

## **18 QUARTERLY FINANCIAL REPORT**

FILE REFERENCE INT189850

RESPONSIBLE GENERAL MANAGER Derek Madden

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### **RECOMMENDATION**

That the quarterly financial report for the period 1 July 2017 – 31 December 2017 be received and noted.

### **Attachments**

- 1 Quarterly financial report 1 July 2017 - 31 December 2017 10 Pages

### **EXECUTIVE SUMMARY**

This report details Council's financial performance for the six months ended 31 December 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 31 December 2017. The operating result for the six months ended 31 December 2017 is a surplus of \$3.635m. This is \$3.815m better than the budgeted deficit of \$180k.

Operating income is \$1.689m favourable to budget, predominantly in Interest, Operating Grants, and Statutory Fees & Fines. Operating expenditure is \$2.125m favourable to budget, mainly in Materials & Services and Depreciation. Detailed variance analysis is included in the attached report.

The total cash balance as at 31 December 2017 is \$95.215m, which is \$4.016m higher than at the end of June 2017. Excluding developer related funds, the cash balance is \$57.354m. Total project expenditure for the six months to 31 December 2017 is \$15.148m, which is \$2.304m less 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 31 December 2017.



# **Financial Performance Report**

**For the period  
1 July 2017  
to  
31 December 2017**

**Contents**  
**December 2017**

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## Executive Summary

### December 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 31 December 2017 against the adopted budget.

#### Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	51,649	49,959	1,689	3.4%	F
Operating Expenditure	48,014	50,139	2,125	4.2%	F
<b>Operating Surplus/(Deficit)</b>	<b>3,635</b>	<b>(180)</b>	<b>3,815</b>		

The operating surplus of \$3.635m is \$3.815m better than the year-to-date budgeted deficit of \$180k. Revenue is \$1.689m favourable, and expenditure is \$2.125m favourable. Details of variances to budget are included in this report.

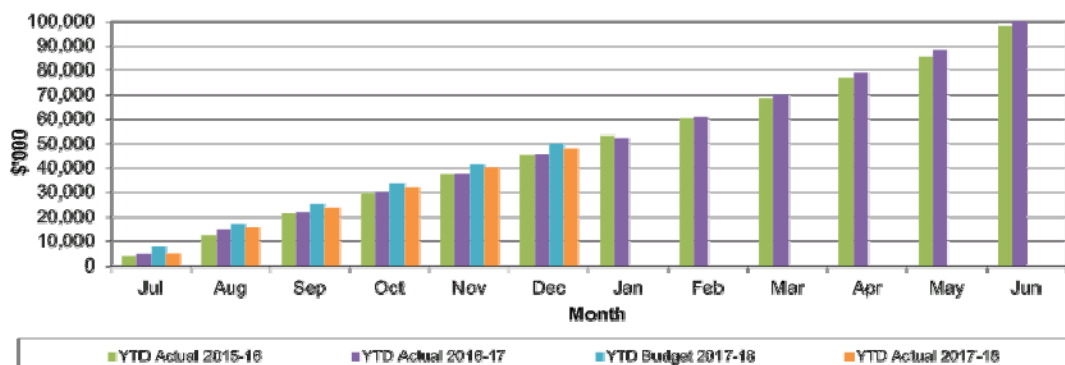
The total cash balance at the end of December 2017 is \$95.215m which is \$4.016m higher than as at the end of June 2017. Council cash is \$3.007m higher and DCP cash is \$1.008m higher. Excluding DCPs, the cash balance is \$57.354m. The next rates instalment is due in February, until then no major items of income are expected to be received.

Total Project Expenditure is currently \$15.148m, which is \$2.304m less than at the same time last year. This is primarily due to the recognition of the land for James Bathie Recreation Reserve (\$7.16m) in December 2016. The major item of expenditure this financial year has been the purchase of land in Brunt Road Officer (\$5.95m), which occurred in July.

