

13 QUARTERLY FINANCIAL REPORT

FILE REFERENCE INT1878743

RESPONSIBLE GENERAL MANAGER Jenny Scicluna

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RECOMMENDATION

That the quarterly financial report for the period 1 July to 30 September 2018 be received and noted.

Attachments

1 Quarterly financial report 10 Pages

EXECUTIVE SUMMARY

This report details Council's financial performance for the three months ended 30 September 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 meets the following Council Plan objective:

5.3.3 Manage the municipality's finances and assets in a responsible way.

CONSULTATION/COMMUNICATION

Accountants with 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 2018-19 budget adopted in May 2018 and the actual result as at 30 September 2018.

The operating result for the three months ended 30 September 2018 is a surplus of \$3.6m. This is \$3.8m better than the year-to-date budgeted deficit of \$0.2m.

Operating income is nearly \$1.0m favourable to budget, predominantly in Statutory Fees & Fines and Interest. Operating expenditure is just under \$2.9m favourable to budget, mainly in Materials & Services and Finance Costs. Detailed variance analysis is included in the attached report.

The total cash balance as at 30 September 2018 is \$103.9m, which is \$5.4m lower than at the end of June 2018. Excluding developer related funds, the cash balance is \$62.4m.

Total project expenditure for the three months to 30 September 2018 is \$13.3m, which is \$4.8m 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 2018 to 30 September 2018.



Financial Performance Report

For the period
1 July 2018
to
30 September 2018

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September 2018

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Executive Summary

September 2018

Background

The financial report includes four of the six budgeted financial statements from Section 3 (Financial Statements) of the 2018-19 adopted budget. The information provides a summary of Cardinia Shire Council's financial position and performance for the period to 30 September 2018 against the adopted budget.

Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	27,937	26,974	963	3.6%	F
Operating Expenditure	24,304	27,165	2,861	10.5%	F
Operating Surplus/(Deficit)	3,633	(191)	3,824		

The operating surplus of \$3.6m is \$3.8m better than the year-to-date budgeted deficit of \$0.2m. At the end of September, revenue is nearly \$1.0m favourable and expenditure is just under \$2.9m favourable. Commentary of variances to budget are included in this report.

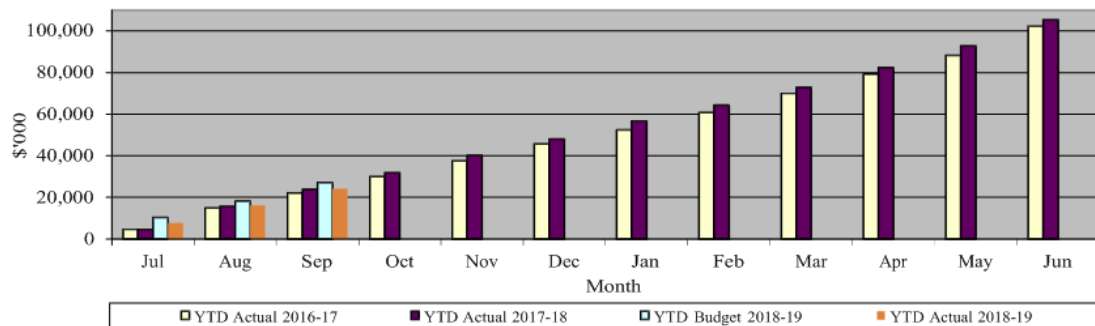
The total cash balance at the end of September 2018 is \$103.9m, which is \$5.4m lower than as at the end of June 2018. Council cash is \$4.3m lower and Developer Contribution Plan (DCP) cash is \$1.1m lower. Excluding DCP funds, the cash balance is \$62.4m. This cash balance is committed to capital carry-forwards to 2018-19 and general Council operations. The first rate instalment for 2018-19, which was due at the end of September, had a significant impact on the cash balance.

Total Project Expenditure is currently \$13.3m, which is \$4.8m more than as at the same time last year. The major item of expenditure this financial year has been the purchase of land for \$4.0m at 280 Princes Hwy Officer, which occurred in July, and continuing works on major projects - Cardinia Cultural Centre and Deep Creek Reserve.

