

14 QUARTERLY FINANCIAL REPORT

FILE REFERENCE INT198402

RESPONSIBLE GENERAL MANAGER Jenny Scicluna

AUTHOR Richard Williams

RECOMMENDATION

That the quarterly financial report for the period 1 July 2018 to 31 December 2018 be received and noted.

Attachments

1 Financial performance report 10 Pages

EXECUTIVE SUMMARY

This report details Council's financial performance for the six months ended 31 December 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 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 2018-19 budget adopted in May 2018 and the actual result as at 31 December 2018.

The operating result for the six months ended 31 December 2018 is a surplus of just under \$4.2m. This is over \$6.2m better than the year-to-date budgeted deficit of nearly \$2.1m.

Operating income is \$3.5m favourable to budget, predominantly in Operating Grants, Statutory Fees & Fines, Other Revenue and Interest. Operating expenditure is \$2.7m 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 31 December 2018 is \$110.7m, which is \$1.4m higher than at the end of June 2018. Excluding developer related funds, the cash balance is \$70.3m.

Total project expenditure for the six months to 31 December 2018 is \$30.7m, which is \$15.5m more than at the same time last year, but \$0.7m lower than the year-to-date budget.

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 31 December 2018.



Financial Performance Report

**For the period
1 July 2018
to
31 December 2018**

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December 2018

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Executive Summary

December 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 31 December 2018 against the adopted budget.

Financial Performance summary

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	YTD Variance %	Fav/ Unfav
Operating Income	56,641	53,143	3,498	6.6%	F
Operating Expenditure	52,452	55,200	2,749	5.0%	F
Operating Surplus/(Deficit)	4,190	(2,058)	6,247		

The operating surplus of just under \$4.2m is over \$6.2m better than the year-to-date budgeted deficit of nearly \$2.1m. At the end of December, revenue is \$3.5m favourable, and expenditure is over \$2.7m favourable. Commentary of variances to budget are included in this report.

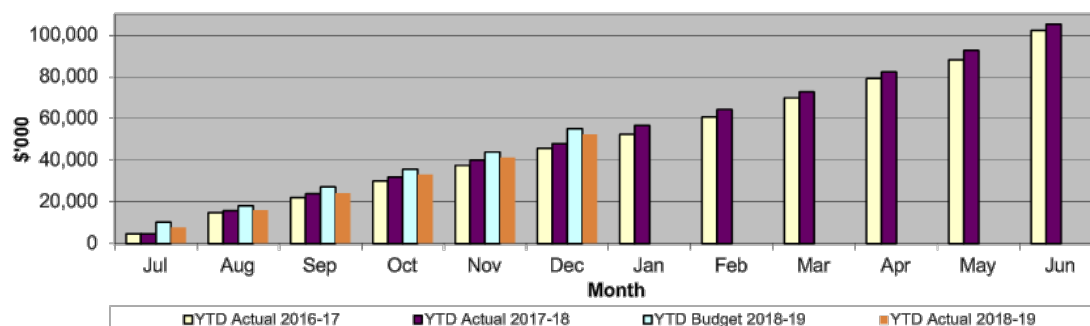
The total cash balance at the end of December 2018 is \$110.7m, which is \$1.4m higher than as at the end of June 2018. Council cash is \$3.6m higher and DCP cash is \$2.2m lower. Excluding DCP funds, the cash balance is \$70.3m. This cash balance is committed to capital carry-forwards to 2018-19 and general Council operations.

Total Project Expenditure is currently \$30.7m, which is \$15.5m more than as at the same time last year, but \$0.7m lower than the year-to-date budget. The major items of expenditure this financial year have been the purchases of land at 280 Princes Hwy Officer (Gin Gin Bin Reserve) and at the corner of Rix Road and Officer South Road Officer (future road reserve), and continuing works on major projects - Cardinia Cultural Centre, Deep Creek Reserve, Hills Hub and James Bathe Recreation Reserve.

