

3.1 2017/18 FINANCIAL MANAGEMENT AND CAPITAL WORKS PROGRESS REPORT – THIRD QUARTER MARCH 2018

(FIN1: SW:SM)

Responsible Director: Danny Wain

EXECUTIVE SUMMARY

PURPOSE

The Financial Management Report is prepared and distributed to Councillors for information each month, with Quarterly Statements prepared for formal presentation to the Council in accordance with Section 138 of the Local Government Act 1989 (the Act). The Financial Management Report is prepared quarterly in accordance with Section 138 of the *Local Government Act* 1989 (the Act). The Quarterly Financial Statements include a comparison of year-to-date (YTD) actual revenue and expenditure with budgeted (YTD and forecast end-of-year) revenue and expenditure for the current financial year.

KEY CONSIDERATIONS/ISSUES

Operating

As at March 2018 the YTD operational surplus was \$41.7M which is a favourable variance over budget of \$2.2M. This favourable variance is as a result of:

1. User fees and statutory charges are \$101K favourable and mainly due to;
 - Court fines and recoveries are up mainly due to Council election fines of \$177K,
 - Waste transfer income is favourable by \$369K due to increased patronage, and
 - Hall rentals utilisation income up to \$76K, howeverPartially offset by
 - Town planning fees under budget by \$350K with a reduction in the volume of town planning applications.
2. Contributions are \$1.4M favourable with the variance mainly due to;
 - Increase in public open space contributions of \$881K and car-parking contributions of \$231K.
3. Operating grants have a \$561K favourable variance mainly due to the increase in non-recurrent grants; including, Victorian Planning Authority of \$115K and HACC subsidy of \$60K.

These favourable items have been partially offset by the following;

1. Employee costs are \$141K unfavourable mainly due to;
 - Under recovery of salary charge back to capital works projects of \$101K. This will be rectified by year end, and
 - Temporary staff is \$1.4M overspent however mainly due to backfill of vacancies in established positions.
2. Materials & Contracts have a favourable variance of \$100K as a result of;
 - Legal fees are \$312K over budget,

- Contract staff overspend mainly in the waste services \$115K and statutory planning \$136K, and
- Timing differences in utilities costs of \$525K. This budget should be fully expended by year end.

The operating forecast result for the year ending 30 June 2018 is currently expected to be \$13.3M which is an unfavourable variance of \$2.9M against budget. This unfavourable result is primarily due to a delay in receiving capital grants \$1.8M related to carry forward capital projects and \$1.2M as a result of the early receipt in a previous financial year of a capital grant funding relating to the Oakleigh Recreation Centre redevelopment.

The cash position remains strong due to the increased cash balance at the beginning of the financial year. The Balance sheet is strong with a favourable working capital ratio and the unrestricted cash position is favourable to the YTD Budget.

Capital Works

Our YTD capital works spend of \$23M is 50.8% of a \$45.3M Adopted Budget and slightly down on previous years. Officers are working toward accelerating major projects for completion by June 2018.

There have been approved adjustments made to the capital works budget resulting in a funding deficit of \$3.9M at 31 March 2018. This deficit which includes works not fully completed from last year's program, will be funded from savings across the Capital program and the balance from Council's retained earnings.

We have identified capital works carry forward projects of \$4.85M and all have been included in Council's draft Budget for 2018/19.

FINANCIAL IMPLICATIONS

Key financial implications mentioned above

CONCLUSION/RECOMMENDATION

Council's financial position reflects an overall positive performance against budget, made up of a number of variances, both favourable and unfavourable across the breadth of Council services. These variances will continue to be monitored for the remainder of the financial year.

It is recommended that Council approves the completion of additional projects that can be funded from surplus within the 2017/18 Capital Works Program or additional reserve funding; and the transfer of funds from projects with surplus to projects requiring additional funding at 31 March 2018.

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(FIN1: SW:SM)

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RECOMMENDATION*That Council:*

1. *Notes the Quarterly Financial Management, Annual Plan and Capital Works Progress Report for the period ending 31 March 2018, presented in accordance with Section 138 of the Local Government Act 1989.*
2. *Approves the variations contained therein.*

BACKGROUND

A Financial Management Report is prepared and distributed to Councillors for information each month, with Quarterly Statements prepared for formal presentation to the Council in accordance with Section 138 of the *Local Government Act 1989* (the Act).

The Quarterly Financial Statements include a comparison of year-to-date (YTD) actual revenue and expenditure with budgeted (YTD and forecast end-of-year) revenue and expenditure for the current financial year.

Council's 2017/18 Adopted Budget included four financial statements (refer Appendix A):

- Comprehensive Income Statement;
- Balance Sheet;
- Statement of Cash Flows; and
- Statement of Capital Works.

This report also provides a review of the 2017/18 Capital Works Program. In particular the Capital Works Progress report aims to:

- inform Council of funding changes to the program as a result of extra monies received from external sources; and
- quantify the transfer of funds from projects with surplus to projects with shortfalls.

