

Financial Report 30 September 2019

Financial Report - 30 September 2019

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Income Statement

For the financial year to date 30 September 2019

	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)		Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Income						
Rates	56,769,038	56,827,139	58,101	0.10	57,784,652	56,827,139
Waste management charge	8,598,494	8,612,817	14,323	0.17	8,598,494	8,612,817
Government grants-recurrent	1,396,818	1,481,657	84,839	6.07	6,252,437	1,481,657
Government grants-non-recurrent	104,573	651,480	546,907	522.99	11,828,589	651,480
User charges	1,503,445	1,538,087	34,642	2.30	12,526,250	1,538,087
Statutory fees and fines	384,809	369,818	(14,991)	(3.90)	1,552,948	369,818
Reimbursements	61,686	91,663	29,977	48.60	68,186	91,663
Interest income	100,000	102,303	2,303	2.30	915,000	102,303
Capital contributions	54,521	63,239	8,718	15.99	5,229,872	63,239
Other revenue-recurrent	210,424	188,576	(21,848)	(10.38)	647,894	188,576
Other revenue-non-recurrent	-	-	-	-	-	-
Contributions	3,000	1,013,357	1,010,357	33,678.57	122,000	1,013,357
Net gain on disposal of property, infrastructure, plant and equipment	-	-	-	-	-	-
Total income	69,186,808	70,940,136	1,753,328	2.53	105,526,322	70,940,136
Expenses						
Employee benefits	8,265,605	7,630,918	634,687	7.68	35,560,009	7,630,918
External contracts	5,032,325	5,588,026	(555,701)	(11.04)	15,594,589	5,588,026
Materials and related costs	7,575,505	7,674,055	(98,550)	(1.30)	15,585,354	7,674,055
Bad and doubtful debts	-	-	-	-	-	-
Other expenditure	3,909,172	3,891,014	18,158	0.46	8,825,668	3,891,014
Interest expenditure	109,683	109,054	629	0.57	686,690	109,054
Financial year projects allocation	231,719	393,935	(162,216)	(70.01)	1,388,035	393,935
Total expenses	25,124,009	25,287,002	(162,993)	(0.65)	77,640,345	25,287,002
Earnings before Depreciation	44,062,799	45,653,134	1,590,335	3.61	27,885,977	45,653,134
Depreciation	2,861,250	2,861,250	-	-	11,445,000	2,861,250
Net Surplus	41,201,549	42,791,884	1,590,335	3.86	16,440,977	42,791,884

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Balance Sheet

For the financial year to date 30 September 2019

	30-Sep-19	30-Jun-19
	\$	\$
ASSETS		
Current assets		
Cash assets	40,907,735	45,253,554
Receivables	65,465,402	10,800,609
Accrued income	37,415	5,072,107
Prepayments	6,035	1,018,777
Land held for resale	3,607,300	3,607,300
Inventories	11,547	26,798
Total current assets	110,035,434	65,779,145
Non-current assets		
Investments in associates	1,335,706	1,335,706
Property, infrastructure, plant & equipment		
At cost	1,148,706,444	1,148,675,701
Accumulated depreciation	(230,659,242)	(227,797,992)
Work in progress	22,017,107	16,939,375
Total non-current assets	941,400,015	939,152,790
TOTAL ASSETS	1,051,435,449	1,004,931,935
LIABILITIES		
Current liabilities		
Creditors	6,157,481	2,502,231
Trust funds	1,859,177	2,051,635
Prepaid income	-	59,875
Accrued expenses	548,244	7,991,712
Commitments	8,320,853	-
Provisions	6,146,079	6,531,628
Borrowings	2,628,875	2,793,727
Total current liabilities	25,660,709	21,930,808
Non-current liabilities		
Provisions	8,297,763	8,316,033
Borrowings	9,298,390	9,298,390
Total non-current liabilities	17,596,153	17,614,423
TOTAL LIABILITIES	43,256,862	39,545,231
NET ASSETS	1,008,178,587	965,386,704
Presented by:		
Accumulated surplus	397,087,561	386,885,362
YTD surplus/(deficit)	42,791,884	10,202,199
Asset revaluation reserve	528,234,251	528,234,251
Other reserves	40,064,892	40,064,892
TOTAL EQUITY	1,008,178,587	965,386,704