Income Statement
For the period ended 31 December 2018

	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	7,376	7,453	(78)	44,636	44,720	(84)	89,440
2 Statutory fees and fines	490	290	200	2,633	1,845	788	4,672
3 User Fees	184	164	20	1,286	1,369	(83)	2,991
4 Contributions (cash)	9	27	(18)	162	39	123	78
5 Grants - Operating	379	126	253	5,169	3,981	1,188	12,269
6 Other revenue	308	123	185	1,793	1,006	787	1,821
7 Interest	151	39	112	961	182	779	454
Total Operating Income	8,896	8,222	674	56,641	53,143	3,498	111,725
Operating Expenditure							
8 Employee benefits	4,218	4,045	(172)	18,150	17,692	(459)	35,797
9 Materials & Services	4,726	4,453	(272)	21,165	23,229	2,064	46,763
10 Bad & doubtful debts	3	13	10	47	79	32	176
11 Depreciation	1,867	1,883	16	11,065	11,299	234	22,598
12 Other Expenses	118	213	95	1,044	1,004	(40)	2,502
13 Finance costs	157	670	513	979	1,898	918	4,447
14 Internal Charges (should be zero)	0	0	0	0	0	0	0
Total Operating Expenditure	11,088	11,278	190	52,452	55,200	2,749	112,283
Operating Profit/(Loss)	(2,193)	(3,056)	864	4,190	(2,058)	6,247	(558)
Capital/Non-recurrent items							
15 Grants - Capital	1,170	0	1,170	2,676	781	1,895	4,621
16 Capital Contributions (cash)	41	0	41	88	0	88	0
17 Development Levies (cash)	627	73	554	8,562	438	8,124	877
18 Capital Contributions (non cash)	3,178	0	3,178	19,696	0	19,696	0
19 Development Levies (non cash)	(432)	0	(432)	(1,366)	0	(1,366)	0
20 Net gain(loss) on disposal of prop	(486)	0	(486)	(573)	0	(573)	0
Total Capital/Non-rec. items	4,098	73	4,025	29,083	1,219	27,864	5,498
Net Surplus	1,906	(2,983)	4,889	33,273	(838)	34,111	4,940

Total Operating Expenditure



Income Statement Major Variance Analysis - December 2018

Operating Income

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
1 Rates & Charges	(84)	Rates and charges revenue is under budget due to lower supplementary rates than budgeted and lower green waste bin revenue, but has been partly offset by garbage charge income which is better than budgeted.		(84)
2 Statutory Fees & Fines	788	Favourable variance is primarily due to timing of receipt of Food Act annual fees, as well as local laws fines (parking), development fees (supervision and plan checking), landscape development (surveillance and plan checking), and planning fees (planning permit, property information, and subdivision certification) which are all better than budget.	392	396
3 User Fees	(83)	Cardinia Cultural Centre user fees are \$0.1m under budget primarily as a result of the impact of building works currently under way. These have been partly offset by better than budgeted income from asset protection fees and Cardinia LiFE.	(96)	13
4 Contributions (Cash)	123	Decorative light pole contributions are \$0.1m better than budget due to an increase in volume.	137	(14)
5 Grants - Operating	1,188	Budgeted grants are \$0.4m better than budget, primarily due to additional grant funding for School Crossing Supervisors and Maternal & Child Health. Additionally, unbudgeted grants totalling \$0.8m have been recognised, the major one being for the Cannibal Creek Biodiversity Project.	948	240
6 Other Revenue	787	Cost recovery income is \$0.7m better than budget, mainly as a result of the receipt of unbudgeted items totalling \$0.6m.	581	206
7 Interest	779	Interest on investments is \$0.4m better than budget due to higher cash balances. Additionally, interest on DCP investments also total \$0.4m.	507	272
Total	3,498		2,469	1,029