ANALYSIS**COMPREHENSIVE INCOME STATEMENT**

As at March 2018, the YTD net surplus from ordinary operations was \$41.68M, representing a 5.6% (\$2.22M) favourable variance against YTD budget (\$39.46M). The full Income Statement is included in Appendix A - Financial Statements & Indicators.

Details of the key variances are listed below:

Item	Explanation (YTD actual vs YTD Budget)	YTD ACTUAL \$'000	YTD BUDGET \$'000	YTD Variance \$'000 Fav/ (Unfav)
INCOME				
Statutory Fees & Fines	Lower than budgeted income: <ul style="list-style-type: none"> Permits & Land Information certificates (\$80K); Infringements (\$279K); and Town Planning Fees (\$350K). Offset by higher than budget <ul style="list-style-type: none"> Court Recoveries (\$177K). 	\$7,141	\$7,673	(\$532)
Interest Revenue	Lower than budgeted : Due to reduced interest rates	\$1,716	\$1,744	(\$28)
Profit on Sale of Assets	Higher than budgeted: Due to sale of plant & equipment	\$99	\$0	\$99
Other Revenue	Higher than budgeted income: <ul style="list-style-type: none"> Recycling and other Waste Transfer Station revenue (\$201K). 	\$1,277	\$1,076	\$201
User Fees	Higher than budgeted income: <ul style="list-style-type: none"> Building Permit & Notification fees (\$60K); Hire & rental charges (\$76K); Other User Fees (\$424K) – Waste Transfer Station(\$369K) Offset by lower than budgeted income <ul style="list-style-type: none"> Chargeable works (\$34K); Aquatic & Leisure Centre fees (\$44K) - mostly in Entrance fees (\$56K); and Recoup of costs (\$52K). 	\$19,246	\$18,815	\$431
Grants – Operating	Higher than budgeted income: <ul style="list-style-type: none"> Libraries subsidy income (\$44K); Waste Services (\$54K); Youth Services (\$98K)- funding from Vic Health (\$45K) Strategic Planning –funding from Victorian Planning Authority (\$115K); HACC subsidy income (\$60K); Children & Family Services \$203K- additional funding for Child FIRST program funded by DHHS (\$48) and playgroup support funding (\$55K) from Dept. of Education & Training and Brine Street subsidy & childcare benefit income (\$64K); 	\$13,116	\$12,555	\$561
Contributions -cash	Higher than budgeted operating contributions:	\$4,617	\$3,281	\$1,336

Item	Explanation (YTD actual vs YTD Budget)	YTD ACTUAL \$'000	YTD BUDGET \$'000	YTD Variance \$'000 Fav/ (Unfav)
	<ul style="list-style-type: none"> • Drainage contribution (\$63K); • Other Contributions (\$160K) – club contribution for Electra Avenue Community Centre; • Car parking contributions (\$231K); and • Public Open Space (\$881K). 			
EXPENDITURE				
Employee Costs	<p>Higher than budgeted expenditure:</p> <ul style="list-style-type: none"> • Temp Staff (\$1.6M) <p>Offset by lower than budget</p> <ul style="list-style-type: none"> • Salaries wages & on cost \$1.4M 	\$53,360	\$53,219	(\$141)
Other expenses	<p>Lower than budgeted expenditure:</p> <ul style="list-style-type: none"> • Audit fees (\$51K) 	\$995	\$1,037	\$42
Materials, Services & Contracts	<p>Lower than budgeted expenditure:</p> <ul style="list-style-type: none"> • Community Development Activities (\$138K) • Contract Cleaning & Security (\$144K); • Monash Ages Care Services (\$162K); • Consultants (\$216K); • Administrative Costs (\$234K); and • Utilities (\$525K); <p>Offset by higher than budget variances:</p> <ul style="list-style-type: none"> • Telecommunications cost (\$104K); • Legal Fees (\$312K); • Traineeships & Contract Staff (\$500K); and • Building Maintenance & Contractors (\$670K). 	\$47,880	\$47,981	\$100

BALANCE SHEET

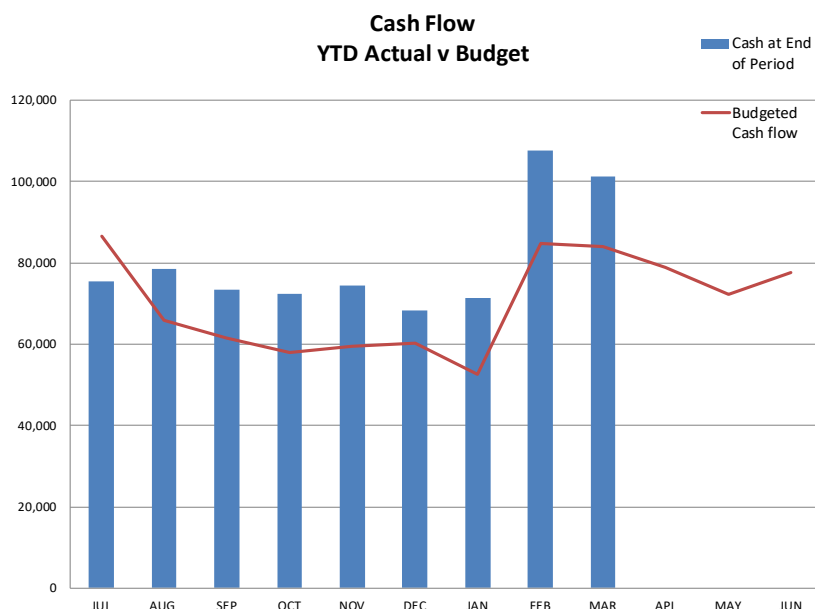
The Working Capital ratio (WCR) as at 31 March 2018 is 345.9% or 3.45:1. This comprises current assets of \$129.26M and current liabilities totalling \$37.37M. The budgeted figure for 30 June 2018 is a WCR of 216.4% (Appendix A).

