

## **13 QUARTERLY FINANCIAL REPORT**

FILE REFERENCE INT1831889

RESPONSIBLE GENERAL MANAGER Derek Madden

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### **RECOMMENDATION**

That the quarterly financial report for the period 1 January 2018 to 31 March 2018 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 2018.

### **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 March 2018. The operating result for the nine months ended 31 March 2018 is a surplus of \$4.637m. This is \$5.347m better than the budgeted deficit of \$710k.

Operating income is \$2.736m favourable to budget, predominantly in Interest, Operating Grants, and Statutory Fees & Fines. Operating expenditure is \$2.612m 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 March 2018 is \$100.962m, which is \$9.763m higher than at the end of June 2017. Excluding developer related funds, the cash balance is \$61.458m. Total project expenditure for the nine months to 31 March 2018 is \$25.993m, which is \$761k 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 January 2018 to 31 March 2018



# **Financial Performance Report**

**For the period  
1 July 2017  
to  
31 March 2018**

**Contents**  
**March 2018**

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## Executive Summary

**March 2018**

### 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 March 2018 against the adopted budget.

### Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	77,554	74,819	2,736	3.7%	F
Operating Expenditure	72,917	75,529	2,612	3.5%	F
<b>Operating Surplus/(Deficit)</b>	<b>4,637</b>	<b>(710)</b>	<b>5,347</b>		

The operating surplus of \$4.637m is \$5.347m better than the year-to-date budgeted deficit of \$710k. Revenue is \$2.736m favourable, and expenditure is \$2.612m favourable. Details of variances to budget are included in this report.

At this stage, the year-end forecast result is expected to be a deficit of approximately \$3m. This is primarily due to part of this year's Victoria Grants Commission grant being paid last financial year, leaving a \$4.8m budget shortfall for 2017-18. Other income is expected to be better than the adopted budget by approximately \$3.7m, mainly in rates & charges and interest income, and expenditure is forecast to be \$1.8m higher.

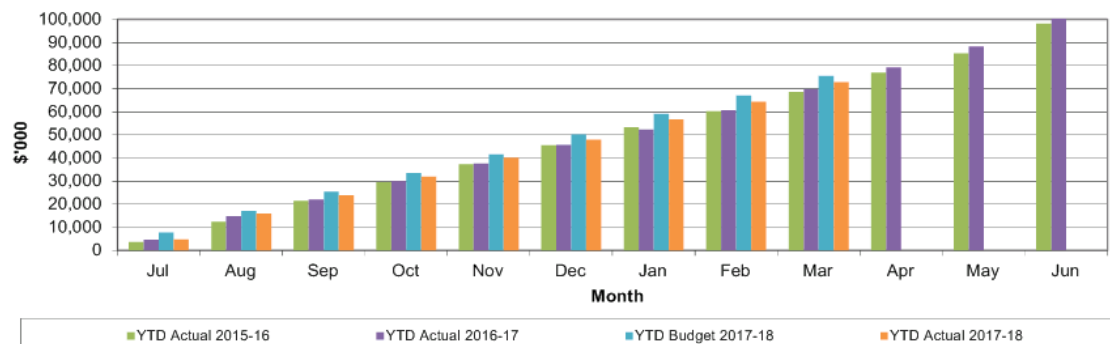
The total cash balance at the end of March 2018 is \$100.962m which is \$9.763m higher than as at the end of June 2017. Council cash is \$7.112m higher and Developer Contribution Plan (DCP) cash is \$2.652m higher. Excluding DCPs, the cash balance is \$61.458m. The next rates instalment is due in May, until then no major items of income are expected to be received.

Total Project Expenditure is currently \$25.993m, which is \$791k less than at the same time last year. 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 March 2018**