**Income Statement**  
**For the period ended 31 December 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	6,790	6,921	(131)	41,063	41,077	(14)	81,764
2 Statutory fees and fines	424	278	145	2,121	1,736	385	4,227
3 User Fees	191	174	17	1,388	1,322	66	2,878
4 Contributions (cash)	8	19	(11)	256	65	191	130
5 Grants - Operating	316	191	125	4,267	3,882	385	11,928
6 Other revenue	393	242	151	1,442	1,316	127	2,547
7 Interest	126	60	66	1,111	561	550	922
<b>Total Operating Income</b>	<b>8,248</b>	<b>7,886</b>	<b>362</b>	<b>51,649</b>	<b>49,959</b>	<b>1,689</b>	<b>104,395</b>
<b>Operating Expenditure</b>							
8 Employee benefits	2,864	2,553	(311)	15,333	15,522	189	34,025
9 Materials & Services	2,789	3,562	773	20,127	21,133	1,006	42,540
10 Bad & doubtful debts	4	13	9	84	79	(5)	176
11 Depreciation	1,732	1,820	88	10,389	10,921	533	21,843
12 Other Expenses	196	265	69	916	1,127	211	2,395
13 Finance costs	280	378	98	1,165	1,357	192	3,402
14 Internal Charges (should be zero)	0	0	0	0	0	0	0
<b>Total Operating Expenditure</b>	<b>7,865</b>	<b>8,591</b>	<b>726</b>	<b>48,014</b>	<b>50,139</b>	<b>2,125</b>	<b>104,381</b>
<b>Operating Profit/(Loss)</b>	<b>383</b>	<b>(705)</b>	<b>1,088</b>	<b>3,635</b>	<b>(180)</b>	<b>3,815</b>	<b>14</b>
<b>Capital/Non-recurrent items</b>							
15 Grants - Capital	0	0	0	1,451	962	488	6,770
16 Capital Contributions (cash)	517	0	517	10,827	0	10,827	0
17 Development Levies (cash)	1,079	73	1,005	7,524	440	7,084	881
18 Capital Contributions (non cash)	1,527	0	1,527	12,520	0	12,520	0
19 Development Levies (non cash)	0	0	0	2,369	0	2,369	0
20 Net gain(loss) on disposal of	31	0	31	(79)	0	(79)	0
<b>Total Capital/Non-rec. Items</b>	<b>3,153</b>	<b>73</b>	<b>3,080</b>	<b>34,611</b>	<b>1,403</b>	<b>33,209</b>	<b>7,651</b>
<b>Net Surplus/(Deficit)</b>	<b>3,536</b>	<b>(632)</b>	<b>4,168</b>	<b>38,246</b>	<b>1,223</b>	<b>37,023</b>	<b>7,664</b>

**Total Operating Expenditure**



## Income Statement Major Variance Analysis - December 2017

## Operating Income

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
1 Rates & Charges	(14)	Rate revenue, including supplementary rate revenue, is \$9k under budget, and garbage charges, which includes residential and commercial garbage and green waste, are \$5k under budget, all due to timing.		(14)
2 Statutory Fees & Fines	385	Food Act fees are \$204k better than budget due to timing. Planning fees are \$165k better than budget due to increased development activity, and Landscape Development fees of \$84k have been recognised but budgeted in User Fees. 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.	94	291
3 User Fees	66	Local Laws user charges are \$124k better than budget primarily due to a higher volume of asset protection bond fees. These have been partly offset by Landscape Development fees of \$100k which are budgeted in this category but recognised in Statutory Fees & Fines. Small variances total \$42k favourable.	82	(16)
4 Contributions (Cash)	191	Decorative light pole contributions are \$164k better than budget due to an increase in volume. The net total of smaller variances is \$27k favourable.	139	52
5 Grants - Operating	385	Budgeted grants are \$248k better than budget, primarily due to the Maternal & Child Health and School Crossing Supervisor grants. Additionally, unbudgeted grants totalling \$137k have been recognised, the major one being \$86k for rectification works from the flood and storm event in late 2016.	218	167
6 Other Revenue	127	Cost recovery income is \$335k better than budget, mainly as a result of the receipt of unbudgeted items, including the recovery of the cost of works performed on behalf of Melbourne Water. Other variances total \$209k unfavourable, primarily in recycling processing income due to timing.	474	(347)
7 Interest	550	Interest on investments, including DCP investments, is \$381k better than budget due to higher cash balances, and interest on rates, garbage and schemes are \$169k better than budget.	250	300
<b>Total</b>	<b>1,689</b>		<b>1,256</b>	<b>433</b>





