

FINANCIAL REPORTS

7 QUARTERLY FINANCIAL REPORT

FILE REFERENCE INT1776772

RESPONSIBLE GENERAL MANAGER Derek Madden

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RECOMMENDATION

That the quarterly financial report for the period 1 July 2017 to 30 September 2017 be received and noted.

Attachments

1 Quarterly financial report 14 Pages

EXECUTIVE SUMMARY

This report details Council's financial performance for the three months ended 30 September 2017.

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. 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 2017-18 budget adopted in May 2017 and the actual result as at 30 September 2017.

The operating result for the three months ended 30 September 2017 is a surplus of \$1.454m. This is \$1.709m better than the budgeted deficit of \$255k.

Operating income is \$80k favourable to budget, predominantly in Interest and Operating Grants, partly offset by Other Revenue, User Fees and Rates & Charges. Operating expenditure is \$1.628m favourable to budget, mainly in Materials & Services, Other Expenses and Employee Benefits.

The total cash balance as at 30 September 2017 is \$89.908m, which is \$1.291m lower than at the end of June 2017. Excluding developer related funds, the cash balance is \$57.407m.

Total project expenditure for the three months to 30 September 2017 is \$8.467m, which is \$4.031m 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 2017 to 30 September 2017.



Financial Performance Report

**For the period
1 July 2017
to
30 September 2017**

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September 2017

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Executive Summary

September 2017

Background

The financial report includes four of the six budgeted financial statements from Section 3 (Financial Statements) of the 2017-18 adopted budget. The information provides a summary of Cardinia Shire Council's financial position and performance for the period to 30 September 2017 against the adopted budget.

Financial Performance summary

| | YTD Actual \$'000 | YTD Budget \$'000 | YTD Variance \$'000 | YTD Variance % | Fav/ Unfav |
|------------------------------------|-------------------------|-------------------------|---------------------------|----------------------|---------------|
| Operating Income | 25,290 | 25,209 | 80 | 0.3% | F |
| Operating Expenditure | 23,836 | 25,464 | 1,628 | 6.4% | F |
| Operating Surplus/(Deficit) | 1,454 | (255) | 1,709 | | |

The year-to-date operating surplus of \$1.454m is \$1.709m better than the year-to-date budgeted deficit of \$255k. Revenue is \$80k favourable, and expenditure is \$1.628m favourable. Explanations of significant variances from the adopted budget are included in this report.

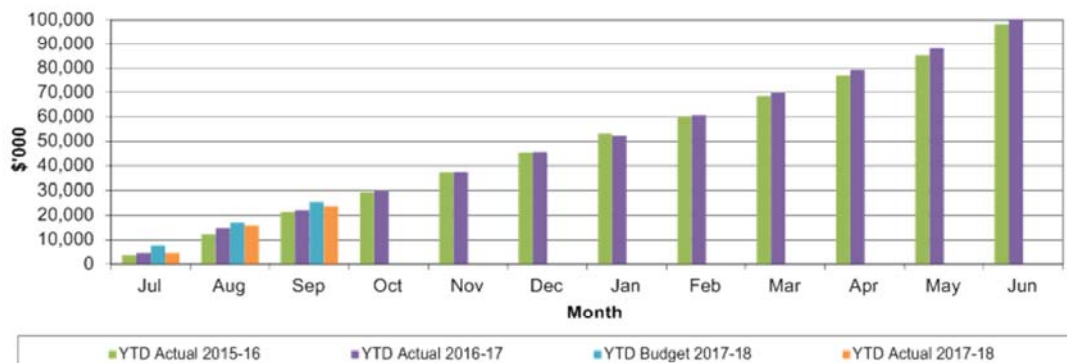
The total cash balance at the end of September 2017 is \$89.908m which is \$1.291m lower than as at the end of June 2017. Council cash is \$3.061m higher and developer related funds are \$4.352m lower. Excluding developer related funds, the cash balance is \$57.407m. The cash balance at the end of September was favourably impacted by the receipt of the first instalment of rates and charges for 2017-18.