The unrestricted cash position at 31 March 2018 was 212.68% or 2.12:1. This comprises restricted cash required by legislation of \$9M (\$7M drainage and \$2M parking reserves) in addition to funds reserved by Council resolution (\$7M development reserve & \$2.5M Superannuation reserve). The actual unrestricted cash and cash equivalents are \$79.48M in addition to current liabilities of \$37.37M and non-current liabilities for LSL \$1.1M. The budgeted figure for 30 June 2018 is 123.5% (Appendix A).

The forecasted variance of \$180.11M in Net Assets is mostly attributable to the revaluation of Council assets (Land) at 30 June 2017.

STATEMENT OF CASH FLOWS

The Cash Flow Statement shows Council's cash position at the end of March 2018 at \$101.23M, an increase of \$14.74M above the year-to-date budget of \$86.49M. This is primarily due to a higher cash balance at 30 June 2017, resulting from higher than budgeted income from growth in supplementary rates, additional public open space and parking contributions as well as positive cash flows from operating activities such as operating grants, user fees, other revenue and a delay in the delivery of capital works program.



Cashflows from Operating Activities

Refers to the cash generated or used in the normal service delivery functions of Council. Cash remaining after paying for the provision of services to the community may be available for investment in capital works, or repayment of debt. Significant variances in operating cash flows are due to the favourable/unfavourable variances in operating income and expenditure detailed within the Comprehensive Income Statement. They also reflect the timing of receipt of income or payment of liabilities, which are difficult to predict when establishing the budget.

The favourable cash flow from operating activities of \$2.77M comprises the following favourable variances:

- Other expenses \$68K;
- Grants- Capital \$84K;
- Materials, Services & Contractors \$158K;
- Other Revenue \$319K;
- Net GST paid position \$456K;
- User Fees \$1.5M;
- Grants - Operating \$1.5M; and
- Contributions – cash \$1.7M.

These favourable variances are offset by the following unfavourable variances:

- Fire Services Levy \$1.5M;
- Statutory Fees & Fines \$792K;

- Interest Revenue \$255K;
- Rates & Charges \$250K; and
- Employee costs \$226K.

Cashflows from Investing Activities

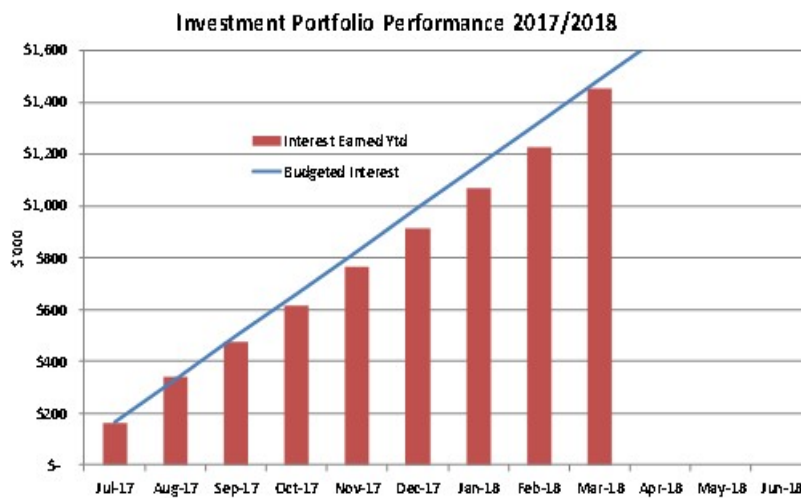
Investing activities refers to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property and equipment. The favourable variance of \$6.14M is primarily due to delays compared to the forecast delivery of the capital works program.

Cashflows from Financing Activities

These activities would normally include repayment of the principal component of loan repayments for the year however we are in a debt free position. The unfavourable YTD position of \$1.25M is due to payment of refundable deposits.

Investment Interest Performance

The graph below highlights the interest performance on total cash invested. Interest performance is not as high as anticipated due to the interest rates being lower than budgeted.



