m better than budget. Non-DCP contributions are \$20.020m better and DCP related contributions are \$4.211k better.	24,231	
20 Capital Contributions Exp (Non-Cash)	(4,357)	This entry primarily relates to VicRoads non-cash capital contributions that we make under the DCP - assets constructed as DCP works that ultimately belong to Vic Roads.	(4,357)	
21 Net Gain/(Loss) on Disposal of Assets	8,504	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 \$61k better than budget.	8,842	(338)
<b>Total</b>	<b>38,259</b>		<b>40,597</b>	<b>(2,338)</b>

**Balance Sheet**  
**As at 31 March 2017**

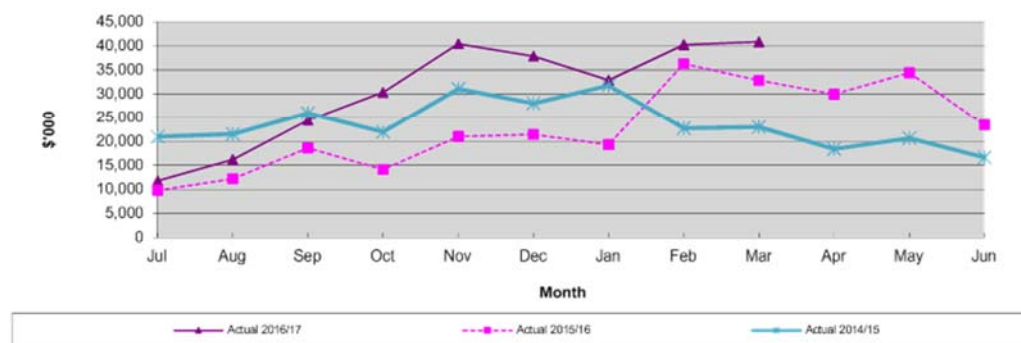
	Prior Month \$'000	Current Month \$'000	Prior Year June 2016 \$'000	Monthly Change \$'000	Yearly Change \$'000
<b>Current Assets</b>					
Cash & Cash Equivalents	82,996	82,617	51,303	(379)	31,314
Trade & Other Receivables	57,135	34,769	27,241	(22,366)	7,528
Accrued Income	0	0	296	0	(296)
Prepayments	0	0	351	0	(351)
Inventories/Land Held for Resale	10	12	8,739	2	(8,727)
<b>Total Current Assets</b>	<b>140,140</b>	<b>117,398</b>	<b>87,930</b>	<b>(22,743)</b>	<b>29,468</b>
<b>Non Current Assets</b>					
Intangible Assets	618	604	669	(14)	(65)
Trade & Other Receivables	4,607	4,607	4	0	4,604
Investments Long Term	1,591	1,591	1,591	0	0
Land	339,559	340,537	330,698	978	9,838
Buildings	118,804	118,949	115,400	145	3,549
Other Structures	23,575	25,240	23,876	1,665	1,364
Plant & Machinery	5,852	5,735	6,481	(117)	(746)
Furniture, Equipment & Computers	2,685	2,736	2,680	51	56
Roads	237,165	236,511	231,307	(654)	5,204
Footpaths	61,407	61,913	58,922	506	2,991
Drains	168,679	170,119	163,696	1,440	6,423
Bridges	44,983	45,531	45,158	548	373
Off-street Car Parks	7,615	7,647	7,729	32	(82)
Other Infrastructure	333	332	344	(1)	(11)
<b>Total Non Current Assets</b>	<b>1,017,474</b>	<b>1,022,053</b>	<b>988,554</b>	<b>4,579</b>	<b>33,499</b>
<b>TOTAL ASSETS</b>	<b>1,157,614</b>	<b>1,139,451</b>	<b>1,076,484</b>	<b>(18,164)</b>	<b>62,967</b>
<b>Current Liabilities</b>					
Trade and other payables	46,593	38,926	16,603	(7,667)	22,323
Trust funds and deposits	10,791	10,244	9,825	(547)	419
Provisions	5,545	5,537	5,555	(8)	(18)
Interest-bearing loans and borrowings	4,765	4,765	4,765	0	0
<b>Total Current Liabilities</b>	<b>67,695</b>	<b>59,473</b>	<b>36,748</b>	<b>(8,222)</b>	<b>22,724</b>
<b>Non Current Liabilities</b>					
Provisions	45,184	45,330	1,909	146	43,421
Interest-bearing loans and borrowings	44,336	43,706	47,521	(630)	(3,816)
Trade and other payables	0	0	6,155	0	(6,155)
<b>Total Non Current Liabilities</b>	<b>89,520</b>	<b>89,036</b>	<b>55,586</b>	<b>(484)</b>	<b>33,450</b>
<b>TOTAL LIABILITIES</b>	<b>157,215</b>	<b>148,509</b>	<b>92,334</b>	<b>(8,706)</b>	<b>56,175</b>
<b>NET ASSETS</b>	<b>1,000,400</b>	<b>990,942</b>	<b>984,150</b>	<b>(9,458)</b>	<b>6,792</b>
<b>Equity</b>					
Accumulated Surplus	684,538	675,080	630,326	(9,458)	44,753
Reserves	315,862	315,862	353,823	0	(37,961)
<b>TOTAL EQUITY</b>	<b>1,000,400</b>	<b>990,942</b>	<b>984,150</b>	<b>(9,458)</b>	<b>6,792</b>

Comments: Cash and cash equivalents have increased by \$31.314m - for further information refer to the Cash Flow Statement comments. Trade & Other Payables (current) have increased by \$22.323m mainly due to recognition of unearned rates and charges for the remainder of 2016/17. Provisions (non-current) have increased by \$43.421m primarily due to recognition of future DCP commitments, but have been offset by a decrease in Reserves. The increase in Accumulated Surplus of \$44.753m relates to the YTD Net Surplus.

