



Financial Report - 30 September 2018



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Income Statement

For the financial year to date 30 September 2018

	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)	YTD Variance Fav / (Unfav)	Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Income						
Rates	55,047,986	55,312,538	264,552	0.48	55,633,172	55,312,538
Waste management charge	8,346,902	8,383,145	36,243	0.43	8,346,902	8,383,145
Government grants-recurrent	1,081,735	1,120,647	38,912	3.60	6,498,574	1,120,647
Government grants-non-recurrent	1,057,357	3,874,873	2,817,516	266.47	11,107,189	3,874,873
User charges	1,715,326	1,741,645	26,319	1.53	12,161,680	1,741,645
Statutory fees and fines	340,354	350,651	10,297	3.03	1,373,718	350,651
Reimbursements	500	81,775	81,275	-	2,000	81,775
Interest income	176,073	162,140	(13,933)	(7.91)	1,398,800	162,140
Capital contributions	147,350	(17,606)	(164,956)	(111.95)	2,377,038	(17,606)
Other revenue-recurrent	85,333	107,796	22,463	26.32	679,121	107,796
Other revenue-non-recurrent	-	5,434	5,434	100.00	-	5,434
Contributions	100,000	215,500	115,500	115.50	345,485	215,500
Total income	68,098,916	71,338,538	3,239,622	4.76	99,923,679	71,338,538
Expenses						
Employee benefits	8,324,185	7,784,649	539,536	6.48	35,418,178	7,784,649
External contracts	5,580,437	6,454,674	(874,237)	(15.67)	15,317,734	6,454,674
Materials and related costs	4,647,383	5,029,692	(382,309)	(8.23)	13,348,079	5,029,692
Other expenditure	6,316,551	6,288,728	27,823	0.44	11,048,709	6,288,728
Interest expenditure	121,383	121,385	(2)	(0.00)	764,487	121,385
Financial year projects allocation	808,740	901,458	(92,718)	(11.46)	2,049,483	901,458
Total expenses	25,798,679	26,580,586	(781,907)	(3.03)	77,946,670	26,580,586
Earnings before Depreciation	42,300,237	44,757,952	2,457,715	5.81	21,977,009	44,757,952
Depreciation	2,778,750	2,778,750	-	-	11,015,000	2,778,750
Net Surplus	39,521,487	41,979,202	2,457,715	6.22	10,962,009	41,979,202

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Balance Sheet

For the financial year to date 30 September 2018

	30-Sep-18	30-Jun-18
	\$	\$
ASSETS		
Current assets		
Cash assets	44,890,936	47,669,083
Receivables	64,923,172	8,580,365
Accrued income	121,104	2,677,361
Prepayments	9,470	1,700,305
Land held for resale	5,157,900	5,157,900
Inventories	5,848	22,459
Total current assets	115,108,430	65,807,473
Non-current assets		
Investments in associates	1,601,509	1,601,509
Property, infrastructure, plant & equipment		
At cost	1,118,184,668	1,119,893,375
Accumulated depreciation	(224,886,762)	(222,108,012)
Work in progress	29,184,981	24,066,484
Total non-current assets	924,084,396	923,453,355
TOTAL ASSETS	1,039,192,826	989,260,828
LIABILITIES		
Current liabilities		
Creditors	6,829,323	2,663,967
Trust funds	1,522,695	1,649,272
Prepaid income	-	64,670
Accrued expenses	590,433	6,039,974
Commitments	9,552,554	-
Provisions	6,835,070	6,803,683
Borrowings	1,964,897	2,120,607
Total current liabilities	27,294,972	19,342,174
Non-current liabilities		
Provisions	7,707,355	7,707,355
Borrowings	10,614,896	10,614,896
Total non-current liabilities	18,322,251	18,322,251
TOTAL LIABILITIES	45,617,223	37,664,426
NET ASSETS	993,575,603	951,596,403
Presented by:		
Accumulated surplus	388,336,935	371,785,413
YTD surplus/(deficit)	41,979,202	16,551,522
Asset revaluation reserve	524,632,149	524,632,149
Other reserves	38,627,318	38,627,318
TOTAL EQUITY	993,575,603	951,596,403