	Current Month			Year to Date			Adopted Budget \$'000	Forecast Year-End \$'000
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000		
<b>Operating Income</b>								
1 Rates & charges	6,890	6,756	134	62,333	61,627	706	81,964	84,253
2 Statutory fees and fines	252	288	(36)	2,991	2,908	84	4,227	4,311
3 User Fees	207	174	34	2,143	2,025	118	2,878	2,995
4 Contributions (cash)	1	19	(18)	300	97	203	130	332
5 Grants - Operating	166	234	(67)	6,330	5,739	590	11,928	7,642
6 Other revenue	115	244	(129)	2,207	1,882	325	2,547	2,307
7 Interest	80	60	20	1,251	541	710	721	1,431
<b>Total Operating Income</b>	<b>7,713</b>	<b>7,775</b>	<b>(62)</b>	<b>77,554</b>	<b>74,819</b>	<b>2,736</b>	<b>104,395</b>	<b>103,271</b>
<b>Operating Expenditure</b>								
8 Employee benefits	2,626	2,591	(35)	24,205	24,538	333	34,025	34,025
9 Materials & Services	3,699	3,353	(345)	29,999	30,776	776	42,540	44,899
10 Bad & doubtful debts	8	13	5	107	118	11	176	164
11 Depreciation	1,809	1,820	11	15,570	16,382	812	21,843	21,843
12 Other Expenses	233	255	22	1,306	1,606	299	2,395	2,095
13 Finance costs	196	365	168	1,730	2,109	379	3,402	3,219
14 Internal Charges (should be zero)	0	0	0	0	0	0	0	0
<b>Total Operating Expenditure</b>	<b>8,570</b>	<b>8,397</b>	<b>(173)</b>	<b>72,917</b>	<b>75,529</b>	<b>2,612</b>	<b>104,381</b>	<b>106,246</b>
<b>Operating Profit/(Loss)</b>	<b>(857)</b>	<b>(622)</b>	<b>(235)</b>	<b>4,637</b>	<b>(710)</b>	<b>5,347</b>	<b>14</b>	<b>(2,975)</b>
add back Operating Works expensed included above	273	0	(273)	1,258	0	(1,258)	0	
<b>Adjusted Op Profit/(Loss)</b>	<b>(584)</b>	<b>(622)</b>	<b>38</b>	<b>5,895</b>	<b>(710)</b>	<b>6,606</b>	<b>14</b>	
<b>Capital/Non-recurrent items</b>								
15 Grants - Capital	1,350	0	1,350	3,195	1,056	2,139	6,770	
16 Capital Contributions (cash)	327	0	327	11,169	0	11,169	0	
17 Development Levies (cash)	5,542	73	5,469	14,496	660	13,836	881	
18 Capital Contributions (non cash)	5,574	0	5,574	26,206	0	26,206	0	
19 Development Levies (non cash)	0	0	0	4,972	0	4,972	0	
20 Capital Contributions Exp (non cash)	0	0	0	(860)	0	(860)	0	
21 Net gain(loss) on disposal of	123	0	123	(65)	0	(65)	0	
<b>Total Capital/Non-rec. items</b>	<b>12,916</b>	<b>73</b>	<b>12,843</b>	<b>59,113</b>	<b>1,717</b>	<b>57,396</b>	<b>7,651</b>	
<b>Net Surplus/(Deficit)</b>	<b>12,332</b>	<b>(549)</b>	<b>12,881</b>	<b>65,008</b>	<b>1,006</b>	<b>64,002</b>	<b>7,664</b>	

**Total Operating Expenditure**



## Income Statement Major Variance Analysis - March 2018

## Operating Income

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
1 Rates & Charges	706	Rate revenue, including supplementary rate revenue, is \$625k over budget, and garbage charges, which includes residential and commercial garbage and green waste, are \$81k over budget.	706	
2 Statutory Fees & Fines	84	Food Act fees are \$105k better than budget due to timing, Planning fees are \$135k better than budget due to increased development activity, and Landscape Development fees of \$107k 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.	107	(23)
3 User Fees	118	Local Laws user charges are \$187k better than budget primarily due to a higher volume of asset protection bond fees. These have been partly offset by Landscape Development fees of \$150k which are budgeted in this category but recognised in Statutory Fees & Fines. Small variances total \$80k favourable.	118	0
4 Contributions (Cash)	203	Decorative light pole contributions are \$173k better than budget due to an increase in volume. The net total of smaller variances is \$29k favourable.	161	42
5 Grants - Operating	590	Budgeted grants are \$282k better than budget, primarily due to the Maternal & Child Health, School Crossing Supervisor and Supported Parent Groups & Playgroups grants. Additionally, unbudgeted grants totalling \$306k have been recognised, the major two being \$86k for rectification works from the flood and storm event in late 2016 and \$141k for the Brighter Futures program in Youth Services.	499	91
6 Other Revenue	325	Cost recovery income is \$722k 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 \$397k unfavourable primarily in recycling processing income due to timing.	722	(397)
7 Interest	710	Interest on investments, including Developer Contribution Plan investments, is \$710k better than budget due to higher cash balances.	530	180
<b>Total</b>	<b>2,736</b>		<b>2,842</b>	<b>(107)</b>