Income Statement
For the period ended 30 September 2018

	Current Month			Year to Date			Adopted Budget \$'000
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	
Operating Income							
Rates charges	7,362	7,453	(92)	22,282	22,360	(78)	89,440
Statutory fees and fines	296	136	160	1,406	923	483	4,672
User Fees	166	145	21	586	723	(137)	2,991
Contributions (cash)	25	2	22	137	7	129	78
Grants - Operating	210	126	84	2,419	2,244	175	12,269
Other revenue	187	283	(96)	758	651	107	1,821
Interest	168	39	129	350	66	284	454
Total Operating Income	8,415	8,185	230	27,937	26,974	963	111,725
Operating Expenditure							
Employee benefits	2,829	2,729	(100)	8,249	8,187	(61)	35,797
Materials & Services	2,979	3,426	447	9,808	12,147	2,340	46,763
Bad & doubtful debts	8	13	6	35	39	4	176
Depreciation	1,788	1,883	95	5,529	5,650	120	22,598
Other Expenses	209	212	3	456	444	(13)	2,502
Finance costs	248	686	438	227	697	470	4,447
Internal Charges (should be zero)	(1)	0	1	0	0	0	0
Total Operating Expenditure	8,059	8,950	891	24,304	27,165	2,861	112,283
Operating Profit/(Loss)	356	(765)	1,121	3,633	(191)	3,824	(558)
Capital/Non-recurrent items							
Grants - Capital	308	0	308	858	98	760	4,621
Capital Contributions (cash)	0	0	0	27	0	27	0
Development Levies (cash)	2,125	73	2,052	5,561	219	5,341	877
Capital Contributions (non cash)	2,015	0	2,015	5,668	0	5,668	0
Capital Contributions Exp (Non Cash)	(28)	0	(28)	(28)	0	(28)	0
Net gain(loss) on disposal of property,i	244	0	244	12	0	12	0
Total Capital/Non-rec. items	4,665	73	4,591	12,098	317	11,781	5,498
Net Surplus	5,020	(692)	5,712	15,731	126	15,605	4,940

Total Operating Expenditure



Income Statement Major Variance Analysis - September 2018

Operating Income

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
1 Rates & Charges	(78)	Rate revenue is under budget due to lower supplementary rates than budgeted, and garbage charge income is under due to lower green waste bin revenue than budgeted. These have been partly offset by better than budgeted interest on rates and charges.		(78)
2 Statutory Fees & Fines	483	Favourable variance is primarily due to timing of receipt of development fees (supervision and plan checking), landscape development (surveillance and plan checking), planning fees (planning permit, property information, and subdivision certification) and local laws fines (including parking). Total of smaller variances is \$86k favourable.		483
3 User Fees	(137)	Cardinia Cultural Centre user fees are \$69k under budget primarily as a result of the impact of building works currently under way, and Central Enrolments income is \$44k under due to timing. Smaller variances total \$24k unfavourable.	(69)	(68)
4 Contributions (Cash)	129	Decorative light pole contributions are \$120k better than budget due to an increase in volume. The net total of smaller variances is \$9k favourable.	120	9
5 Grants - Operating	175	Budgeted grants are \$110k better than budget, primarily due to additional grant funding for School Crossing Supervisors and Maternal & Child Health. Additionally, unbudgeted grants totalling \$65k have been recognised, the major one being for Growth Area Planning.	175	
6 Other Revenue	107	Cost recovery income is \$64k better than budget, mainly as a result of the receipt of unbudgeted items, and income from sale of valuations data is \$54k better. The net total of smaller variances is \$11k unfavourable.	32	75
7 Interest	284	Interest on investments, including DCP investments, is \$284k better than budget due to higher cash balances.	101	183
Total	963		359	604