Total Project Expenditure is currently \$8.467m, which is \$4.031m more than at the same time last year. This is primarily due to the recognition of the purchase of land in Brunt Road Officer, which occurred in July.

Income Statement
For the period ended 30 September 2017

| | 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 | 6,779 | 6,814 | (35) | 20,339 | 20,441 | (102) | 81,764 |
| 2 Statutory fees and fines | 336 | 336 | (1) | 923 | 888 | 35 | 4,227 |
| 3 User Fees | 218 | 175 | 43 | 496 | 605 | (109) | 2,878 |
| 4 Contributions (cash) | (449) | 19 | (468) | 75 | 32 | 43 | 130 |
| 5 Grants - Operating | 175 | 358 | (183) | 2,268 | 2,107 | 162 | 11,928 |
| 6 Other revenue | 165 | 296 | (131) | 519 | 756 | (237) | 2,547 |
| 7 Interest | 112 | 60 | 52 | 668 | 381 | 288 | 922 |
| Total Operating Income | 7,336 | 8,058 | (722) | 25,290 | 25,209 | 80 | 104,395 |
| Operating Expenditure | | | | | | | |
| 8 Employee benefits | 2,471 | 2,594 | 123 | 7,459 | 7,781 | 323 | 34,025 |
| 9 Materials & Services | 3,421 | 3,247 | (174) | 10,484 | 11,078 | 595 | 42,540 |
| 10 Bad & doubtful debts | 27 | 13 | (14) | 48 | 39 | (9) | 176 |
| 11 Depreciation | 1,661 | 1,820 | 159 | 5,249 | 5,461 | 212 | 21,843 |
| 12 Other Expenses | 152 | 282 | 130 | 372 | 695 | 324 | 2,395 |
| 13 Finance costs | 239 | 392 | 153 | 224 | 409 | 185 | 3,402 |
| 14 Internal Charges (should be zero) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Operating Expenditure | 7,971 | 8,348 | 376 | 23,836 | 25,464 | 1,628 | 104,381 |
| Operating Profit/(Loss) | (635) | (290) | (345) | 1,454 | (255) | 1,709 | 14 |
| Capital/Non-recurrent items | | | | | | | |
| 15 Grants - Capital | 113 | 0 | 113 | 231 | 94 | 138 | 6,770 |
| 16 Capital Contributions (cash) | 0 | 0 | 0 | 10,299 | 0 | 10,299 | 0 |
| 17 Development Levies (cash) | 365 | 73 | 291 | 2,554 | 220 | 2,334 | 881 |
| 18 Capital Contributions (non cash) | 276 | 0 | 276 | 5,488 | 0 | 5,488 | 0 |
| 19 Net gain(loss) on disposal of | (684) | 0 | (684) | (54) | 0 | (54) | 0 |
| Total Capital/Non-rec. items | 69 | 73 | (4) | 18,518 | 314 | 18,205 | 7,651 |
| Net Surplus/(Deficit) | (566) | (216) | (350) | 19,972 | 59 | 19,913 | 7,664 |

Total Operating Expenditure



Income Statement Major Variance Analysis - September 2017

Operating Income

| | YTD Variance \$'000 | Notes to Accounts | Permanent Variance \$'000 | Timing Variance \$'000 |
|--------------------------|---------------------------|---|---------------------------------|------------------------------|
| 1 Rates & Charges | (102) | Rate revenue, including supplementary rate revenue, is \$41k under budget, and garbage charges, which includes residential and commercial garbage and green waste, are \$61k under budget, all due to timing. | | (102) |
| 2 Statutory Fees & Fines | 35 | Planning fees are \$87k better than budget due to increased development activity within the Shire. These have been partly offset by Fire Prevention and Animal Control fines which are both under budget primarily due to adjustments to previously issued fines. | 39 | (4) |
| 3 User Fees | (109) | Unfavourable variance is primarily due to Landscape Development user charges and My Place lease income which are both under budget due to timing. | 5 | (114) |
| 4 Contributions (Cash) | 43 | Decorative light pole contributions are \$56k better than budget due to an increase in volume. The net total of smaller variances is \$13k unfavourable. | 46 | (3) |
| 5 Grants - Operating | 162 | Budgeted grants are \$150k better than budget, primarily due to the Urban Fringe Weed Initiative and School Crossing Supervisor grants. Additionally, unbudgeted grants totalling \$12k have been recognised. | 90 | 72 |
| 6 Other Revenue | (237) | Cost recovery income is \$107k under budget, mainly in the areas of Growth Area Planning and Buildings & Facilities. Other variances total \$130k unfavourable, primarily in recycling processing income due to timing. | 64 | (301) |
| 7 Interest | 288 | Interest on investments, including Developer Contribution Plan (DCP) investments, are \$110k better than budget due to higher cash balances, and interest on rates, garbage and schemes are \$178k better than budget. | 185 | 103 |
| Total | 80 | | 429 | (349) |