Income Statement Major Variance Analysis - December 2018

Operating Expenditure

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
8 Employee Benefits	(459)	Employee benefits expenditure is currently \$0.5m over budget primarily due to the impact of new positions approved during the year. This has been partly offset by an increase in funding from external sources, including grant and fee income.	(459)	
9 Materials & Services	2,064	Capital works, community capital works and priority works operating expenditure which is budgeted in the Capital Works program totals \$0.9m. Contracts are \$2.1m under budget. This is primarily due to timing of the parks & gardens, garbage collection, green waste bin contracts, which are all currently under budget, partly offset by the library contract which is over. The recycling processing contract is forecast to be under budget at year-end due to reduced recycling costs. Other variances total \$0.9m under budget, with favourable variances currently in street lighting and roads resheeting.	(880) 287	1,792 865
10 Bad & Doubtful Debts	32	Bad and doubtful debts are currently under budget, mainly in Animal Control. These have been partly offset by unbudgeted debts in rates and property services, relating to special charge schemes, which have been recognised.	26	6
11 Depreciation	234	Depreciation expense is currently under budget, primarily in the buildings, recreation and roads categories, but this variance is expected to decrease as new and contributed assets are recognised during the year.		234
12 Other Expenses	(40)	Unfavourable variance is primarily relates to expenditure which is budgeted in the Capital Works program.	(175)	135
13 Finance Costs	918	Interest on loans are \$0.9m under budget primarily due to budgeted loans not drawn down.	876	42
14 Internal Charges	0	Internal charges actual income matches internal charges actual expenditure across the organisation.		
Total	2,749		(325)	3,074

Income Statement Major Variance Analysis - December 2018

Capital / Non-Recurrent Items

	YTD Variance \$'000	Notes to Accounts	Permanent Variance \$'000	Timing Variance \$'000
15 Grants - Capital	1,895	Favourable variance is due to the recognition of unbudgeted grants totalling \$2.5m, the major ones being for Bunyip River Road blackspot project, Gembrook playground and skate park, and Hills Hub. These have been partly offset by the Roads to Recovery grant which is \$0.6m under budget due to timing.	2,480	(585)
16 Capital Contributions (Cash)	88	Unbudgeted contributions to Environmental solar projects and the Peet Street Pakenham industrial area special charge scheme have been recognised.	88	
17 Development Levies (Cash)	8,124	Developer levies, community infrastructure levies, and public open space levies recognised total \$8.6m, which is \$8.1m better than budget. Non-DCP levies are \$2.3m better and DCP related levies are \$5.8m better.	7,685	439
18 Capital Contributions (Non-Cash)	19,696	The value of developer contributed assets (roads, footpaths, bridges and drains) year-to-date is \$19.7m. Non-DCP contributions total \$17.0m and DCP related contributions total \$2.7m.	19,696	
19 Development Levies (Non-Cash)	(1,366)	Unfavourable variance primarily relates to the recognition of credit notes for developer works undertaken.	(1,366)	
20 Net Gain/(Loss) on Disposal of Assets	(573)	The value of disposed infrastructure assets totalling \$0.9m have been partly offset by the net proceeds from the sale of land and plant, which are \$0.3m better than budget.	(919)	346
Total	27,864		27,664	200