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Statement of Cash Flows

For the financial year to date 30 September 2018

	30-Sep-18 YTD	30-Jun-18 *
Inflows from operating activities		
Rates	9,909,134	63,583,000
Statutory fees & fines	350,651	1,558,000
User charges	1,741,645	6,722,000
Grants	4,995,520	11,852,000
Contributions	197,894	2,861,000
Reimbursements	81,775	778,000
Interest	162,140	955,000
Other receipts	113,230	5,280,000
Total inflows from operating activities	17,551,989	93,589,000
Outflows from operating activities		
Payments to suppliers	(12,027,236)	(31,314,000)
Payments to employees	(7,753,262)	(32,406,000)
Borrowing costs	(121,385)	(812,000)
Trust	(126,577)	(12,000)
Other payments	(6,288,728)	(7,048,000)
Total outflows from operating activities	(26,317,188)	(71,592,000)
Movement in operating activities	(8,765,199)	21,997,000
Inflows from investing activities		
Proceeds from sale of assets	-	5,472,000
Proceeds from investments	-	5,300,000
Outflows from investing activities		
Payments for property, infrastructure, P&E	6,142,762	(22,285,000)
Payments for investments	-	(1,000,000)
Movement in investing activities	6,142,762	(12,513,000)
Outflows from financing activities		
Repayment of borrowings	(155,710)	(724,000)
Movement in financing activities	(155,710)	(724,000)
TOTAL CASH MOVEMENT FOR PERIOD	(2,778,147)	8,760,000
Opening bank balance	47,669,083	38,910,000
Net increase/(decrease) in cash and cash equivalents	(2,778,147)	8,760,000
CLOSING BANK BALANCE	44,890,936	47,670,000

*Comparative reflective of annual report which has been rounded to the nearest thousand

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1. Income Statement Variance Analysis

a. Operating Income year to date

	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)	YTD Variance Fav / (Unfav)	Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Income						
Rates	55,047,986	55,312,538	264,552	0.48	55,633,172	55,312,538
Waste management charge	8,346,902	8,383,145	36,243	0.43	8,346,902	8,383,145
Government grants-recurrent	1,081,735	1,120,647	38,912	3.60	6,498,574	1,120,647
Government grants-non-recurrent	1,057,357	3,874,873	2,817,516	266.47	11,107,189	3,874,873
User charges	1,715,326	1,741,645	26,319	1.53	12,161,680	1,741,645
Statutory fees and fines	340,354	350,651	10,297	3.03	1,373,718	350,651
Reimbursements	500	81,775	81,275	-	2,000	81,775
Interest income	176,073	162,140	(13,933)	(7.91)	1,398,800	162,140
Capital contributions	147,350	(17,606)	(164,956)	(111.95)	2,377,038	(17,606)
Other revenue-recurrent	85,333	107,796	22,463	26.32	679,121	107,796
Other revenue-non-recurrent	-	5,434	5,434	100.00	-	5,434
Contributions	100,000	215,500	115,500	115.50	345,485	215,500
Total Operating Income	68,098,916	71,338,538	3,239,622	4.76	99,923,679	71,338,538

Significant variance commentary (Over \$50,000 or >5%):

Rates and waste management charge \$300,795

- Additional rateable properties processed in July 2018.

Non-Recurrent Government Grants \$2,817,516.

- New funding received from:
 - Department of Environment, Land, Water and Planning \$59,428 for Peri-urban weed management partnership.
 - Department of Health and Human Services \$200,000 for Eltham Central oval pavilion.
 - Strathewen Landcare Group \$53,845 for landcare network facilitator.
 - Transport Accident Commission \$70,000 for Cherry Tree Road trail.
 - VicRoads \$95,000 for L2P learner driver mentor program.
- Funding received earlier than expected from Department of Environment, Land, Water and Planning \$2,375,000 for Diamond Valley Sports and Fitness Centre .

The balance of (\$35,757) consists of various minor differences.

Reimbursement \$81,275.

- Funds received from State Revenue Office for:
 - administration of fire services levy, not budgeted due to unexpected extension of agreement \$58,718; and
 - return of incorrectly applied land tax charges in prior years \$23,057.

The balance of (\$500) consists of various minor differences.

Capital Contributions (\$164,956).

- Delay in contributions for upgrade works at Research Park pavilion (\$145,000) and preschool works (\$20,000).

Contributions \$115,500.

- Higher than anticipated developer contributions received for Open Space \$110,500.