Income Statement Major Variance Analysis - September 2017

Operating Expenditure

| | YTD Variance \$'000 | Notes to Accounts | Permanent Variance \$'000 | Timing Variance \$'000 |
|-------------------------|---------------------------|---|---------------------------------|------------------------------|
| 8 Employee Benefits | 323 | Employee benefits are \$323k under budget primarily due to vacancies within the organisation. | | 323 |
| 9 Materials & Services | 595 | Contracts are under budget by a total of \$563k due to timing, the major variances being for the parks & gardens and dangerous tree removal contracts. The net total of other variances is \$32k under budget. This is primarily due to the timing of a number of major activities totalling \$836, including Street Lighting and Festivals & Events grants, partly offset by expenditure which is budgeted in the Capital Works program totalling \$804k. | (26) (804) | 589 836 |
| 10 Bad & Doubtful Debts | (9) | Bad and doubtful debts are currently \$9k over budget due to timing. | | (9) |
| 11 Depreciation | 212 | Depreciation expense is currently under budget, but this variance is expected to decrease as new and contributed assets are recognised during the year. | | 212 |
| 12 Other Expenses | 324 | Favourable variance is primarily due to timing of several items, the major ones being printer lease expenditure and audit fees. These have been partly offset by expenditure which is budgeted in the Capital Works program totalling \$18k. | (46) | 370 |
| 13 Finance Costs | 185 | Interest on loans are \$151k under budget primarily due to budgeted loans not yet drawn down and the timing of one loan repayment. Additionally, bank charges are \$33k under budget due to timing. | 92 | 93 |
| 14 Internal Charges | 0 | 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. | | |
| Total | 1,628 | | (784) | 2,416 |

Income Statement Major Variance Analysis - September 2017

Capital / Non-Recurrent Items

| | YTD Variance \$'000 | Notes to Accounts | Permanent Variance \$'000 | Timing Variance \$'000 |
|--|---------------------------|---|---------------------------------|------------------------------|
| 15 Grants - Capital | 138 | Favourable variance is due to the recognition of unbudgeted grants for Public Safety (Bourke Park CCTV) and Safer Streets for \$73k and \$65k respectively. | 138 | |
| 16 Capital Contributions (Cash) | 10,299 | This is due to recognition of the ratepayer contributions to the Peet Street Pakenham industrial area special charge scheme. The actual cash for this scheme will be received over a multi-year period. | 10,299 | |
| 17 Development Levies (Cash) | 2,334 | Developer levies, community infrastructure levies, and public open space levies recognised total \$2.554m, which is \$2.334m better than budget. Non-DCP levies are \$680k better and DCP related levies are \$1.654m better. | 2,554 | (220) |
| 18 Capital Contributions (Non-Cash) | 5,488 | The value of developer contributed assets (roads, footpaths, bridges and drains) year-to-date is \$5.488m. Non-DCP contributions total \$4.543m and DCP related contributions total \$945k. | 5,488 | |
| 19 Net Gain/(Loss) on Disposal of Assets | (54) | Net proceeds from the sale of land and plant and the disposal of infrastructure assets are a combined \$54k under budget. | (9) | (45) |
| Total | 18,205 | | 18,470 | (265) |