## Income Statement Major Variance Analysis - March 2018

## Capital / Non-Recurrent Items

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	2,139	Favourable variance is due to the recognition of unbudgeted grants totalling \$505k, the major ones being for Koo Wee Rup high school sports facilities upgrade, and Safer Streets and Public Safety Infrastructure Funds grants for \$160k, \$105k and \$103k respectively. Additionally, the Roads to Recovery grant is \$609k better than the full year budget and the Holm Park Road grant is \$250k better than budget due to timing.	1,114	1,025
16 Capital Contributions (Cash)	11,169	This is primarily due to recognition of the ratepayer contributions to the Peet Street Pakenham industrial area special charge scheme totalling \$10.625m. Smaller contributions have been recognised for the Lang Lang sporting facility, environmental projects and tree management works at high risk sites.	11,169	
17 Development Levies (Cash)	13,836	Developer levies, community infrastructure levies, and public open space levies recognised total \$14.496m, which is \$13.836m better than budget. Non-Developer Contribution Plan levies are \$2.235m better and Developer Contribution Plan related levies are \$11.6m better.	13,616	220
18 Capital Contributions (Non-Cash)	26,206	The value of developer contributed assets (roads, footpaths, bridges and drains) year-to-date is \$26.206m. Non-Developer Contribution Plan contributions total \$19.106m and Developer Contribution Plan related contributions total \$7.1m.	26,206	
19 Development Levies (Non-Cash)	4,972	Public open space non-cash contributions from developers total \$4.972m, and is all Developer Contribution Plan related income.	4,972	
20 Capital Contributions Exp (non cash)	(860)	This entry relates to land contributed as public open space.	(860)	
21 Net Gain/(Loss) on Disposal of Assets	(65)	Net proceeds from the sale of land and plant are \$469k better than budget, but have been offset by the value of disposed infrastructure assets totalling \$534k.	(80)	15
<b>Total</b>	<b>57,396</b>		<b>56,137</b>	<b>1,259</b>

**Balance Sheet**  
**As at 31 March 2018**

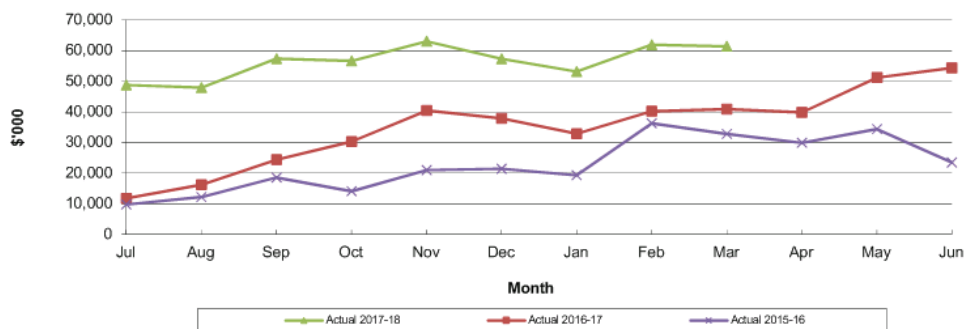
	Prior Month \$'000	Current Month \$'000	Prior Year June 2017 \$'000	Monthly Change \$'000	Yearly Change \$'000
<b>Current Assets</b>					
Cash & Cash Equivalents	100,237	100,962	91,199	725	9,763
Trade & Other Receivables	60,087	57,470	23,734	(2,617)	33,736
Accrued Income	0	0	430	0	(430)
Prepayments	400	400	1,901	0	(1,501)
Inventories/Land Held for Resale	8	9	5	1	3
<b>Total Current Assets</b>	<b>160,732</b>	<b>158,840</b>	<b>117,269</b>	<b>(1,892)</b>	<b>41,572</b>
<b>Non Current Assets</b>					
Intangible Assets	528	510	637	(18)	(127)
Trade & Other Receivables	2,607	2,610	4,607	3	(1,997)
Investments Long Term	1,596	1,596	1,596	0	0
Land	417,673	417,058	404,312	(615)	12,746
Buildings	161,745	178,730	162,770	16,985	15,960
Other Structures	26,641	27,497	22,109	856	5,388
Plant & Machinery	5,986	5,923	5,772	(63)	151
Furniture, Equipment & Computers	2,136	2,117	2,234	(19)	(117)
Roads	248,501	250,200	242,819	1,699	7,381
Footpaths	70,148	70,571	68,047	423	2,523
Drains	190,245	190,976	185,554	731	5,422
Bridges	46,884	46,872	47,301	(12)	(429)
Off-street Car Parks	6,871	6,865	7,000	(6)	(136)
Other Infrastructure	2,293	2,825	767	532	2,058
<b>Total Non Current Assets</b>	<b>1,183,854</b>	<b>1,204,350</b>	<b>1,155,526</b>	<b>20,496</b>	<b>48,824</b>
<b>TOTAL ASSETS</b>	<b>1,344,586</b>	<b>1,363,191</b>	<b>1,272,794</b>	<b>18,604</b>	<b>90,396</b>
<b>Current Liabilities</b>					
Trade and other payables	48,139	37,084	17,174	(11,054)	19,911
Trust funds and deposits	11,591	12,284	11,333	693	951
Provisions	6,332	6,332	6,348	0	(16)
Interest-bearing loans and borrowings	5,001	5,001	5,001	0	0
<b>Total Current Liabilities</b>	<b>71,061</b>	<b>60,701</b>	<b>39,854</b>	<b>(10,361)</b>	<b>20,846</b>
<b>Non Current Liabilities</b>					
Provisions	66,831	66,851	1,245	20	65,606
Interest-bearing loans and borrowings	38,333	38,039	42,265	(294)	(4,226)
Trade and other payables	4,342	4,342	12,896	0	(8,554)
<b>Total Non Current Liabilities</b>	<b>109,506</b>	<b>109,232</b>	<b>56,406</b>	<b>(274)</b>	<b>52,826</b>
<b>TOTAL LIABILITIES</b>	<b>180,567</b>	<b>169,932</b>	<b>96,260</b>	<b>(10,635)</b>	<b>73,672</b>
<b>NET ASSETS</b>	<b>1,164,019</b>	<b>1,193,258</b>	<b>1,176,534</b>	<b>29,239</b>	<b>16,724</b>
<b>Equity</b>					
Accumulated Surplus	759,491	771,770	707,400	12,279	64,370
Reserves	404,528	421,489	469,134	16,960	(47,646)
<b>TOTAL EQUITY</b>	<b>1,164,019</b>	<b>1,193,258</b>	<b>1,176,534</b>	<b>29,239</b>	<b>16,724</b>