Income Statement Major Variance Analysis - September 2018

Operating Expenditure

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
8	(61)	Employee benefits expenditure is currently \$61k over budget primarily due to an increase in casual labour. This has been partly offset by an increase in grant income.	(61)	
9	2,340	Capital works, community capital works and priority works operating expenditure which is budgeted in the Capital Works program totals \$0.3m. Contracts are \$1.3m under budget. This is primarily due to timing of the parks & gardens, putrescible disposal and green waste bin contracts, all due to timing. Other variances also total \$1.3m under budget, with favourable variances in corporate management consultants, recreation reserves grants and street lighting.	(284)	1,332 1,292
10	4	Bad and doubtful debts are currently \$4k under budget due to timing.		4
11	120	Depreciation expense is currently under budget, primarily in the buildings and roads categories, but this variance is expected to decrease as new and contributed assets are recognised during the year.		120
12	(13)	Unfavourable variance is primarily relates to expenditure which is budgeted in the Capital Works program.	(56)	43
13	470	Interest on loans are \$441k under budget primarily due to budgeted loans not yet drawn down. Additionally, bank charges are \$29k under budget due to the increase for new payment options being lower than expected.	441	29
14	0	Internal charges actual income matches internal charges actual expenditure across the organisation.		
Total	2,861		40	2,821

Income Statement Major Variance Analysis - September 2018

Capital / Non-Recurrent Items

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	760	Favourable variance is due to the recognition of unbudgeted grants totalling \$760k, for Main Street Pakenham kindergarten redevelopment, James Bathe Recreation Reserve, and Emerald Community Hub.	760	
16 Capital Contributions (Cash)	27	Unbudgeted ratepayer contributions to the Peet Street Pakenham industrial area special charge scheme totalling \$27k have been recognised.	27	
17 Development Levies (Cash)	5,341	Developer levies, community infrastructure levies, and public open space levies recognised total \$5.6m, which is \$5.3m better than budget. Non-DCP levies are \$1.3m better and DCP related levies are \$4.0m better.	4,684	657
18 Capital Contributions (Non-Cash)	5,668	The value of developer contributed assets (roads, footpaths, bridges and drains) year-to-date is \$5.7m. Non-DCP contributions total \$3.9m and DCP related contributions total \$1.8m.	5,668	
19 Capital Contributions Exp (non cash)	(28)	This entry is for DCP footpath works which will be allocated to a different account.		(28)
20 Net Gain/(Loss) on Disposal of Assets	12	Net proceeds from the sale of land and plant are \$308k better than budget, but have been offset by the value of disposed infrastructure assets totalling \$296k.	(296)	308
Total	11,781		10,844	937