Balance Sheet
As at 30 September 2017

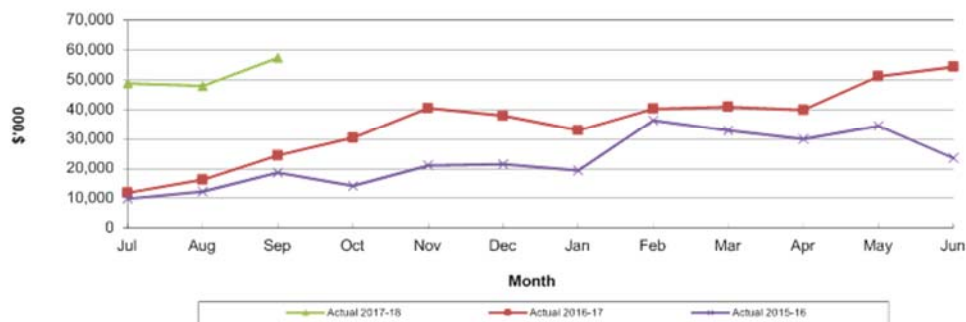
| | Prior Month \$'000 | Current Month \$'000 | Prior Year June 2017 \$'000 | Monthly Change \$'000 | Yearly Change \$'000 |
|---------------------------------------|--------------------------|----------------------------|-----------------------------------|-----------------------------|----------------------------|
| Current Assets | | | | | |
| Cash & Cash Equivalents | 79,497 | 89,908 | 91,199 | 10,411 | (1,291) |
| Trade & Other Receivables | 110,172 | 92,068 | 23,734 | (18,104) | 68,335 |
| Accrued Income | 85 | 0 | 430 | (85) | (430) |
| Prepayments | 0 | 0 | 1,901 | 0 | (1,901) |
| Inventories/Land Held for Resale | 14 | 10 | 5 | (4) | 5 |
| Total Current Assets | 189,768 | 181,986 | 117,269 | (7,782) | 64,717 |
| Non Current Assets | | | | | |
| Intangible Assets | 602 | 586 | 637 | (17) | (52) |
| Trade & Other Receivables | 4,607 | 4,607 | 4,607 | 0 | 0 |
| Investments Long Term | 1,596 | 1,596 | 1,596 | 0 | 0 |
| Land | 411,980 | 412,292 | 404,312 | 312 | 7,979 |
| Buildings | 161,677 | 161,800 | 162,770 | 123 | (971) |
| Other Structures | 22,217 | 22,171 | 22,109 | (46) | 63 |
| Plant & Machinery | 5,879 | 5,652 | 5,772 | (227) | (119) |
| Furniture, Equipment & Computers | 2,197 | 2,162 | 2,234 | (35) | (72) |
| Roads | 243,023 | 242,409 | 242,819 | (615) | (411) |
| Footpaths | 68,383 | 68,462 | 68,047 | 79 | 415 |
| Drains | 186,578 | 186,289 | 185,554 | (289) | 736 |
| Bridges | 47,418 | 47,353 | 47,301 | (65) | 52 |
| Off-street Car Parks | 6,967 | 6,951 | 7,000 | (16) | (49) |
| Other Infrastructure | 885 | 884 | 767 | (1) | 117 |
| Total Non Current Assets | 1,164,010 | 1,163,214 | 1,155,526 | (796) | 7,688 |
| TOTAL ASSETS | 1,353,778 | 1,345,200 | 1,272,794 | (8,578) | 72,406 |
| Current Liabilities | | | | | |
| Trade and other payables | 86,895 | 80,047 | 17,174 | (6,848) | 62,873 |
| Trust funds and deposits | 11,229 | 10,866 | 11,333 | (363) | (466) |
| Provisions | 6,348 | 6,348 | 6,348 | 0 | 0 |
| Interest-bearing loans and borrowings | 5,001 | 5,001 | 5,001 | 0 | 0 |
| Total Current Liabilities | 109,472 | 102,262 | 39,854 | (7,211) | 62,407 |
| Non Current Liabilities | | | | | |
| Provisions | 1,265 | 1,246 | 1,245 | (19) | 1 |
| Interest-bearing loans and borrowings | 41,695 | 40,991 | 42,265 | (705) | (1,274) |
| Trade and other payables | 4,342 | 4,342 | 12,896 | 0 | (8,554) |
| Total Non Current Liabilities | 47,302 | 46,578 | 56,406 | (723) | (9,827) |
| TOTAL LIABILITIES | 156,774 | 148,840 | 96,260 | (7,934) | 52,580 |
| NET ASSETS | 1,197,004 | 1,196,360 | 1,176,534 | (644) | 19,826 |
| Equity | | | | | |
| Accumulated Surplus | 728,937 | 728,293 | 707,400 | (644) | 20,893 |
| Reserves | 468,067 | 468,067 | 469,134 | 0 | (1,068) |
| TOTAL EQUITY | 1,197,004 | 1,196,360 | 1,176,534 | (644) | 19,826 |