STATEMENT OF CAPITAL WORKS

The Statement of Capital Works presents Council's performance against the Adopted 2017/18 Capital Works Budget. As at 31 March 2018, Council has expended \$23.01M of its Adopted Capital Works Budget of \$45.32M.

The Annual Plan target is to achieve a minimum of 90% expenditure of the agreed Capital Works Budget, adjusted to \$43.55M as detailed below. As at 31 March 2018, Council has achieved 52.84% (\$23.01M/\$43.55M) against this target. It is anticipated that the Business Plan target of 90% spend from the Agreed Capital works budget in 2017/18 will be achieved.

Adjustments to the Capital Works Expenditure Budget

Table 1 summarises funding adjustments that have been made to the Adopted 2017/18 Capital Works Budget.

The Adopted 2017/18 Capital Budget of \$45,317,800 has been adjusted to an Agreed Management Budget of \$43,554,905 as at 31 March 2018, taking account of changes in budgeted income, and adjustments in the use of reserve funds for the program.

Table 1: Summary of Adjustments to 2017/18 Capital Works Budget – March 2018 Quarter

Description	31/03/2018 \$
Adopted Capital Works Budget 27/06/2017	45,317,800
Nett adjustments at 30/9/17 previously reported to Council	3,054
Nett adjustments at 31/12/17 previously reported to Council	1,432,800
Agreed Capital Works Budget	46,753,654
Extra grants/funding received NOTE A	966,058
Less reduction/deferral in grant funding / Reserves NOTE B	-3,668,000
Less Carry Forward/Deferred Projects NOTE C	-4,393,918
Add Additional Funding required to complete proposed works	3,897,111
Agreed Capital Works Budget at 31 March 2018	43,554,905

The details of these adjustments to the Capital Works budget are outlined below:

A. Additional Capital Income

Additions to budgeted income for the March quarter in 2017/18 comprise:

• Shared Path/Intersection works Hanover Street Oakleigh – VicRoads grant	\$127,979
• Drainage at 81-85 Macrina Street Oakleigh East – from DCP Reserve	\$76,000
• Drainage at Salisbury Road Ashwood – from DCP Reserve	\$61,000
• Road Reconstruction Waimarie Drive Mount Waverley – unspent Roads to Recovery grant funds from 2016/17	\$447,079
• Oakleigh Recreation Centre Re-development – unspent SRV grant from 2016/17	\$254,000
Total Additional Capital Income 1/01/2018 – 31/03/2018	\$966,058

B. Reduction in Capital Income

The reductions in Capital Income for the March quarter in 2017/18 relate to:

• Montclair Multi-level Carpark – Reserve funds not required 2017/18	\$50,000
• Oakleigh Recreation Centre - Tenant contribution deferred to 2018/19	\$500,000
• Oakleigh Recreation Centre – Federal grant deferred to 2018/19	\$1,061,000
• Oakleigh Recreation Centre – State grant deferred to 2018/19	\$1,950,000
• Footpath/Street trees Huntingdale Shopping Centre – grant deferred to 2018/19 for Atherton Road Reconstruction	\$67,000
• Ashwood Reserve Sports lighting – Tenant contribution deferred to 2018/19	\$40,000
Total Reduction in Capital Income 1/01/2018 – 31/03/2018	\$3,668,000

C. Carry Forward/Deferred Projects - March 2018 Quarter \$4,393,918

The following two carry forwards were reported in the December 2017 quarterly report:

• Integrated Early Years Hub Partnership with Albany Rise PS	\$281,000
• Eaton Mall Pedestrian Safety Project – grant funds	<u>\$175,000</u>
	\$456,000

The projects listed below have also been identified as Carry Forward, either due to delays in final design or problems encountered on site, which have contributed to additional time required to complete the works. All of the Carry forward works identified to date have been included in Council's draft Budget for 2018/19:

• Columbia Park Pavilion Renewal project	\$973,500
• Caloola Reserve Synthetic Tennis Courts	\$833,250
• Road Reconstruction – Atherton Road (including grant \$150K)	\$779,814
• Mount Waverley Community Centre & Youth Centre Refurbishment	\$400,912
• Strategic Drainage – 1558-1568 Dandenong Road, Huntingdale	\$388,057
• Enterprise Project Portfolio Management Solution (EPPM)	\$300,000
• Columbia Park – Car Park Construction	\$213,000
• Trail Upgrade - Melbourne Water Pipe Track	\$270,000
• Ashwood Reserve Sports Lighting Development	\$128,000
• Equitable Access MGA Stage 2	\$65,000
• Caloola Reserve Multi Sport Pavilion Design	\$59,385
• Reg Harris Leachate Management System	<u>\$53,000</u>
	\$4,393,918

Total Carry Forward Works as per Draft Capital Works Budget **\$4,849,918**

Adjustments within Capital Works Project Budgets

Table 2 summarises funding adjustments that have been made to the Capital Works program since December 2017 Quarter Capital Works Progress Report.