## Income Statement Major Variance Analysis - December 2017

## Capital / Non-Recurrent Items

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	488	Favourable variance is due to the recognition of unbudgeted grants totalling \$204k, the major ones being for Safer Streets and Public Safety (Bourke Park CCTV) for \$105k and \$73k respectively. Additionally, the Roads to Recovery grant is \$284k better than budget due to timing.	204	284
16 Capital Contributions (Cash)	10,827	This is primarily due to recognition of the ratepayer contributions to the Pest Street Pakenham industrial area special charge scheme totalling \$10.299m. Smaller contributions have been recognised for the Lang Lang sporting facility and environmental projects.	10,827	
17 Development Levies (Cash)	7,084	Developer levies, community infrastructure levies, and public open space levies recognised total \$7.524m, which is \$7.084m better than budget. Non-DCP levies are \$1.458m better and DCP related levies are \$5.626m better.	6,644	440
18 Capital Contributions (Non-Cash)	12,520	The value of developer contributed assets (roads, footpaths, bridges and drains) year-to-date is \$12.520m. Non-DCP contributions total \$10.040m and DCP related contributions total \$2.480m.	12,520	
19 Development Levies (Non-Cash)	2,369	Public open space non-cash contributions from developers total \$2.369m, and is all DCP related income.	2,369	
20 Net Gain/(Loss) on Disposal of Assets	(79)	Net proceeds from the sale of land and plant are \$97k better than budget, but have been offset by the value of disposed infrastructure assets totalling \$176k.	(71)	(8)
<b>Total</b>	<b>33,209</b>		<b>32,493</b>	<b>716</b>

**Balance Sheet**  
**As at 31 December 2017**

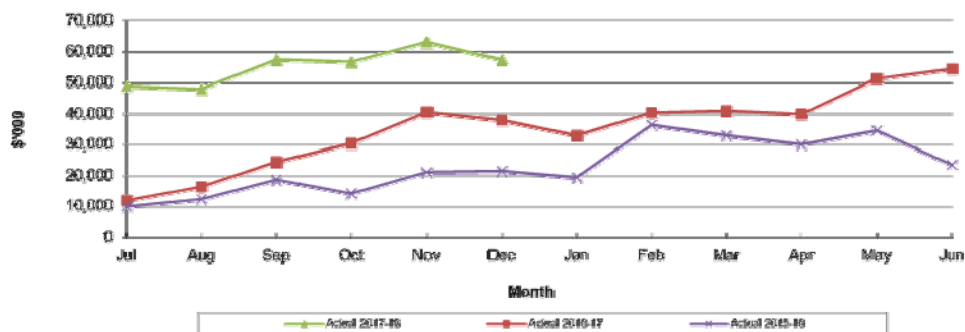
	Prior Month \$'000	Current Month \$'000	Prior Year June 2017 \$'000	Monthly Change \$'000	Yearly Change \$'000
<b>Current Assets</b>					
Cash & Cash Equivalents	100,500	95,215	91,199	(5,285)	4,016
Trade & Other Receivables	75,390	70,320	23,734	(5,070)	46,587
Accrued Income	0	0	430	0	(430)
Prepayments	0	0	1,901	0	(1,901)
Inventories/Land Held for Resale	19	21	5	2	16
<b>Total Current Assets</b>	<b>175,909</b>	<b>165,556</b>	<b>117,269</b>	<b>(10,354)</b>	<b>48,287</b>
<b>Non Current Assets</b>					
Intangible Assets	551	534	637	(17)	(104)
Trade & Other Receivables	4,607	4,607	4,607	0	0
Investments Long Term	1,596	1,596	1,596	0	0
Land	416,156	417,681	404,312	1,525	13,369
Buildings	161,374	161,445	162,770	71	(1,325)
Other Structures	22,699	22,682	22,109	(17)	573
Plant & Machinery	5,756	5,809	5,772	53	38
Furniture, Equipment & Computers	2,152	2,128	2,234	(24)	(106)
Roads	243,529	243,688	242,819	159	869
Footpaths	68,969	69,153	68,047	184	1,105
Drains	187,687	187,946	185,554	259	2,392
Bridges	47,221	47,204	47,301	(17)	(97)
Off-street Car Parks	6,919	6,902	7,000	(17)	(98)
Other Infrastructure	1,252	1,566	767	314	799
<b>Total Non Current Assets</b>	<b>1,170,469</b>	<b>1,172,942</b>	<b>1,155,526</b>	<b>2,473</b>	<b>17,417</b>
<b>TOTAL ASSETS</b>	<b>1,346,378</b>	<b>1,338,498</b>	<b>1,272,794</b>	<b>(7,880)</b>	<b>65,704</b>
<b>Current Liabilities</b>					
Trade and other payables	68,002	58,195	17,174	(9,807)	41,021
Trust funds and deposits	10,990	11,255	11,333	265	(78)
Provisions	6,348	6,338	6,348	(10)	(10)
Interest-bearing loans and borrowings	5,001	5,001	5,001	0	0
<b>Total Current Liabilities</b>	<b>90,340</b>	<b>80,787</b>	<b>39,854</b>	<b>(9,553)</b>	<b>40,933</b>
<b>Non Current Liabilities</b>					
Provisions	66,758	66,838	1,245	80	65,593
Interest-bearing loans and borrowings	39,673	38,830	42,265	(843)	(3,435)
Trade and other payables	4,342	4,342	12,896	0	(8,554)
<b>Total Non Current Liabilities</b>	<b>110,773</b>	<b>110,010</b>	<b>56,406</b>	<b>(763)</b>	<b>53,604</b>
<b>TOTAL LIABILITIES</b>	<b>201,113</b>	<b>190,797</b>	<b>96,260</b>	<b>(10,316)</b>	<b>94,537</b>
<b>NET ASSETS</b>	<b>1,145,265</b>	<b>1,147,701</b>	<b>1,176,534</b>	<b>2,435</b>	<b>(28,834)</b>
<b>Equity</b>					
Accumulated Surplus	745,883	743,172	707,400	(2,711)	35,773
Reserves	399,382	404,528	469,134	5,146	(64,606)
<b>TOTAL EQUITY</b>	<b>1,145,265</b>	<b>1,147,701</b>	<b>1,176,534</b>	<b>2,435</b>	<b>(28,834)</b>