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Statement of Cash Flows

For the financial year to date 30 September 2019

	30-Sep-19 YTD	30-Jun-19 *
Inflows from operating activities		
Rates	15,809,855	63,721,000
Statutory fees & fines	369,818	1,465,000
User charges	1,538,087	8,077,000
Grants	2,133,137	21,907,000
Contributions	1,076,596	2,218,000
Interest	102,303	1,082,000
Other receipts	280,239	6,859,000
Total inflows from operating activities	21,310,035	105,329,000
Outflows from operating activities		
Payments to suppliers	(10,253,747)	(34,701,000)
Payments to employees	(8,016,467)	(40,792,000)
Borrowing costs	(109,054)	(767,000)
Trust	(192,457)	(197,000)
Other payments	(1,810,801)	(7,593,000)
Total outflows from operating activities	(20,382,526)	(84,050,000)
Movement in operating activities	927,509	21,279,000
Inflows from investing activities		
Proceeds from sale of assets	-	2,328,000
Proceeds from investments	-	-
Outflows from investing activities		
Payments for property, infrastructure, P&E	(5,108,477)	(25,379,000)
Payments for investments	-	-
Movement in investing activities	(5,108,477)	(23,051,000)
Inflows from financing activities		
Proceeds from borrowings	-	-
Outflows from financing activities		
Repayment of borrowings	(164,851)	(644,000)
Movement in financing activities	(164,851)	(644,000)
TOTAL CASH MOVEMENT FOR PERIOD	(4,345,819)	(2,416,000)
Opening bank balance	45,253,554	47,669,554
Net increase/(decrease) in cash and cash equivalents	(4,345,819)	(2,416,000)
CLOSING BANK BALANCE	40,907,735	45,253,554

*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)		Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Income						
Rates	56,769,038	56,827,139	58,101	0.10	57,784,652	56,827,139
Waste management charge	8,598,494	8,612,817	14,323	0.17	8,598,494	8,612,817
Government grants-recurrent	1,396,818	1,481,657	84,839	6.07	6,252,437	1,481,657
Government grants-non-recurrent	104,573	651,480	546,907	522.99	11,828,589	651,480
User charges	1,503,445	1,538,087	34,642	2.30	12,526,250	1,538,087
Statutory fees and fines	384,809	369,818	(14,991)	(3.90)	1,552,948	369,818
Reimbursements	61,686	91,663	29,977	48.60	68,186	91,663
Interest income	100,000	102,303	2,303	2.30	915,000	102,303
Capital contributions	54,521	63,239	8,718	15.99	5,229,872	63,239
Other revenue-recurrent	210,424	188,576	(21,848)	(10.38)	647,894	188,576
Other revenue-non-recurrent	-	-	-	-	-	-
Contributions	3,000	1,013,357	1,010,357	33,678.57	122,000	1,013,357
Total Operating Income	69,186,808	70,940,136	1,753,328	2.53	105,526,322	70,940,136

Significant variance commentary (Over \$50,000):

Rates and Waste Management Charge \$72,424.

- Additional rateable properties processed in July 2019.

Recurrent Government Grants \$84,839.

- Additional funding received from:
 - Department of Health and Human Services for Metro Access program \$36,484
 - VicRoads for school crossing supervision \$53,830.

The balance of (\$5,475) consists of various minor differences.

Non-Recurrent Government Grants \$546,907.

- New funding received from:
 - Department of Premier and Cabinet for Eltham North playground artwork and signage \$126,826
 - Melbourne Water for corridors of green projects \$102,975
 - Department of Environment, Land, Water and Planning for:
 - Peri-urban weed management partnership \$70,582
 - Conservation futures \$59,143
 - Department of Transport for L2P learner driver program \$63,000
 - Strathewen Landcare Network for Landcare Network Facilitator \$55,191
 - Department of Education and Training for Diamond Hills Preschool \$40,928
 - Department of Health and Human Services for seniors participation project \$25,000.

The balance of \$3,262 consists of various minor differences.

Contributions \$1,010,357.

- Developer contributions received for Open Space and Infrastructure in DPO2 and DPO4 areas \$1,010,181.

The balance of \$176 is made up of minor differences.

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b. Operating Expenditure year to date

	YTD Budget	YTD Actuals & Comm	YTD Variance Fav / (Unfav)		Annual Budget	YTD Actuals & Comm
	\$	\$	\$	%	\$	\$
Expenditure						
Employee benefits	8,265,605	7,630,918	634,687	7.68	35,560,009	7,630,918
External contracts	5,032,325	5,588,026	(555,701)	(11.04)	15,594,589	5,588,026
Materials and related costs	7,575,505	7,674,055	(98,550)	(1.30)	15,585,354	7,674,055
Other expenditure	3,909,172	3,891,014	18,158	0.46	8,825,668	3,891,014
Interest expenditure	109,683	109,054	629	0.57	686,690	109,054
Financial year projects allocation	231,719	393,935	(162,216)	(70.01)	1,388,035	393,935
Total operating expenditure	25,124,009	25,287,002	(162,993)	(0.65)	77,640,345	25,287,002

Significant variance commentary (Over \$50,000):

Employee Benefits \$634,687.

- There have been a number of positions across the organisation where there has been a delay in recruitment. These savings have been mostly offset by increases in agency and temporary staff costs incurred.

External Contracts (\$555,701).

- Temporary / agency staff have been engaged to backfill vacant positions (\$496,092).
- Consultants engaged for environmental audit of Plenty and Kangaroo Ground landfill sites (\$53,892).

The remaining balance of (\$5,717) consists of minor variances.

Materials & Related Costs (\$98,550).

- Higher than anticipated maintenance costs incurred on ageing information technology hardware (\$39,450).
- Demolition of sheds on council property following Yan Yean Road widening works (\$26,367)
- Parks and Open Space irrigation system network cloud link (\$15,731).

The remaining balance of (\$17,002) consists of a number of minor timing variances.