Table 2: Summary of Adjustments to 2017/18 Capital Works Projects as at 31/03/2018

Changes within Capital Works Program	\$ Increase in funds available	\$ Funds required	\$ Net
Project Expenditure changes at 31/12/2017			(2,397,981)
2017/18 Projects requiring funding Note E		(1,438,450)	(1,438,450)
New projects 2017/18 Note F		(813,340)	(813,340)
Surplus funds – Project not proceeding Note G	133,000		105,000
2017/18 Projects completed with surplus Note H	619,660		647,660
Project Expenditure changes at 31/03/2018	752,660	(2,251,790)	(3,897,111)

The details of the March Quarter's adjustments to the Capital Works budget are discussed below:

E. 2017/18 Projects Requiring Funding - \$1,438,450

The following projects have been identified as requiring additional funding for variations or increased scope to the project; or where contract prices have exceeded estimated project budgets:

• Building Improvements – Various	\$36,229
• Brandon Park Community Centre – Amenity refurbishment	\$50,000
• Waverley Meadows Pre-school Access Ramp	\$53,427
• Columbia Park Pavilion Upgrade	\$65,200
• Scammell Reserve Pavilion Upgrade	\$71,791
• Building Plant Replacement (HVAC) Civic Centre Air Handling	\$169,000
• Mount Waverley Community Centre & Youth Centre Refurbishment	\$386,262
• Mobile Garbage Bin Renewal	\$76,000
• BT Infrastructure Monitoring & Optimisation Renewal	\$90,000
• BT Workstation Renewal	\$91,495
• BT Mobile Devices Renewal	\$76,913
• Whites Lane Street Treatment	\$36,000
• Pit Throat Widening & Lintel Replacement	\$11,540
• Drainage Improvement – 738-744 Highbury Road Glen Waverley	\$62,000
• Reactive Playground Improvements	\$13,282
• Playspace Renewal – Fiander Avenue Reserve	\$25,348
• Irrigation System Upgrade	\$46,959
• Argyle Reserve Hughesdale – Car park Improvements	\$77,004
Total Additional Funding Required for 2017/18 Projects	<u>\$1,438,450</u>

F. 2017/18 New projects that require funding - \$813,340

Council's approval is sought for the funding of additional Capital Projects to be undertaken in the 2017/18 Capital Program that were not included in Council's Adopted 2017/18 Capital Budget. All projects will be funded within the current year program as identified in Tables 3 & 4:

- *Lum Reserve Coaches Box Re-location*
Council is required to re-locate coach's boxes to new concrete slabs due to proximity to neighbouring residential properties. Estimated cost \$11,637.
- *Central Reserve South Coaches Boxes Installation*
Council will provide and install two 4.5m coach's boxes at Central Reserve South at an estimated cost of \$25,944.
- *Cabena Child Care & Family Centre Refurbishment*
Refurbishment of the Cabena Child Care & Family Centre has been completed with new funding of \$59,000. This enables the Centre to be available to vulnerable and disadvantaged families on a more regular basis; and a grant has been made available by the Department of Education and Training for a staff member to provide additional support.
- *Euneva Carpark – Protective Barriers*
Initial funding of \$50,000 is required for design and preliminary works on installation of protective barriers on the upper level of Euneva Carpark. Funding of \$200,000 has been included in the Draft Budget for 2018/19 for installation of the barriers.
- *Carpark Lighting at MARC*
Urgent lighting works are required to address OH&S issues raised. Budget funds of \$35,000 are requested to install four light poles with luminaries on the west side of the overflow car park.
- *Princes Highway Reserve Oakleigh East – Drainage Improvements*
Budget funds of \$42,000 are requested to upgrade the drainage outlet from the main oval at Princes Highway Reserve to reduce flooding of the oval. The works involve installation of a new 300 mm drain and associated reinstatement.
- *Winter Pitch Covers Various Locations*
Installation of winter pitch covers at an estimated cost of \$30,000 are required to be installed at Fregon; Carlson; Caloola East; Brentwood and Glen Waverley North reserves.
- *Carpark Construction Gardiners Reserve Ashwood*
A new carpark was proposed in the Council report of 25th July 2017 when awarding the contract for the Gardiners Reserve synthetic pitch. The carpark will be constructed adjacent to the new synthetic pitch at an estimated cost of \$300,000.
- *Lease and Licence Management System*
This project was initially proposed for 2018/19, but was agreed by ELT to bring forward the purchase and installation in 2017/18 requiring budget funds of \$132,200.
- *Workforce Management Software*
This product was purchased in 2016/17; however it did not allow for the ancillary costs of software installation and training. Funding of \$85,000 is required to complete the project.
- *Essex Heights Reserve – Cricket Net Upgrade*
Urgent works totalling \$42,523 are required to address safety concerns reported by the tenant club. It is proposed to complete critical works at the site to enable a safe training facility, with further works to be delivered in future years.

G. 2017/18 Projects not proceeding - \$133,000

The Business Technology Customer Request system replacement budgeted at \$105,000 in 2017/18 will no longer be delivered due to the need to complete higher priority customer projects.