Comments: Trade and other receivables (current) have increased by \$33.736m due to recognition of rates debtors for the year and special charge scheme debtors. Trade and other payables (current) have increased by \$19.911m due to recognition of unearned rates and charges revenue for the remainder of the year. Provisions (non-current) have increased by \$65.606m due to recognition of future Developer Contribution Plan commitments, and have been offset by a similar decrease in Reserves. The increase in Accumulated Surplus of \$64.370m primarily relates to the YTD Net Surplus. 6

### Cash Flow Statement For the period ended 31 March 2018

	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	64,252	60,998	3,254	81,331
Statutory Fees and Fines	3,432	3,170	262	4,227
User Fees	2,379	1,379	1,000	1,839
Grants - operating	6,729	8,946	(2,217)	11,928
Grants - capital	2,923	5,078	(2,155)	6,770
Contributions	4,451	758	3,693	1,011
Other Revenue	2,481	2,602	(121)	3,469
GST received (net)	4,043	-	4,043	-
<b>Total receipts from operating activities</b>	<b>90,690</b>	<b>82,931</b>	<b>7,759</b>	<b>110,575</b>
<b>Payments</b>				
Employee benefits	(24,185)	(25,160)	975	(33,546)
Contracts, Materials and Services	(39,399)	(32,058)	(7,341)	(42,744)
Trust funds and deposits taken and repaid	213	-	213	-
<b>Total payments from operating activities</b>	<b>(63,371)</b>	<b>(57,218)</b>	<b>(6,153)</b>	<b>(76,290)</b>
<b>Net cash provided by operating activities</b>	<b>27,319</b>	<b>25,713</b>	<b>1,606</b>	<b>34,284</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(17,875)	(33,648)	15,773	(44,864)
Proceeds from sales of assets	6,275	10,079	(3,804)	13,439
<b>Net cash used in investing activities</b>	<b>(11,600)</b>	<b>(23,569)</b>	<b>11,969</b>	<b>(31,425)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(1,730)	(2,552)	822	(3,402)
Proceeds from borrowings (loan funds)	-	-	-	3,000
Repayment of borrowings	(4,226)	(3,822)	(404)	(5,096)
<b>Net cash provided by financing</b>	<b>(5,956)</b>	<b>(6,374)</b>	<b>418</b>	<b>(5,498)</b>
<b>Change in cash held</b>	<b>9,763</b>	<b>(4,230)</b>	<b>13,993</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>100,962</b>	<b>34,558</b>	<b>66,404</b>	<b>36,150</b>