**Cash Flow Statement**  
**For the period ended 31 March 2017**

	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	60,835	57,699	3,136	76,932
Statutory Fees and Fines	2,944	2,411	533	3,215
User Fees	1,487	1,231	256	1,641
Grants - operating	9,022	8,592	430	11,456
Grants - capital	2,745	1,554	1,191	2,072
Contributions	18,920	4,649	14,271	6,198
Other Revenue	3,495	2,619	876	3,492
GST received (net)	3,985	-	3,985	-
<b>Total receipts from operating activities</b>	<b>103,433</b>	<b>78,755</b>	<b>24,678</b>	<b>105,006</b>
<b>Payments</b>				
Employee benefits	(23,276)	(23,404)	128	(31,205)
Contracts, Materials and Services	(37,721)	(31,472)	(6,249)	(41,962)
<b>Total payments from operating activities</b>	<b>(60,997)</b>	<b>(54,876)</b>	<b>(6,121)</b>	<b>(73,167)</b>
<b>Net cash provided by operating activities</b>	<b>42,436</b>	<b>23,879</b>	<b>18,557</b>	<b>31,838</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(16,305)	(24,893)	8,588	(33,190)
Proceeds from sales of assets	10,996	1,650	9,346	2,200
<b>Net cash used in investing activities</b>	<b>(5,309)</b>	<b>(23,243)</b>	<b>17,934</b>	<b>(30,990)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(1,998)	(3,041)	1,043	(4,054)
Proceeds from borrowings (loan funds)	-	-	-	3,250
Repayment of borrowings	(3,815)	(3,830)	15	(5,107)
<b>Net cash provided by financing</b>	<b>(5,813)</b>	<b>(6,871)</b>	<b>1,058</b>	<b>(5,911)</b>
<b>Change in cash held</b>	<b>31,314</b>	<b>(6,235)</b>	<b>37,549</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>82,617</b>	<b>30,936</b>	<b>51,681</b>	<b>32,108</b>

Cash and Cash Equivalents Balances - excluding DCPs



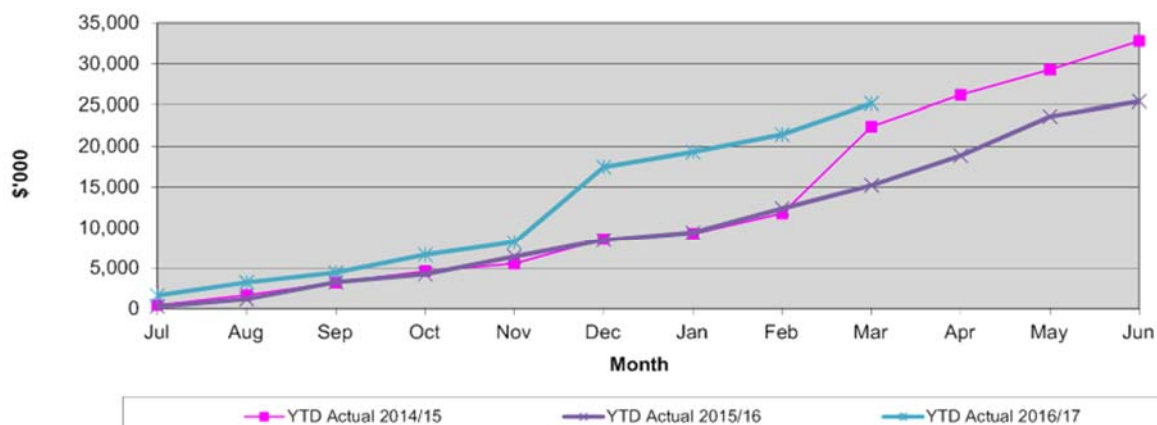
Comments: The total cash balance at the end of March 2017 is \$82.617m which is \$31.314m higher than as at the end of June 2016. Council cash is \$17.411m higher, mainly due to receipt of proceeds from the sale of land at South East Business Park, and developer related funds are \$13.903m higher. Excluding developer related funds, the cash balance is \$40.880m.

## Capital Works As at 31 March 2017

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
Land	9,524	1,010	(8,514)	6,672	1,370
Buildings (including Buildings ledger)	6,721	13,972	7,251	22,025	17,619
Community	2,088	920	(1,168)	1,234	1,090
Plant & Machinery	491	2,350	1,859	2,686	2,300
Furniture & Equipment	340	365	25	455	400
Roads	1,720	10,376	8,656	21,237	10,922
Footpaths	796	1,332	536	1,442	1,412
Drains	888	455	(433)	455	380
Bridges	919	850	(69)	1,108	600
Off Street Car Parks	77	-	(77)	-	-
Intangibles (including software)	57	-	(57)	-	-
<b>Project Expenditure</b>	<b>23,621</b>	<b>31,629</b>	<b>8,008</b>	<b>57,314</b>	<b>36,093</b>
<b>Add non capital project expenditure:</b>					
Capital Works	937	-	(937)	-	-
Community Capital Works	254	428	173	618	550
Priority Works	390	133	(257)	205	150
<b>Total Project Expenditure</b>	<b>25,202</b>	<b>32,190</b>	<b>6,987</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 \$25.202m, which is \$9.960m more than at the same time last year. This is primarily due to recognition of the land for James Bathe Recreation Reserve, which occurred in December. Note that for comparison purposes, the graph above excludes payments for the purchase of the new Civic Centre in 2014/15.