The Foot paving/Street tree project at Huntingdale Road Shopping Centre is no longer proceeding due to tender prices received being much higher than anticipated. The grant that funded part of this project has now been approved for transfer to the Atherton Road Reconstruction project, and the surplus Council funds of \$28,000 are available for re-distribution.

H. 2017/18 Projects with Surplus - \$619,660

The following list of projects have reached completion, with surplus funds available for re-distribution to other projects requiring funding:

• Clayton Community Centre – Replace Theatre Stage Floor	\$1,086
• Notting Hill Hall – Replace Window Closers	\$4,435
• Brandon park Community Centre – Air-conditioning	\$46,559
• Outdoor Fitness Equipment – Essex Heights Reserve	\$1,244
• Playspace Renewal – Pascall Street Reserve	\$28,417
• Argyle Reserve Pavilion Upgrade	\$3,555
• Batesford Hub Lift Replacement	\$64,071
• Avendon Estate Cypress Windrow Replacement	\$43,000
• Roof Renewal Program	\$120,000
• Right of Way Reconstruction – Norfolk Street Glen Waverly	\$15,291
• Clayton Hall Upgrade	\$4,273
• Equitable Access MGA Stage 2	\$31,000
• Waimarie Drive Road Reconstruction – amended funding	\$252,340
• Batesford Hub – new foyer chairs	\$109
• Jordanville Community Centre – new furniture	\$4,280
Total Projects with Surplus 1/1/2018 – 31/03/2018	\$619,660

Recommended sources of funding for revised Capital Works Program

Table 3 provides a summary of the financial position of the revised 2017/18 Capital Works Program expenditure outlined in Table 2 above:

Table 3: Financial Position of the 2017/18 Capital Works Projects as at 31 March 2018

Funding sources recommended	\$
Surplus (deficit) funds available at 31/12/2017 as reported to Council	(2,397,981)
Projected surplus funds 31/03/2018 (Refer Table 2)	752,660
Total Funds Available at 31/03/2018	(1,645,321)
Less required funds 31/03/2018 (Refer Table 2)	(2,251,790)
Funds Required at 31/03/2018	(3,897,111)

Projected Surplus (Deficit) Funds (\$3,897,111)

At 31/3/2018 the funds required are \$3,897,111 and Table 4 details funding options available to Council to balance the Capital Works budget for 2017/18. This change largely recognises decisions made by Council in awarding tenders on major projects. There has not been sufficient savings on other projects during the year to offset these increases.

Table 4: Funding Sources for 2017/18 Capital Works Projects as at 31 March 2018

Deficit details by Category	Amount \$	Suggested Funding
Projects that continued from 2016/17 without Carry Forward Funding	\$1,126,971	From Council's retained earnings. 2016/17 Capital works spend \$37,958,283 from Mgt Budget of \$40,230,302 leaves a transfer to surplus of \$2,271,479.
Drainage projects – Hinkler, Whites Lane, Dandenong Road & Norma/Joyce Avenue	\$613,000	From DCP Drainage Contributions Reserve, Capital Avenue; Mile Creek East; Oakleigh MD and Clayton MD catchments.
Dandenong Road DCP Contributions from Oakleigh Main Drain Carry/fwd	(\$388,000)	Funds to be c/fwd to complete works in 2018/19
Balance of funding required to cover deficits on new and adopted projects, excluding reserve funded projects as above	\$2,545,140	From Council's retained earnings.
Total Funding Solutions for Program 31/3/18	\$3,897,111	

CONCLUSION

Council's financial position reflects an overall positive performance against budget, made up of a number of variances, both favourable and unfavourable across the breadth of Council services. These variances will continue to be monitored for the remainder of the financial year.

The Capital Works budget deficit of \$3,897,111 at 31 March 2018 includes works not fully completed from last year's program, will be funded from savings across the Capital program and the balance from Council's retained earnings.

It is recommended that Council approves the completion of additional projects that can be funded from surplus within the 2017/18 Capital Works Program or additional reserve funding; and the transfer of funds from projects with surplus to projects requiring additional funding at 31 March 2018.

APPENDIX A – Financial Statements and Indicators**Comprehensive Income Statement**