Balance Sheet
As at 31 December 2018

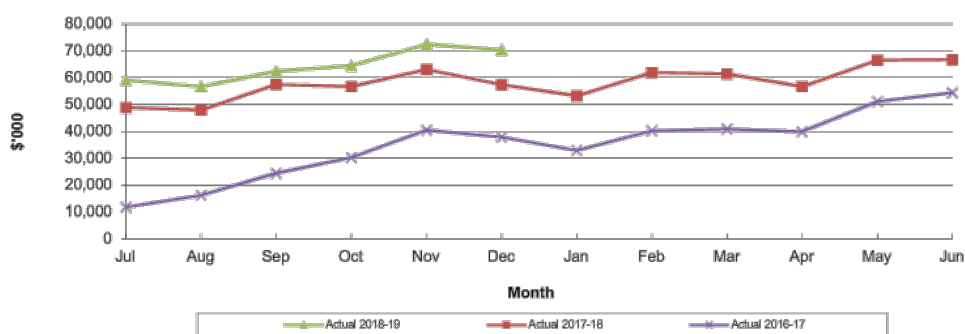
	Prior Month \$'000	Current Month \$'000	Prior Year June 2018 \$'000	Monthly Change \$'000	Yearly Change \$'000
Current Assets					
Cash & Cash Equivalents	113,047	110,708	109,311	(2,339)	1,397
Trade & Other Receivables	80,432	72,141	32,527	(8,291)	39,614
Accrued Income	0	0	425	0	(425)
Prepayments	415	959	1,348	544	(389)
Inventories/Land Held for Resale	26	23	26	(3)	(3)
Total Current Assets	193,920	183,831	143,636	(10,089)	40,195
Non Current Assets					
Intangible Assets	520	502	587	(18)	(85)
Trade & Other Receivables	4	1,374	4	1,370	1,370
Investments Long Term	1,534	1,534	1,534	0	0
Land	669,884	670,002	660,573	118	9,429
Buildings	187,827	189,769	183,735	1,941	6,034
Recreational, Leisure & Community Facilities	36,864	37,632	33,734	768	3,898
Plant & Machinery	5,908	5,846	5,735	(63)	111
Furniture, Equipment & Computers	2,079	2,107	2,114	29	(7)
Roads	258,845	260,815	254,278	1,971	6,537
Footpaths	76,226	76,874	74,394	647	2,480
Drains	205,311	205,904	200,114	593	5,790
Bridges	53,599	53,337	51,289	(262)	2,048
Off-street Car Parks	7,566	7,548	7,183	(17)	365
Other Infrastructure	770	780	771	10	9
Total Non Current Assets	1,506,937	1,514,024	1,476,044	7,087	37,980
TOTAL ASSETS	1,700,858	1,697,855	1,619,681	(3,002)	78,175
Current Liabilities					
Trade and other payables	68,659	65,228	15,264	(3,430)	49,964
Trust funds and deposits	14,697	13,718	11,059	(979)	2,659
Provisions	6,817	6,811	6,817	(6)	(6)
Interest-bearing loans and borrowings	4,514	4,514	4,514	0	0
Total Current Liabilities	94,688	90,272	37,655	(4,415)	52,617
Non Current Liabilities					
Provisions	111,565	111,575	990	10	110,585
Interest-bearing loans and borrowings	35,448	34,944	37,164	(504)	(2,220)
Trade and other payables	4,231	4,231	10,261	0	(6,030)
Total Non Current Liabilities	151,244	150,751	48,415	(493)	102,336
TOTAL LIABILITIES	245,932	241,023	86,070	(4,909)	154,953
NET ASSETS	1,454,926	1,456,832	1,533,611	1,906	(76,778)
Equity					
Accumulated Surplus	953,909	955,657	921,967	1,747	33,690
Reserves	501,017	501,176	611,644	159	(110,468)
TOTAL EQUITY	1,454,926	1,456,832	1,533,611	1,906	(76,778)

Comments: Trade and other receivables (current) have increased by \$39.6m due to recognition of rates debtors for the year. Trade and other payables (current) have increased by \$50.0m due to the recognition of unearned rates and charges revenue for the remainder of the year. The increase in Accumulated Surplus of \$33.7m primarily relates to the year-to-date net surplus. Provisions (non-current) have increased by \$110.6m due to the recognition of future DCP liabilities, and have been offset by a similar decrease in reserves.

Cash Flow Statement For the period ended 31 December 2018

	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Adopted Budget \$'000
Cash flows from operating activities				
Receipts				
Rates and Charges	47,156	44,037	3,119	88,074
Statutory Fees and Fines	2,849	2,233	616	4,466
User Fees	1,486	1,502	(16)	3,003
Grants - operating	5,173	6,135	(962)	12,269
Grants - capital	2,681	2,311	370	4,621
Contributions	419	39	380	78
Interest received	1,235	396	839	792
Development levies	14,353	439	13,914	877
Trust funds and deposits taken and repaid	1,934	-	1,934	-
Other Receipts	766	1,219	(453)	2,438
GST received (net)	5,572	-	5,572	-
Total receipts from operating activities	83,624	58,311	25,313	116,618
Payments				
Employee costs	(18,037)	(17,650)	(387)	(35,300)
Materials and Services	(30,891)	(25,428)	(5,463)	(50,855)
Total payments from operating activities	(48,928)	(43,078)	(5,850)	(86,155)
Net cash provided by operating activities	34,696	15,233	19,463	30,462
Cash flows from investing activities				
Payments for property, plant and equipment	(31,364)	(27,828)	(3,536)	(55,656)
Proceeds from sales of assets	1,265	3,090	(1,825)	6,180
Net cash used in investing activities	(30,099)	(24,738)	(5,361)	(49,476)
Cash flows from financing activities				
Finance costs	(979)	(2,224)	1,245	(4,447)
Proceeds from borrowings (loan funds)	-	-	-	23,110
Repayment of borrowings	(2,220)	(3,183)	963	(6,366)
Net cash provided by financing	(3,199)	(5,407)	2,208	12,297
Change in cash held	1,397	(14,912)	16,310	(6,717)
Cash at beginning	109,311	44,259	65,052	44,259
Cash at end	110,708	29,347	81,362	37,542