The balance of \$5,000 consists of various minor differences.

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b. Operating Expenditure year to date

	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)	YTD Variance Fav / (Unfav)	Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Expenditure						
Employee benefits	8,324,185	7,784,649	539,536	6.48	35,418,178	7,784,649
External contracts	5,580,437	6,454,674	(874,237)	(15.67)	15,317,734	6,454,674
Materials and related costs	4,647,383	5,029,692	(382,309)	(8.23)	13,348,079	5,029,692
Other expenditure	6,316,551	6,288,728	27,823	0.44	11,048,709	6,288,728
Interest expenditure	121,383	121,385	(2)	(0.00)	764,487	121,385
Financial year projects allocation	808,740	901,458	(92,718)	(11.46)	2,049,483	901,458
Total operating expenditure	25,798,679	26,580,586	(781,907)	(3.03)	77,946,670	26,580,586

Significant variance commentary (Over \$50,000 or >5%):

Employee Benefits \$539,536.

- Reflective of delays in recruitment to fill a number of position vacancies across the organisation.

External Contracts (\$874,237).

- Temporary / agency staff have been engaged to backfill vacant positions (\$440,313). This overspend is linked to the abovementioned underspend in employee benefits.
- Kerbside collection recyclable disposal costs incurred as the market responds to China's application of severe contamination rate restrictions (\$130,471).
- Engagement of specialised services to undertake strategic reviews (\$82,965) and for payroll system configuration and support (\$26,965).
- Cleaning contract management consolidation has resulted in a temporary misalignment between actual expenditure and budgets (\$67,172).
- Additional internal audit undertaken (\$55,542).
- Trainee staff employed through agency (\$35,394).

The remaining balance of (\$35,415) consists of several minor variances.

Materials & Related Costs (\$382,309).

- Contractors engaged for the provision of amenity mowing services (\$278,932).
- Unanticipated legal costs incurred year to date (\$60,981).
- Hardware purchased for modern office rollout (\$92,386).
- Dry weather conditions and contract revision have resulted in lower than expected open space maintenance contractor costs \$58,345

The remaining balance of (\$8,355) consists of a number of minor timing variances.

Financial Year Projects Allocation (\$92,718).

Refer to Financial Year Projects table on page 9.

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2. Statement of Capital Works

For the financial year to date 30 September 2018

Asset Class	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)	YTD Variance Fav / (Unfav)	Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Bridges	-	-	-	-	707,320	-
Children's playground equipment	939,722	1,222,418	(282,696)	(30.08)	1,129,722	1,222,418
Commercial centres/major streetscapes	87,104	89,839	(2,735)	(3.14)	128,045	89,839
Disability access works	94,034	101,191	(7,157)	(7.61)	186,071	101,191
Drainage	185,000	183,330	1,670	0.90	713,449	183,330
Footpaths	282,000	297,582	(15,582)	(5.53)	703,819	297,582
Landfill closure/regional park	1,043,358	1,119,093	(75,735)	(7.26)	3,231,110	1,119,093
Major leisure centres & community halls	4,333,983	4,875,696	(541,713)	(12.50)	6,579,162	4,875,696
Other council buildings	545,515	513,157	32,358	5.93	1,922,030	513,157
Plant & vehicle replacement	215,947	218,003	(2,056)	(0.95)	1,343,689	218,003
Public open space	994,925	980,562	14,363	1.44	2,418,494	980,562
Recreation trails	203,780	203,227	553	0.27	6,234,731	203,227
Roads	93,083	126,800	(33,717)	(36.22)	3,743,620	126,800
Special charge schemes	3,669	6,684	(3,015)	(82.17)	361,750	6,684
Sportsfields & pavilions	8,991,615	9,663,390	(671,775)	(7.47)	15,299,804	9,663,390
Traffic works	277,028	390,999	(113,971)	(41.14)	1,075,821	390,999
Various/miscellaneous capital	10,000	12,170	(2,170)	(21.70)	315,261	12,170
Total	18,300,763	20,004,141	(1,703,378)	(9.31)	46,093,898	20,004,141
Renewal	1,726,684	1,970,557	(243,873)	(14.12)	6,825,807	1,970,557
New	2,004,908	2,526,736	(521,828)	(26.03)	8,712,148	2,526,736
Upgrade	8,659,499	9,543,764	(884,265)	(10.21)	20,796,556	9,543,764
Expansion	5,909,672	5,963,083	(53,411)	(0.90)	9,759,387	5,963,083
Total	18,300,763	20,004,141	(1,703,378)	(9.31)	46,093,898	20,004,141