Balance Sheet
As at 30 September 2018

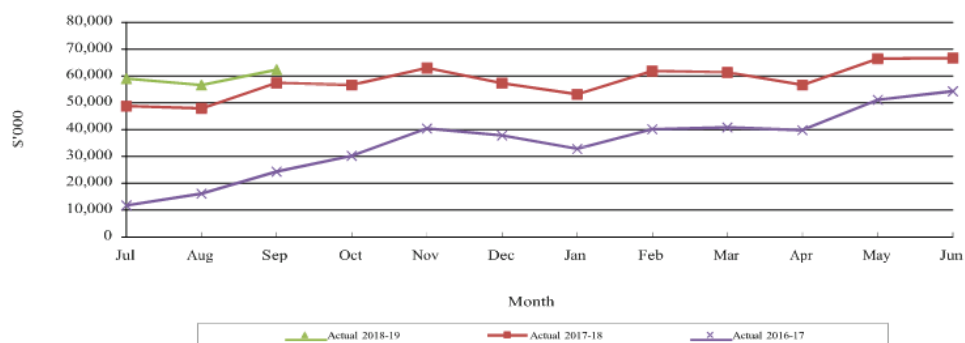
	Prior Month \$'000	Current Month \$'000	Prior Year June 2018 \$'000	Monthly Change \$'000	Yearly Change \$'000
Current Assets					
Cash & Cash Equivalents	96,888	103,887	109,311	6,998	(5,424)
Trade & Other Receivables	111,062	106,932	32,527	(4,130)	74,406
Accrued Income	0	0	425	0	(425)
Prepayments	416	693	1,348	277	(656)
Inventories/Land Held for Resale	10	22	26	12	(4)
Total Current Assets	208,376	211,533	143,636	3,157	67,897
Non Current Assets					
Intangible Assets	551	534	587	(17)	(53)
Trade & Other Receivables	4	4	4	0	0
Investments Long Term	1,493	1,534	1,534	41	0
Land	665,805	664,861	660,573	(944)	4,288
Buildings	184,313	184,822	183,735	509	1,087
Recreational, Leisure & Community Facilities	35,008	35,756	33,734	748	2,022
Plant & Machinery	5,660	5,911	5,735	251	176
Furniture, Equipment & Computers	2,091	2,079	2,114	(11)	(35)
Roads	255,506	255,449	254,278	(56)	1,171
Footpaths	74,957	75,141	74,394	184	747
Drains	201,590	201,481	200,114	(109)	1,367
Bridges	52,350	52,432	51,289	82	1,143
Off-street Car Parks	7,158	7,410	7,183	252	227
Other Infrastructure	773	772	771	(1)	1
Total Non Current Assets	1,487,257	1,488,186	1,476,044	929	12,141
TOTAL ASSETS	1,695,633	1,699,719	1,619,681	4,086	80,038
Current Liabilities					
Trade and other payables	85,521	83,124	15,264	(2,396)	67,860
Trust funds and deposits	12,494	14,378	11,059	1,884	3,318
Provisions	6,817	6,817	6,817	0	0
Interest-bearing loans and borrowings	4,514	4,514	4,514	0	0
Total Current Liabilities	109,346	108,834	37,655	(513)	71,178
Non Current Liabilities					
Provisions	1,054	1,132	990	79	142
Interest-bearing loans and borrowings	36,649	36,063	37,164	(586)	(1,101)
Trade and other payables	4,231	4,231	10,261	0	(6,030)
Total Non Current Liabilities	41,934	41,426	48,415	(508)	(6,989)
TOTAL LIABILITIES	151,280	150,260	86,070	(1,020)	64,190
NET ASSETS	1,544,353	1,549,459	1,533,611	5,106	15,848
Equity					
Accumulated Surplus	933,255	938,941	921,967	5,686	16,974
Reserves	611,098	610,518	611,644	(580)	(1,126)
TOTAL EQUITY	1,544,353	1,549,459	1,533,611	5,106	15,848

Comments: Trade and other receivables (current) have increased by \$74.4m due to recognition of rates debtors for the year. Trade and other payables (current) have increased by \$67.9m due to the recognition of unearned rates and charges revenue for the remainder of the year. The increase in Accumulated Surplus of \$17.0m primarily relates to the year-to-date net surplus.

Cash Flow Statement For the period ended 30 September 2018

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Adopted Budget \$'000
Cash flows from operating activities				
Receipts				
Rates and Charges	21,063	22,019	(956)	88,074
Statutory Fees and Fines	1,506	1,117	389	4,466
User Fees	760	751	9	3,003
Grants - operating	2,423	3,067	(644)	12,269
Grants - capital	863	1,155	(292)	4,621
Contributions	149	20	129	78
Interest received	624	198	426	792
Development levies	5,044	219	4,825	877
Other Receipts	(320)	610	(930)	2,438
GST received (net)	3,420	-	3,420	-
Total receipts from operating activities	35,532	29,156	6,376	116,618
Payments				
Employee costs	(8,713)	(8,825)	112	(35,300)
Materials and Services	(17,730)	(12,714)	(5,016)	(50,855)
Trust funds and deposits taken and repaid	1,157	-	1,157	-
Total payments from operating activities	(25,286)	(21,539)	(3,747)	(86,155)
Net cash provided by operating activities	10,246	7,617	2,629	30,462
Cash flows from investing activities				
Payments for property, plant and equipment	(15,470)	(13,914)	(1,556)	(55,656)
Proceeds from sales of assets	1,128	1,545	(417)	6,180
Net cash used in investing activities	(14,342)	(12,369)	(1,973)	(49,476)
Cash flows from financing activities				
Finance costs	(227)	(1,112)	885	(4,447)
Proceeds from borrowings (loan funds)	-	-	-	23,110
Repayment of borrowings	(1,101)	(1,592)	491	(6,366)
Net cash provided by financing	(1,328)	(2,704)	1,376	12,297
Change in cash held	(5,424)	(7,456)	2,032	(6,717)
Cash at beginning	109,311	44,259	65,052	44,259
Cash at end	103,887	36,803	67,084	37,542