Comprehensive Income Statement for the period ending 31 March 2018							
	YTD Actual \$'000	YTD Budget \$'000	YTD Variance \$'000	2017/18 Adopted Budget \$'000	2017/18 Annual Forecast \$'000	Var \$	Var %
					FORECAST		
Revenue from Ordinary Activities							
Rates & Charges	116,018	116,159	(141)	116,217	116,217	-	0%
Statutory Fees & Fines	7,141	7,673	(532)	10,577	10,357	(220)	(2%)
User Fees	19,246	18,815	431	23,875	24,185	310	1%
Contributions - cash	4,617	3,281	1,336	4,950	5,984	1,034	21%
Grants - Operating	13,116	12,555	561	16,213	16,876	662	4%
Grants - Capital	839	587	252	5,793	2,809	(2,984)	(52%)
Interest Revenue	1,716	1,744	(28)	2,240	2,240	-	0%
Other Revenue	1,277	1,076	201	1,473	1,518	45	3%
Profit from Sale of Assets	99	-	99	-	-	-	0%
Total Revenue	164,069	161,889	2,179	181,339	180,186	(1,153)	(1%)
Expenses from Ordinary Activities							
Employee Costs	53,360	53,219	(141)	72,310	72,387	(77)	(0%)
Materials, Services & Contracts	47,880	47,981	100	64,183	65,852	(1,669)	(3%)
Depreciation & Amortisation	20,149	20,190	41	27,261	27,261	-	0%
Other Expenses	995	1,037	42	1,394	1,394	-	0%
Total Expenses	122,384	122,426	42	165,149	166,895	(1,746)	(1%)
Net Surplus/(Deficit) from Ordinary Operations	41,684	39,463	2,221	16,190	13,291	(2,899)	(18%)
Transfer to Reserves	-	-	-	-	-	-	0%
Net Surplus/(Deficit) after Transfers to Reserves	41,684	39,463	2,221	16,190	13,291	(2,899)	(18%)

Balance Sheet

Balance Sheet as at 31 March 2018					
	31 Mar 2018 Actual \$'000	2017/18 Adopted Budget \$'000	2017/18 Annual Forecast \$'000	FORECAST Var \$	Var %
ASSETS					
Current Assets					
Cash & Cash Equivalents	101,225	77,615	81,788	4,173	5%
Trade and Other Receivables	24,491	8,342	8,342	-	0%
Other Financial Assets	2	0	-	-	0%
Inventories	74	0	-	-	0%
Other Assets	3,464	6,176	6,176	-	0
Total Current Assets	129,256	92,133	96,306	4,173	5%
Non-Current Assets					
Property, Plant & Equipment	3,045,513	2,882,384	3,058,319	175,935	6%
Other Assets	1,267	2,316	2,316	-	0%
Total Non-Current Assets	3,046,780	2,884,700	3,060,635	175,935	6%
Total Assets	3,176,036	2,976,834	3,156,941	180,108	6%
LIABILITIES					
Current Liabilities					
Trade and Other Payables	9,473	15,862	15,862	-	0%
Trust Funds and Deposits	11,913	9,661	9,661	-	0%
Income in Advance	35	0	0	-	0%
Provision	15,951	17,061	17,061	-	0%
Total Current Liabilities	37,372	42,584	42,584	-	0%
Non-Current Liabilities					
Provision	1,122	1,965	1,965	-	0%
Other Liabilities	1,926	2,669	2,669	-	0%
Total Non-Current Liabilities	3,048	4,634	4,634	-	0%
Total Liabilities	40,420	47,218	47,218	-	0%
Net Assets	3,135,616	2,929,615	3,109,722	180,107	6%
EQUITY					
Accumulated Surplus	1,015,518	990,070	991,763	1,693	0%
Reserves	2,120,098	1,939,545	2,117,961	178,416	9%
Total Equity	3,135,616	2,929,615	3,109,722	180,107	6%

Statement of Cash Flows

Statement of Cash Flows for the period ending 31 March 2018							
	YTD	YTD	YTD	FORECAST			
	Actual	Budget	Variance	2017/18	2017/18	Var	Var
	\$'000	\$'000	\$'000	Adopted	Annual	\$	%
	Inflows	Inflows	Fav	Inflows	Inflows	Fav	Fav
	(Outflows)	(Outflows)	(Unfav)	(Outflows)	(Outflows)	(Unfav)	(Unfav)
Cash Flows from Operating Activities							
Receipts							
Rates & Charges	100,104	100,354	(250)	116,217	116,217	-	0%
Fire Services Levy	1,061	2,600	(1,539)	-	-	-	0%
Statutory Fees & Fines	7,141	7,933	(792)	10,577	10,357	(220)	(2%)
User Fees	20,204	18,698	1,506	25,547	25,857	310	1%
Contributions - cash	4,617	2,900	1,716	4,951	5,985	1,034	21%
Grants - Operating	13,116	11,594	1,522	16,213	16,875	662	4%
Grants - Capital	392	309	84	5,794	2,810	(2,984)	(52%)
Interest Revenue	1,294	1,548	(255)	2,240	2,240	-	0%
GST reimbursed by Australian Tax Office	5,958	5,516	442	9,980	9,980	-	0%
Other Revenue	1,235	917	319	1,222	1,267	45	4%
Employee Costs	(54,674)	(54,448)	(226)	(71,678)	(71,755)	(77)	0%
Materials, Services and Contracts	(56,035)	(56,193)	158	(69,941)	(71,610)	(1,669)	2%
Other Expenses	(995)	(1,062)	68	(1,404)	(1,404)	-	0%
GST paid to Australian Tax Office	(1,016)	(1,030)	14	(1,671)	(1,671)	-	0%
Total Cash Inflow (outflow) provided by Operating Activities	42,402	39,636	2,766	48,047	45,147	(2,900)	(6%)
Cash Flows from Investing Activities							
Payments for Property, Plant and Equipment	(25,233)	(31,679)	6,446	(49,397)	(46,916)	2,481	5%
(Payments for) / Proceeds from Investment(Net)	-	-	-	-	-	-	-
Proceeds from Sale of Property, Plant and Equipment	306	617	(311)	1,053	1,053	-	0%
Net Cash Inflow (Outflow) provided by Investing Activities	(24,927)	(31,062)	6,135	(48,344)	(45,863)	2,481	5%
Cash Flows from Financing Activities							
Trusts and Refundable Deposits	1,247	-	1,247	-	-	-	0%
Net Cash Inflow (outflow) provided by Financing Activities	1,247	-	1,247	-	-	-	0%
Net increase (decrease) in cash and cash equivalents	18,722	8,574	10,148	(297)	(717)	(420)	141%
Cash and cash equivalents at the beginning of the financial year	82,503	77,913	4,590	77,913	82,505	4,592	6%
Cash and cash equivalents at the end of the period	101,225	86,487	14,738	77,615	81,788	4,173	5%