Commentary:

For the first quarter, the capital expenditure total spend is 9.31 percent over budget. This is largely attributable to

- additional works carried out at Eltham North adventure playground (\$283,826)
- provisional items and landscaping removed from the construction contract at Eltham Leisure Centre (\$415,131) will be completed by sub-contractors
- additional construction costs at Marngrook Oval pavilion redevelopment (\$469,528)

The overall financial position of the capital works portfolio spend will continue to be closely monitored. Strategies to mitigate shortfalls will be dealt with as part of the mid year financial review.

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3. Financial Year Projects

Department Unit	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)	YTD Variance Fav / (Unfav)	Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Business and Strategy						
Business, Tourism and Marketing	144,297	166,024	(21,727)	(15.06)	280,206	166,024
Connected Communities	109,662	155,050	(45,388)	(41.39)	275,991	155,050
Integrated Strategy	361,276	380,209	(18,933)	(5.24)	523,941	380,209
	615,235	701,283	(86,048)		1,080,138	701,283
Services and Planning						
Community Programs	24,000	22,093	1,907	7.95	50,000	22,093
	24,000	22,093	1,907		50,000	22,093
Sustainability and Place						
Assets and Property	20,000	89	19,911	99.55	200,000	89
Environment	69,050	110,330	(41,280)	(59.78)	450,731	110,330
	89,050	110,419	(21,369)		650,731	110,419
Corporate						
Finance	-	-	-	-	26,698	-
Governance	56,704	50,856	5,848	10.31	162,916	50,856
People, Culture and Innovation	23,751	16,807	6,944	29.24	79,000	16,807
	80,455	67,663	12,792		268,614	67,663
Total	808,740	901,458	(92,718)	(11.46)	2,049,483	901,458

Year to date main variances (greater than \$20,000) by department and unit:

Business, Tourism and Marketing (\$21,727)

- Economic Development expenditure for assessment of equine opportunities within Nillumbik (\$19,120).

Connected Communities (\$145,388)

- Design costs associated with applications for various government grant programs (\$23,891).
- L2P learner driver mentor program expenditure, offset by new grant funding received from VicRoads (\$17,767)

Environment (\$41,280)

- A number of minor variances across the department, including over-the-counter vegetation offsets (\$10,000).

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4. Treasury

a. Loans

Financial Institution	Start date	Term (years)	End date	Principal	Interest Rate	Current Balance
				\$	%	\$
NAB	25/06/2010	10	25/06/2020	923,000	7.79	699,948
LGFV	27/06/2014	7	12/11/2021	2,392,000	4.65	2,392,000
ANZ	29/06/2012	10	29/06/2022	1,000,000	5.52	440,317
CBA	30/06/2015	7	30/09/2022	1,480,000	2.42	1,480,000
CBA	28/06/2013	10	28/06/2023	400,000	5.86	218,991
NAB	28/06/2007	20	28/06/2027	2,200,000	6.96	1,305,651
NAB	27/06/2008	20	27/06/2028	3,647,000	7.87	2,448,917
NAB	10/06/2011	20	10/06/2031	2,120,000	7.91	1,692,985
ANZ	29/06/2012	20	29/06/2032	2,373,000	5.88	1,900,985
Total						12,579,794

b. Investment activities

Council carries out investment activities according to Section 143 of the Victorian Local Government Act 1989. All Council funds are invested with Authorised Deposit Taking Institutions (ADI's), in either cash, at call or term deposits. The following tables provide our investment portfolio by maturity and rating type.