Comments: Trade and other receivables (current) have increased by \$46.587m due to recognition of rates debtors for the year and special charge scheme debtors. Trade and other payables (current) have increased by \$41.021m due to recognition of unearned rates and charges revenue for the remainder of the year. Provisions (non-current) have increased by \$65.593m due to recognition of future Developer Contribution Plan (DCP) commitments, and have been offset by a similar decrease in Reserves. The increase in Accumulated Surplus of \$35.773m primarily relates to the YTD Net Surplus.

### Cash Flow Statement For the period ended 31 December 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	43,886	40,666	3,220	81,331
Statutory Fees and Fines	2,449	2,114	335	4,227
User Fees	1,519	920	599	1,839
Grants - operating	4,623	5,964	(1,341)	11,928
Grants - capital	1,422	3,385	(1,963)	6,770
Contributions	3,948	506	3,442	1,011
Other Revenue	1,458	1,735	(277)	3,469
GST received (net)	3,332	-	3,332	-
<b>Total receipts from operating activities</b>	<b>62,637</b>	<b>55,290</b>	<b>7,347</b>	<b>110,575</b>
<b>Payments</b>				
Employee benefits	(15,709)	(16,773)	1,064	(33,546)
Contracts, Materials and Services	(31,336)	(21,372)	(9,964)	(42,744)
Trust funds and deposits taken and repaid	(78)	-	(78)	-
<b>Total payments from operating activities</b>	<b>(47,123)</b>	<b>(38,145)</b>	<b>(8,978)</b>	<b>(76,290)</b>
<b>Net cash provided by operating activities</b>	<b>15,514</b>	<b>17,145</b>	<b>(1,631)</b>	<b>34,284</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(10,017)	(22,432)	12,415	(44,864)
Proceeds from sales of assets	3,119	6,720	(3,601)	13,439
<b>Net cash used in investing activities</b>	<b>(6,898)</b>	<b>(15,712)</b>	<b>8,814</b>	<b>(31,425)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(1,165)	(1,701)	536	(3,402)
Proceeds from borrowings (loan funds)	-	-	-	3,000
Repayment of borrowings	(3,435)	(2,548)	(887)	(5,096)
<b>Net cash provided by financing</b>	<b>(4,600)</b>	<b>(4,249)</b>	<b>(351)</b>	<b>(5,498)</b>
<b>Change in cash held</b>	<b>4,016</b>	<b>(2,816)</b>	<b>6,832</b>	<b>(2,639)</b>
<b>Cash at beginning</b>	<b>91,199</b>	<b>38,788</b>	<b>52,411</b>	<b>38,788</b>
<b>Cash at end</b>	<b>95,215</b>	<b>35,972</b>	<b>59,243</b>	<b>36,150</b>