Cash and Cash Equivalents Balances - excluding DCPs



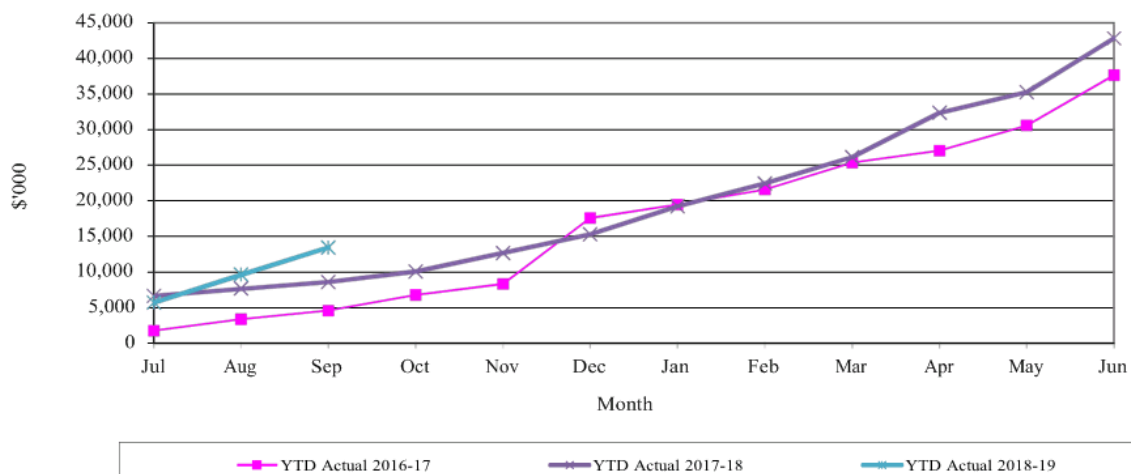
Comments: The total cash balance at the end of September 2018 is \$103.9m, which is \$5.4m lower than as at the end of June 2018. Council cash is \$4.3m lower and Developer Contribution Plan (DCP) cash is \$1.1m lower. Excluding DCP funds, the cash balance is \$62.4m. This cash balance is committed to capital carry-forwards to 2018-19 and general Council operations. The first rate instalment for 2018-19, which was due at the end of September, had a significant impact on the cash balance.

Capital Works As at 30 September 2018

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
Project Expenditure					
Deposits for asset purchases	280	-	(280)	-	-
Land	4,802	325	(4,477)	1,300	1,300
Buildings (including Buildings ledger)	2,551	5,991	3,440	28,029	12,702
Recreational & Community	2,353	2,935	581	25,763	13,964
Plant & Machinery	565	1,040	475	4,195	2,360
Furniture & Equipment	58	40	(18)	60	60
Roads	958	27	(985)	40,966	24,938
Footpaths	573	1,190	617	2,531	2,970
Drains	49	-	(49)	421	421
Bridges	518	500	(18)	1,224	420
Off Street Car Parks	279	157	(436)	486	216
Other Infrastructure	5	-	(5)	185	180
Intangibles (including software)	-	75	75	460	460
Project Expenditure	12,990	11,911	(1,080)	105,621	59,991
Add non capital project expenditure:					
Capital Works	232	-	(232)	-	-
Community Capital Works	20	42	22	724	500
Priority Works	74	45	(29)	180	150
Total Project Expenditure	13,316	11,997	(1,318)	106,525	60,641

*Revised Budget is the 2018-19 Adopted Budget plus carry-overs from 2017-18.

Total Project Expenditure



Comments: Total Project Expenditure is currently \$13.3m, which is \$4.8m more than as at the same time last year. The major item of expenditure this financial year has been the purchase of land for \$4.0m at 280 Princes Hwy Officer, which occurred in July, and continuing works on major projects - Cardinia Cultural Centre and Deep Creek Reserve.