Statement of Capital Works

Statement of Capital Works for the period ending 31 March 2018						
	YTD Actual \$'000	2017/18 Budget \$'000	% Complete	FORECAST		
				2017/18 Annual Forecast \$'000	Variance to Adopted Budget Var \$	Var %
Property						
Land	305	-	0.0%	305	(305)	0.0%
Land Improvements	-	-	0.0%	-	-	0.0%
Total land	305	-	0.0%	305	(305)	0.0%
Buildings and Building Improvements	8,234	18,021	45.7%	13,825	4,196	23.3%
Total buildings and building Improvements	8,234	18,021	45.7%	13,825	4,196	23.3%
Total property	8,539	18,021	47.4%	14,130	3,891	21.6%
Plant & Equipment						
Plant, machinery and equipment	557	2,721	20.5%	2,721	-	0.0%
Fixtures, fittings and furniture	388	618	62.8%	714	(96)	(15.5%)
Computers and telecommunications	1,853	3,169	58.5%	3,363	(194)	(6.1%)
Library books	734	1,259	58.3%	1,259	-	0.0%
Total plant and equipment	3,532	7,767	45.5%	8,057	(290)	(3.7%)
Infrastructure						
Roads	1,846	4,763	38.8%	3,684	1,079	22.7%
Bridges	51	60	85.0%	51	9	15.0%
Footpaths and cycleways	2,911	4,343	67.0%	4,637	(294)	(6.8%)
Drainage	1,239	2,413	51.3%	3,021	(608)	(25.2%)
Recreational, leisure and community facilities	2,329	4,001	58.2%	4,851	(850)	(21.2%)
Waste management	15	78	19.2%	25	53	67.9%
Parks, open space and streetscapes	2,146	3,452	62.2%	3,391	61	1.8%
Aerodromes	-	-	0.0%	-	-	0.0%
Off street car parks	309	294	105.1%	901	(607)	(206.5%)
Other infrastructure	89	126	70.9%	89	37	29.1%
Total Infrastructure	10,935	19,530	56.0%	20,651	(1,121)	(5.7%)
Total capital works expenditure	23,007	45,318	50.8%	42,837	2,481	5.5%
Represented by:						
New Asset expenditure	-	-	0.0%	-	-	0.0%
Asset renewal expenditure	15,682	30,890	68.2%	29,199	1,691	5.5%
Asset expansion expenditure	2,990	5,890	13.0%	5,568	322	5.5%
Asset upgrade expenditure	4,334	8,538	18.8%	8,071	467	5.5%
	23,007	45,318	50.8%	42,837	2,481	5.5%

Financial Indicators

Indicator	Measure	YTD Actual 2017/18	Full Year Budget 2017/18
<i>Operating position</i>			
Adjusted Underlying result	Adjusted underlying surplus (deficit) / Adjusted underlying revenue	25.2%	6.5%
<i>Liquidity</i>			
Working Capital	Current assets / current liabilities	345.9%	216.4%
Unrestricted cash	Unrestricted cash / current liabilities	212.68%	123.5%
<i>Obligations</i>			
Loans and borrowings	Interest bearing loans and borrowings / rate	0.00%	0.00%
Loans and borrowings	Interest and principal repayments / rate revenue	0.00%	0.00%
Indebtedness	Non-current liabilities / own source revenue	2.1%	3.0%
Asset renewal	Asset renewal expenditure / depreciation	77.8%	113.3%
<i>Stability</i>			
Rates concentration	Rate revenue / adjusted underlying revenue	70.9%	65.8%
Rates effort	Rate revenue / CIV of rateable properties in the municipality	0.2%	0.2%
<i>Efficiency</i>			
Expenditure level	Total expenses / No. of property assessments	\$1,562	\$2,118
Revenue level	Residential rate revenue/No. of residential assessments	\$1,392	\$1,390
Workforce turnover	No. of permanent staff resignations & terminations / average no. of permanent staff for the financial year	9.7%	12.8%