Financial Institution	Green Investment	S & P Rating	Investment Type	Principal \$	Maturity Date	Term (days)	Interest Rate %
ANZ *		A1+	11:00am	190	At Call	At Call	
BankWest		A1+	11:00am	3,280,322	At Call	At Call	1.60
ME Bank	Yes	A2	Term Deposit	2,500,000	8/10/2018	90	2.75
BankWest		A1+	Term Deposit	4,700,000	5/11/2018	91	2.65
ME Bank	Yes	A2	Term Deposit	2,500,000	26/11/2018	91	2.65
Suncorp	Yes	A1	Term Deposit	1,000,000	26/11/2018	91	2.65
Suncorp	Yes	A1	Term Deposit	5,300,000	26/11/2018	91	2.65
IMB	Yes	A2	Term Deposit	3,000,000	27/11/2018	90	2.60
Suncorp	Yes	A1	Term Deposit	1,500,000	29/11/2018	90	2.65
ME Bank	Yes	A2	Term Deposit	2,000,000	3/12/2018	91	2.65
NAB		A1+	Term Deposit	5,609,000	8/01/2019	120	2.65
Suncorp	Yes	A1	Term Deposit	2,574,000	8/01/2019	120	2.65
Bendigo/Adelaide	Yes	A2	Term Deposit	1,000,000	21/01/2019	276	2.70
Total				34,963,512	Weighted average		2.56

* Nominal amount held with ANZ to enable future investments if required.

Financial Institution Rating	Investment	Portfolio
A1	10,374,000	29.67%
A1+	13,589,512	38.87%
A2	11,000,000	31.46%
Total	34,963,512	100%

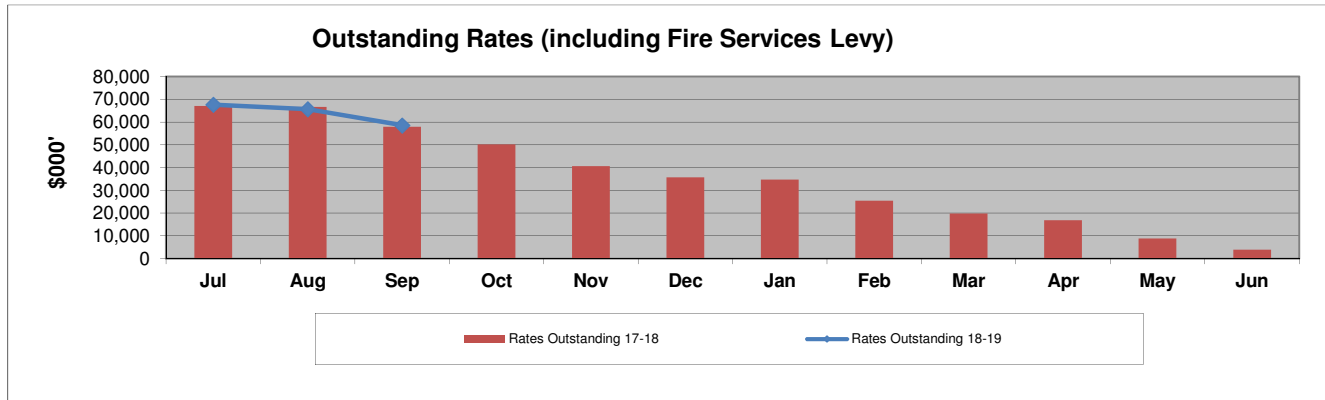
Council's current average rate of return on investments for the 2018-19 financial year is 2.56 percent and is compliant with Council's Investment policy.

The portion of investment portfolio currently invested with green institutions is 61.13 percent.

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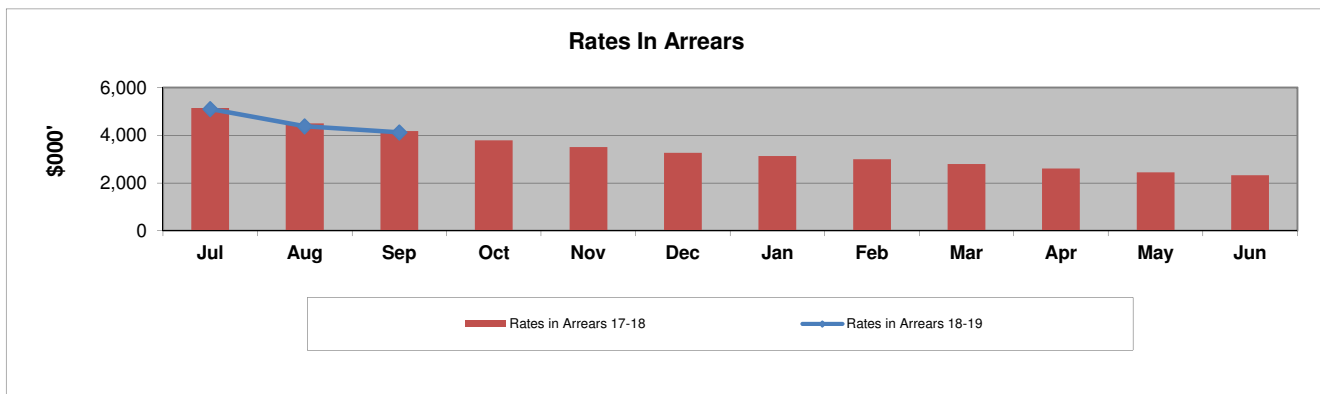
5. Rates Analysis

