

# **Mid Year Financial Review**

## **2017-2018**

## 1. Executive Summary

In June 2017, Council adopted the 2017-2018 Budget, which projected an operating surplus of \$7,292 million.

Gross income and expenditure items are estimated at budgeting time and are often subject to changes and offsets during the course of the year.

It should be noted that \$2.642 million of grant funding was received in advance to the commencement of the financial year (prior to 1 July 2017). This adversely impacted the budgeted surplus reducing it to \$4.650 million.

A Mid-Year Financial Review was conducted in December 2017 to identify major changes that have occurred since the budget adoption.

Overall, the Mid Year Financial Review projects a revised surplus of \$2.848 million.

Management will seek to explore potential savings/measures in the lead up to the end of the financial year to accommodate unfavourable movements.

## 2. Overall Mid-Year Financial Review

The **major** items driving the net unfavourable budget change of \$4.443 million are comprised of:

Items	Amount	Movement
<b>Income</b>		
Grant funding received in advance	2,642,000	Unfavourable
User charges	1,827,041	Unfavourable
New grants received	684,653	Favourable
Other income items	831,873	Favourable
<b>Expenditure</b>		
Employee benefits	112,194	Unfavourable
Materials and related costs	1,224,920	Unfavourable
New initiative allocation	701,805	Unfavourable
Other expenditure items	547,652	Favourable
<b>Net change for operating</b>	<b>\$4,443,782</b>	<b>Unfavourable</b>

### 3. Income items

#### Grant funding received in advance - Unfavourable

- The unfavourable variance is attributable to grant funding received in the prior financial year when it was initially budgeted to be received in the 2017-2018 financial year.
- This variance accounts for 58 percent of the overall unfavourable movement for the mid-year budget review to the organisation.

#### User Charges - Unfavourable

- \$1,670,000 Loss of budgeted revenue due to delayed opening of the Eltham Leisure centre.
- \$264,000 Diamond Valley Sport Complex unfavourable income projected by third party contractor. It is to be noted adjustments have been made to the expenditure items with the intention of achieving the contracted net result.

#### New grants received - Favourable

- \$136,000 metro access grant enabling delivery of disability and inclusion work.
- \$125,000 conservation futures threat reduction environmental grant.
- \$95,000 learner driver mentor program.
- \$86,000 environmental program grants (peri urban weed management and enabling energy efficiency).
- \$80,000 grant received to fund the emergency management officer.
- \$75,000 grant received in relation to school crossing supervisors.

#### Other income items - Favourable

- \$203,000 increase in planning application fees.
- \$259,000 of developer contributions associated with open space and drainage received.
- \$140,000 contributions received in relation to regional support officer.
- \$104,000 contribution from AusNet Services as a result of the Civic Drive precinct works.
- \$42,000 fines received as a result of non-voters across the shire.

## 4. Expenditure items

### Employee benefits - Unfavourable

#### Unfavourable movements

- \$235,000 net investment in strategy and policy, recreation and open space and major projects areas to facilitate future operations.

#### Favourable movements

- \$100,000 reduction identified in relation to employee leave provisions for the year.

### Materials and related costs - Unfavourable

- \$546,000 additional costs for reactive tree works including contractor costs to complete service requests.
- \$408,000 information technology expenditure in relation to software maintenance and contractor engagement which was reallocated from other expenditure.
- \$120,000 costs incurred in relation to preparation of land sales being conveyancing and legal fees. It is anticipated that a portion of the costs will be reimbursed.
- \$100,000 line marking works required as a result of road management audits.

### New initiative allocation - Unfavourable

- \$177,000 allocation to commence the review for the Green Wedge Management Plan.
- \$80,000 North East Link advocacy work conducted in regard to the project.
- \$140,000 increase in expenditure reflective of grant funding received in relation to regional support officer.
- \$125,000 increase in expenditure reflective of grant funding received for the conservation futures threat reduction environmental initiative.
- \$100,000 increase in expenditure reflective of grant funding received for the learner driver mentor program.

### Other expenditure items - Favourable

#### Favourable movements

- \$408,000 information technology lease expenditure has been reallocated for use in software maintenance and contractor engagement.
- \$85,000 saving in insurance premiums for the organisation.
- \$84,000 reduction identified in relation to waste vehicle lease cost.

#### Unfavourable movements

- \$160,000 recruitment costs incurred across the organisation in relation to sourcing staff.

## 5. Capital works program update

Item	Adopted budget	Mid-Year Review	Variance	Comment on variance
Eltham Community Reception Centre upgrade	179,685	288,109	108,424	Additional works required in relation to termite damage, replacement of old carpet to match new and landscaping works.
Civic Drive precinct works	202,576	296,765	94,189	Additional works required due to poor ground conditions and costs incurred to upgrade sub power station.
Emergency works	0	82,458	82,458	Structural work undertaken as a result of audits conducted.
Early Years Facility Improvement	197,156	265,156	68,000	Eltham preschool re-scoping of works.
Eltham Woodworkers	50,000	100,000	50,000	Actual cost required to complete project.
Diamond Creek Men's Shed	30,000	74,000	44,000	Additional cost for accessible toilet facility.
Fire-fighting water storage tanks	25,000	32,740	7,740	Actual cost required to complete project.
<b>Net changes to capital works</b>			<b>454,811</b>	

The below table details projects whereby grant funding has been received resulting in variance to the original project budget.

Item	Adopted budget	Mid-Year Review	Variance	Comment on variance
Bridge rehabilitation works	99,688	128,750	29,062	Variance to be funded from roads to recovery grants
Fire-fighting water storage tanks	25,000	44,000	19,000	Additional grant funding received for \$19,000.

# Financial Report - Mid Year Budget Review

## Income Statement

	Annual Budget	MYBR	Variance
	\$	\$	\$
<b>Income</b>			
Rates and municipal charges	54,455,775	54,454,884	(891)
Waste management charges	8,277,423	8,313,401	35,978
Government grants-recurrent	6,093,723	4,700,845	(1,392,878)
Government grants-non-recurrent	5,617,419	5,054,335	(563,084)
User charges	11,500,127	9,673,086	(1,827,041)
Statutory fees and fines	1,177,817	1,321,080	143,263
Reimbursements	59,286	74,786	15,500
Interest income	970,000	970,000	-
Capital contributions	1,451,033	1,530,536	79,503
Other revenue-recurrent	463,758	560,604	96,846
Other revenue-non-recurrent	-	201,093	201,093
Contributions	345,357	604,553	259,196
<b>Total income</b>	<b>90,411,718</b>	<b>87,459,203</b>	<b>(2,952,515)</b>
<b>Expenses</b>			
Employee benefits	32,732,784	32,844,978	(112,194)
External contracts	14,763,810	14,780,548	(16,738)
Materials and related costs	11,535,735	12,760,655	(1,224,920)
Other expenditure	10,610,156	10,045,766	564,390
Interest expenditure	820,000	820,000	-
Capital works recharge	(440,000)	(440,000)	-
New initiatives allocation	3,001,979	3,703,784	(701,805)
<b>Total expenses</b>	<b>73,024,464</b>	<b>74,515,731</b>	<b>(1,491,267)</b>
<b>Earnings before Depreciation</b>	<b>17,387,254</b>	<b>12,943,472</b>	<b>(4,443,782)</b>
Depreciation	10,095,000	10,095,000	-
<b>Net Surplus</b>	<b>7,292,254</b>	<b>2,848,472</b>	<b>(4,443,782)</b>