Comments: Trade and other receivables have increased by \$68.335m due to recognition of rates debtors for the year and special charge scheme debtors. Trade and other payables have increased by \$62.873m due to recognition of unearned rates and charges revenue for the remainder of the year. The increase in Accumulated Surplus of \$20.893m primarily relates to the YTD Net Surplus.

Cash Flow Statement For the period ended 30 September 2017

| | YTD Actual \$'000 | YTD Budget \$'000 | YTD Variance \$'000 | Adopted Budget \$'000 |
|--|-------------------------|-------------------------|---------------------------|-----------------------------|
| Cash flows from operating activities | | | | |
| Receipts | | | | |
| Rates and Charges | 19,814 | 20,333 | (519) | 81,331 |
| Statutory Fees and Fines | 1,126 | 1,057 | 69 | 4,227 |
| User Fees | 344 | 460 | (116) | 1,839 |
| Grants - operating | 2,557 | 2,982 | (425) | 11,928 |
| Grants - capital | 177 | 1,693 | (1,516) | 6,770 |
| Contributions | 2,824 | 253 | 2,571 | 1,011 |
| Other Revenue | 146 | 867 | (721) | 3,469 |
| GST received (net) | 2,089 | - | 2,089 | - |
| Total receipts from operating activities | 29,077 | 27,645 | 1,432 | 110,575 |
| Payments | | | | |
| Employee benefits | (7,808) | (8,387) | 579 | (33,546) |
| Contracts, Materials and Services | (15,494) | (10,686) | (4,808) | (42,744) |
| Trust funds and deposits taken and repaid | (466) | - | (466) | - |
| Total payments from operating activities | (23,768) | (19,073) | (4,695) | (76,290) |
| Net cash provided by operating activities | 5,309 | 8,572 | (3,263) | 34,284 |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment | (8,107) | (11,216) | 3,109 | (44,864) |
| Proceeds from sales of assets | 3,005 | 3,360 | (355) | 13,439 |
| Net cash used in investing activities | (5,102) | (7,856) | 2,754 | (31,425) |
| Cash flows from financing activities | | | | |
| Finance costs | (224) | (851) | 627 | (3,402) |
| Proceeds from borrowings (loan funds) | - | - | - | 3,000 |
| Repayment of borrowings | (1,274) | (1,274) | - | (5,096) |
| Net cash provided by financing | (1,498) | (2,125) | 627 | (5,498) |
| Change in cash held | (1,291) | (1,409) | 118 | (2,639) |
| Cash at beginning | 91,199 | 38,788 | 52,411 | 38,788 |
| Cash at end | 89,908 | 37,379 | 52,529 | 36,150 |

Cash and Cash Equivalents Balances - excluding DCPs



Comments: The total cash balance at the end of September 2017 is \$89.908m which is \$1.291m lower than as at the end of June 2017. Council cash is \$3.061m higher and developer related funds are \$4.352m lower. Excluding developer related funds, the cash balance is \$57.407m. The cash balance at the end of September was favourably impacted by the receipt of the first instalment of rates and charges for 2017-18.