	YTD Actual 30-Sep-17 \$000'	YTD Actual 30-Sep-18 \$000'	Variance \$000'	Variance %
Rates Outstanding	57,847	58,566	(719)	(1.24)
Rates in Arrears (prior years)	4,183	4,119	64	1.53



As at 30 September 2018 the year to date actual Fire Service Levy charges outstanding are \$3,978,811; the outstanding rates balance is \$54,587,580.

When Council adopts the budget, rates are levied on ratepayers and the full amount due is treated as income at that point.



Supplementary Valuations

Between the two-year revaluation cycle, supplementary valuations are conducted to:

- record changes made to properties that affect property value,
- record changes to the rateability status, and
- consider any planning amendments made within the cycle.

Growth in the number of rateable assessments predominantly occurs as a result of developments within the Shire, creating assessments through subdivision of land and/or buildings.

Rateable properties at 1 July 2018	23,383
2018-19 growth	153
Rateable properties at 30 September 2018	<u>23,536</u>

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6. Grant Activity

The following table provides a summary of grant funding, greater than \$50,000, received for Council activities during the period 1 July 2018 to 30 September 2018.

Project Description	2018-19 Actuals YTD \$	Funding Body
Recurrent		
Grants Commission - Roads	121,376	Department of Environment, Land, Water and Planning
Maternal & Child Health Universal Funding	85,828	Department of Education and Training (Vic)
Home & Community Care - Respite	57,613	Department of Health and Human Services (Vic)
Home & Community Care - Domestic Assistance	93,948	Department of Health (Cwlth)
Home & Community Care - Personal Care	58,822	Department of Health (Cwlth)
Grants Commission - General	233,797	Department of Environment, Land, Water and Planning
Total Recurrent	651,384	
Non-Recurrent		
Council Plan / Grant Funded Initiatives		
Peri-urban Weed Management Partnership	59,428	Department of Environment, Land, Water and Planning
Landcare Network Facilitor	53,845	Strathewen Landcare Group
Learner Driver Mentor Program	95,000	VicRoads
Capital Works		
Diamond Valley Sports and Fitness Centre	2,375,000	Department of Environment, Land, Water and Planning
Eltham North Reserve Pavillion	1,000,000	Department of Health & Human Services
Eltham Precinct 3 & 4 / Central Oval	200,000	Department of Health & Human Services
Cherry Tree Road trail	70,000	Transport Accident Commission
Total Non-Recurrent	3,853,273	

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7. Defined Benefit Superannuation Update

Council has an obligation to contribute to any funding shortfalls within the Local Authorities Superannuation Fund (LASF) Defined Benefit Plan.

The Australian Prudential Regulation Authority (APRA) standard SPS160 uses the Vested Benefits Index (VBI) as its primary measure of fund solvency. The VBI measures the market value of assets in a defined benefit portfolio against the benefits that members would have been entitled to if they had all resigned on the same day.

The independent Actuary to the fund calculates the VBI at 30 June each year. It is necessary for the VBI to be 100% or greater at 30 June each year.

Vision Super produces interim quarterly VBI estimates based on actual quarterly assets and membership.

The recent history of the LASF VBI is shown below:

Estimated Vested Benefit Index

Year	30 Sept (estimated) %	31 Dec (estimated) %	31 Mar (estimated) %	30 Jun (actual) %
2018/19	**	-	-	-
2017/18	103.80	106.40	106.20	106.00
2016/17	103.70	105.40	106.60	103.10
2015/16	104.00	104.40	102.40	102.00

** The 30 September 2018 estimated figure is not yet available from Vision Super.

To enable Council to monitor this risk, reliance is placed on the actuarial reviews conducted on the fund on a periodic basis.

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