Cash and Cash Equivalents Balances - excluding DCPs



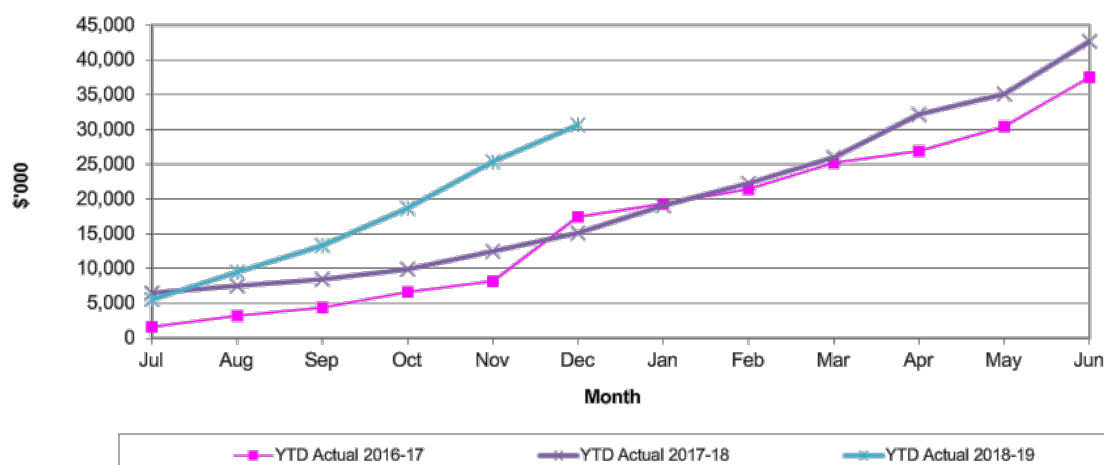
Comments: The total cash balance at the end of December 2018 is \$110.7m, which is \$1.4m higher than as at the end of June 2018. Council cash is \$3.6m higher and DCP cash is \$2.2m lower. Excluding DCPs, the cash balance is \$70.3m, as depicted in the above graph. This cash balance is committed to capital carry-forwards to 2018-19 and general Council operations.

Capital Works As at 31 December 2018

Project Expenditure	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	Revised Budget* \$'000	Adopted Budget \$'000
Deposits for asset purchases	540	-	(540)	-	-
Land	7,606	650	(6,956)	1,300	1,300
Buildings (including Buildings ledger)	9,344	11,264	1,920	28,029	12,702
Recreational & Community	4,390	9,360	4,971	25,763	13,964
Plant & Machinery	931	2,100	1,169	4,195	2,360
Furniture & Equipment	179	42	(137)	60	60
Roads	4,298	5,024	727	40,966	24,938
Footpaths	1,225	1,780	554	2,531	2,970
Drains	114	150	36	421	421
Bridges	554	550	(4)	1,224	420
Off Street Car Parks	469	33	(502)	486	216
Other Infrastructure	17	25	8	185	180
Intangibles (including software)	22	210	188	460	460
Project Expenditure	29,688	31,122	1,434	105,621	59,991
Add non capital project expenditure:					
Capital Works	663	-	(663)	-	-
Community Capital Works	48	167	119	724	500
Priority Works	268	90	(178)	180	150
Total Project Expenditure	30,666	31,379	713	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 \$30.7m, which is \$15.5m more than as at the same time last year, but \$0.7m lower than the year-to-date budget. The major items of expenditure this financial year have been the purchases of land at 280 Princes Hwy Officer (Gin Gin Bin Reserve) and at the corner of Rix Road and Officer South Road Officer (future road reserve), and continuing works on major projects - Cardinia Cultural Centre, Deep Creek Reserve, Hills Hub and James Bathe Recreation Reserve.