Cash and Cash Equivalents Balances - excluding DCPs



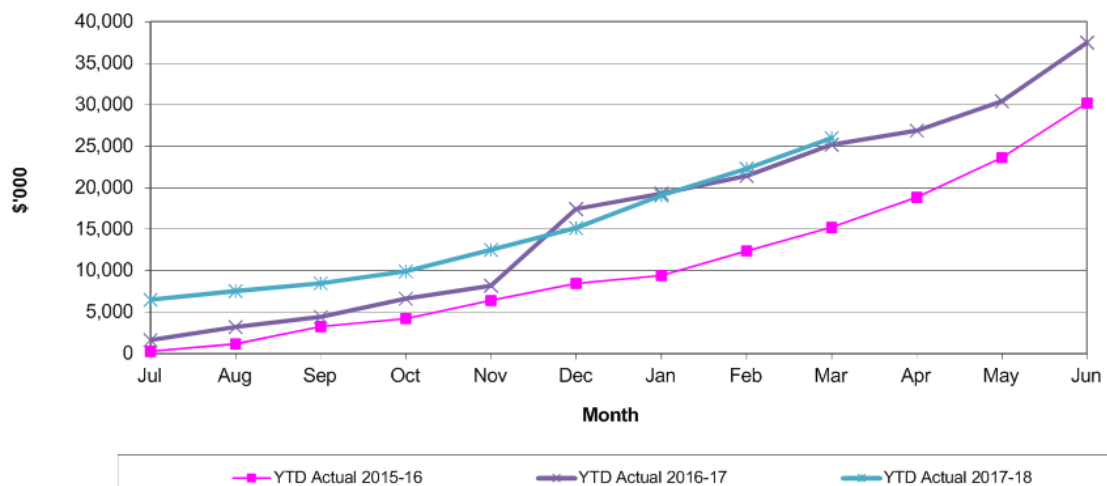
Comments: The total cash balance at the end of March 2018 is \$100.962m which is \$9.763m higher than as at the end of June 2017. Council cash is \$7.112m higher and Developer Contribution Plan (DCP) cash is \$2.652m higher. Excluding DCP's, the cash balance is \$61.458m. The next rates instalment is due in May, until then no major items of income are expected to be received.

### Capital Works As at 31 March 2018

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
Deposits for asset purchases	400	-	(400)	-	-
Land	5,950	1,500	(4,450)	2,000	2,000
Buildings (including Buildings ledger)	3,302	10,209	6,907	26,082	17,583
Community	5,868	9,522	3,653	16,353	11,527
Plant & Machinery	1,502	2,047	544	3,416	2,070
Furniture & Equipment	154	60	(94)	60	60
Roads	3,697	5,545	1,848	15,845	4,900
Footpaths	893	3,022	2,128	3,144	2,475
Drains	502	400	(102)	462	400
Bridges	358	750	392	1,279	700
Off Street Car Parks	10	1,693	1,682	2,048	2,039
Other Infrastructure	2,070	-	(2,070)	-	-
Intangibles (including software)	28	262	234	410	410
<b>Project Expenditure</b>	<b>24,735</b>	<b>35,008</b>	<b>10,273</b>	<b>71,099</b>	<b>44,164</b>
<b>Add non capital project expenditure:</b>					
Capital Works	1,050	-	(1,050)	-	-
Community Capital Works	175	288	113	686	550
Priority Works	34	113	79	150	150
<b>Total Project Expenditure</b>	<b>25,993</b>	<b>35,409</b>	<b>9,415</b>	<b>71,934</b>	<b>44,864</b>

\*Revised Budget is the 2017-18 Adopted Budget plus carry-overs from 2016-17.

#### Total Project Expenditure



Comments: Total Project Expenditure is currently \$25.993m, which is \$791k less than at the same time last year. The major item of expenditure this financial year has been the purchase of land in Brunt Road Officer (\$5.95m), which occurred in July. The increase in December in the 2016-17 line in the graph above refers to the recognition of land for James Bathe Recreation Reserve (\$7.16m).

# ACTIVITY REPORTS