#### Cash and Cash Equivalents Balances - excluding DCPs



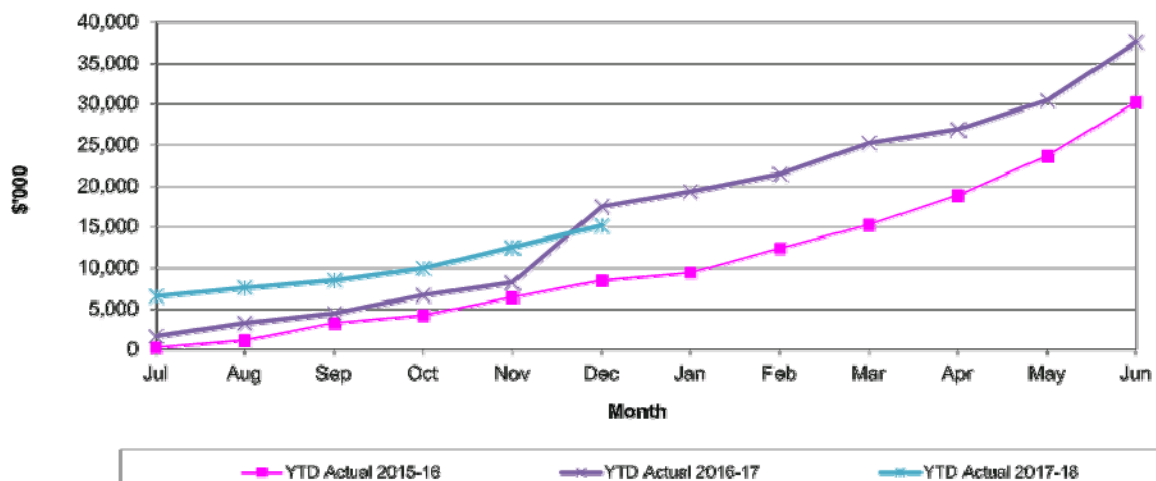
Comments: The total cash balance at the end of December 2017 is \$95.215m which is \$4.016m higher than as at the end of June 2017. Council cash is \$3.007m higher and DCP cash is \$1.008m higher. Excluding DCPs, the cash balance is \$57.354m. The next rates instalment is due in February, until then no major items of income are expected to be received.

### Capital Works As at 31 December 2017

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget <sup>a</sup> \$'000	Adopted Budget \$'000
Land	5,950	1,000	(4,950)	2,000	2,000
Buildings (including Buildings ledger)	1,525	2,624	1,099	26,082	17,583
Community	3,411	2,214	(1,197)	16,353	11,527
Plant & Machinery	945	1,038	93	3,416	2,070
Furniture & Equipment	76	40	(36)	60	60
Roads	934	2,548	1,614	15,845	4,900
Footpaths	571	1,770	1,199	3,144	2,475
Drains	136	300	164	462	400
Bridges	300	300	0	1,279	700
Off Street Car Parks	-	150	150	2,048	2,039
Other Infrastructure	807	-	(807)	-	-
Intangibles (including software)	-	175	175	410	410
<b>Project Expenditure</b>	<b>14,655</b>	<b>12,159</b>	<b>(2,496)</b>	<b>71,099</b>	<b>44,164</b>
<b>Add non capital project expenditure:</b>					
Capital Works	377	-	(377)	-	-
Community Capital Works	68	126	58	686	550
Priority Works	48	75	27	150	150
<b>Total Project Expenditure</b>	<b>15,148</b>	<b>12,360</b>	<b>(2,789)</b>	<b>71,934</b>	<b>44,864</b>

<sup>a</sup>Revised Budget is the 2017-18 Adopted Budget plus carry-overs from 2016-17.

#### Total Project Expenditure



Comments: Total Project Expenditure is currently \$15.148m, which is \$2.304m less than at the same time last year. This is primarily due to the recognition of the land for James Bathie Recreation Reserve (\$7.16m) in December 2016. The major item of expenditure this financial year has been the purchase of land in Brunt Road Officer (\$5.95m), which occurred in July.