

Mid-Year Financial Review

2018-2019

1. Executive Summary

In June 2018 Council adopted the 2018-2019 Budget, which projected an operating surplus of \$10.962 million. Currently, the Mid-Year Financial Review projects a revised surplus of \$7.099 million.

Gross income and expenditure items are estimated at budget time and are often subject to changes and offsets for example; grant funding anticipated to be received during the course of the year which is received in advance or delayed. External factors such as price increases levied by suppliers will also impact the result. These changes are typically not known at the time of adopting the budget.

A Mid-Year Financial Review was conducted in November 2018 to identify major changes that have occurred since the budget adoption. Major changes across the organisation have been identified and are detailed in the table on page four.

Management will explore potential savings/measures in the lead up to the end of the financial year to accommodate unfavourable movements and aim to achieve the adopted budget surplus.

2. Income Statement

Financial Report

2018-19 Mid Year Financial Review

Income Statement

	Annual Budget	Mid Year Budget Review	Movement from Annual Budget (incl c/fw ds)	YTD Actuals & Comm
	\$	\$	\$	\$
Income				
Rates	55,633,172	55,981,975	348,803	55,550,148
Waste management charge	8,346,902	8,385,889	38,987	8,385,889
Government grants-recurrent	6,498,574	4,935,329	(1,563,245)	1,603,852
Government grants-non-recurrent	11,107,189	11,188,047	80,858	3,896,561
User charges	12,161,680	12,037,192	(124,488)	2,360,203
Statutory fees and fines	1,373,718	1,233,718	(140,000)	449,178
Reimbursements	2,000	84,225	82,225	83,039
Interest income	1,398,800	1,358,800	(40,000)	295,039
Capital contributions	2,377,038	1,976,211	(400,827)	66,519
Other revenue-recurrent	679,121	776,416	97,295	199,570
Other revenue-non-recurrent	-	2,000	2,000	6,782
Contributions	345,485	326,485	(19,000)	464,500
Total income	99,923,679	98,286,287	(1,637,392)	73,361,280
Expenses				
Employee benefits	35,418,178	34,880,022	538,156	10,400,795
External contracts	15,317,734	17,375,438	(2,057,704)	7,378,560
Materials and related costs	13,348,079	13,936,159	(588,080)	6,178,597
Other expenditure	11,048,709	10,702,935	345,774	6,649,172
Interest expenditure	764,487	764,487	-	121,385
Financial year projects allocation	2,049,483	2,513,148	(463,665)	968,838
Total expenses	77,946,670	80,172,189	(2,225,519)	31,697,347
Earnings before depreciation	21,977,009	18,114,098	(3,862,911)	41,663,933
Depreciation	11,015,000	11,015,000	-	2,778,750
Net Surplus	10,962,009	7,099,098	(3,862,911)	38,885,183

3. Overview Mid-Year Financial Review

The **major** items driving the net unfavourable budget change of \$3.863 million are comprised of:

Items	Amount	Movement	Commentary on major drivers
Income			
Rates and charges	\$387,790	Favourable	Additional rateable properties processed in July 2018.
Grant funding	(\$1,482,387)	Unfavourable	Driven by grants received in the prior financial year when budgeted to be received in the 2018-2019.
User charges	(\$124,488)	Unfavourable	Largely attributable to the delayed opening of the Eltham Leisure Centre, offset by projected increase of income at the Diamond Valley Sport Complex and Diamond Creek Community Centre.
Statutory Fees	(\$140,000)	Unfavourable	Mainly due to a reduction in planning application fees caused by State Government change in fee calculation methodology.
Other income items (reimbursements, interest income, capital contributions, other, revenue, contributions)	(\$278,307)	Unfavourable	Insurance refund for Eltham North playground rebuild received in prior year resulting in a budget variance.
Expenditure			
Employee benefits	\$538,156	Favourable	Reflective of delay in recruitment of budgeted positions.
External contracts	(\$2,057,704)	Unfavourable	This movement is made up of: <ul style="list-style-type: none"> - Agency staff engaged across the organisation to temporarily fill vacant positions. - Increase charges imposed by external contractor for the disposal of recyclables. - Consultants engaged for specific / specialised advice including; Recycling and Recovery centre review, Edendale facility review and building surveying services

Materials and related costs	(\$588,080)	Unfavourable	Increase in costs relating to contractors engaged to deliver services, unexpected increase in the cost of fuel and legal fees incurred but not budgeted.
Financial year projects	(\$463,665)	Unfavourable	Additional costs required for the completion of non-recurrent projects and strategy development for the year.
Other expenditure	\$345,774	Favourable	Reduction in the contribution to the Yarra Plenty Regional Library Board and lease expenditure not incurred in relation to information technology.
Net change	(\$3,862,911)	Unfavourable	

4. Capital works program update

The below table details variances to capital works projects currently identified.

Item	Adopted budget	Mid-Year Review	Variance	Comment on variance
Marngrook Oval Pavilion	1,634,408	2,332,908	698,500	Actual cost required to complete project (predominantly additional structural work)
Eltham Leisure Centre	3,040,071	3,440,071	400,000	Costs associated with project delay and variations
Fire-fighting water storage tanks	25,000	39,200	14,200	Cost required for water tank, partially offset by an increase to CFA grant
Rodger Rd SCS, Panton Hill	493,699	501,391	7,692	Minor increase to Council contribution to the scheme
Sportsground-Lighting Upgrade	167,551	175,051	7,500	Lighting works required at Marngrook oval
Net change			1,127,892	

The below table details projects whereby grant funding or contributions have resulted in an increase to the original project budget. (No additional cost imposed to council)

Item	Adopted budget	Mid-Year Review	Movement	Commentary
DPO2 - Herberts Ln upgrade R008	-	1,207,732	1,207,732	Funded by developer contributions
Broadgully Rd blackspot works	-	878,150	878,150	VicRoads grant funded project
Eltham North playground rebuild	819,416	1,389,057	569,641	GSF funding announced 2018-19
Eltham Central Oval Pavilion	1,819,135	2,219,135	400,000	New CSIF grant
Diamond Valley Sports & Fitness Centre	2,613,066	2,988,066	375,000	GSF grant funds expected within 2018-19
Early years facility improvement	162,108	409,153	247,045	Victorian School Building Authority grant
Yarrambat Drainage Scheme	-	85,000	85,000	Funded by developer contributions
Greensborough Hockey field fence	-	50,000	50,000	VicRoads reimbursement due to Yan Yean Road realignment