Financial Year Projects (\$162,216).

- Expenditure incurred on externally funded projects including:
 - Corridors of Green (\$22,964)
 - L2P learner driver program (\$15,832)
 - Peri-urban weed management (\$14,496)
 - Emergency management officer (\$14,458).
- Climate change initiatives being undertaken include feasibility study for a renewable energy generation project (\$31,208).
- Additional expenses incurred due to re-staging of Nillumbik digital agora event following equipment vandalism and theft (\$19,655).
- Maintenance works undertaken at Wingrove Park as part of environmental offset program (\$13,407).

The remaining balance of (\$30,196) consists of a number of minor variances.

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2. Statement of Capital Works

For the financial year to date 30 September 2019

Asset Class	YTD	YTD	YTD		Annual	YTD
	Budget	Actuals & Comm	Variance	Fav / (Unfav)	Budget	Actuals & Comm
	\$	\$	\$	%	\$	\$
Bridges	-	1,511	(1,511)	(100.00)	1,133,776	1,511
Children's playground equipment	90,000	69,800	20,200	22.44	215,000	69,800
Commercial centres/major streetscapes	65,000	113,224	(48,224)	(74.19)	84,000	113,224
Council Office & Equipment	-	-	-	-	-	-
Disability access works	63,640	26,339	37,301	58.61	114,889	26,339
Drainage	123,400	111,955	11,445	9.28	584,339	111,955
Footpaths	54,528	65,333	(10,805)	(19.82)	631,000	65,333
Landfill closure/regional park	1,831,098	2,173,915	(342,817)	(18.72)	2,601,529	2,173,915
Major leisure centres & community halls	1,603,084	1,595,784	7,300	0.46	6,827,860	1,595,784
Other council buildings	1,030,526	1,031,788	(1,262)	(0.12)	1,980,028	1,031,788
Plant & vehicle replacement	592,547	579,333	13,214	2.23	754,568	579,333
Public open space	87,168	105,120	(17,952)	(20.60)	4,023,925	105,120
Recreation trails	1,372,922	1,371,498	1,424	0.10	5,446,843	1,371,498
Roads	556,829	574,414	(17,585)	(3.16)	7,427,615	574,414
Special charge schemes	-	-	-	-	353,946	-
Sportsfields & pavilions	6,327,682	6,543,628	(215,946)	(3.41)	12,905,293	6,543,628
Traffic works	240,251	262,944	(22,693)	(9.45)	3,013,197	262,944
Various/miscellaneous capital	-	21,904	(21,904)	(100.00)	197,557	21,904
Total	14,038,675	14,648,490	(609,815)	(4.34)	48,295,365	14,648,490
Renewal	1,900,445	1,816,348	84,097	4.43	5,294,092	1,816,348
New	3,079,275	3,264,455	(185,180)	(6.01)	8,751,717	3,264,455
Upgrade	7,460,493	7,950,917	(490,424)	(6.57)	25,349,690	7,950,917
Expansion	1,598,462	1,616,770	(18,308)	(1.15)	8,899,866	1,616,770
Total	14,038,675	14,648,490	(609,815)	(4.34)	48,295,365	14,648,490

Commentary:

The 2019-20 capital works program is underway and is tracking well, with total spend 4.34 percent over YTD budget but still within annual budget projections. This variance is largely attributable to:

- preparatory works for rehabilitation of the Kangaroo Ground landfill site progressing slightly ahead of schedule.
- additional construction costs due to unforeseeable site conditions at Marngrook Oval Pavilion redevelopment.

The overall financial position of the capital works portfolio spend continues to be closely monitored.

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3. 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	661,867
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	331,694
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	177,827
NAB	28/06/2007	20	28/06/2027	2,200,000	6.96	1,191,403
NAB	27/06/2008	20	27/06/2028	3,647,000	7.87	2,271,286
NAB	10/06/2011	20	10/06/2031	2,120,000	7.91	1,612,472
ANZ	29/06/2012	20	29/06/2032	2,373,000	5.88	1,808,716
Total						11,927,265

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	4,042,220	At Call	At Call	1.10
ME Bank	Yes	A2	Term Deposit	2,500,000	7/10/2019	91	1.95
Suncorp	Yes	A1	Term Deposit	3,000,000	9/10/2019	92	1.90
Suncorp	Yes	A1	Term Deposit	2,574,000	9/10/2019	92	1.90
BankWest		A1+	Term Deposit	3,000,000	1/11/2019	60	1.65
NAB		A1+	Term Deposit	2,500,000	6/11/2019	91	1.83
NAB		A1+	Term Deposit	2,500,000	27/11/2019	90	1.68
ME Bank	Yes	A2	Term Deposit	2,000,000	2/12/2019	91	1.70
NAB		A1+	Term Deposit	5,000,000	2/12/2019	91	1.68
ME Bank	Yes	A2	Term Deposit	3,500,000	17/12/2019	91	1.70
Bendigo	Yes	A2	Term Deposit	1,500,000	19/12/2019	90	1.60
Bendigo	Yes	A2	Term Deposit	1,000,000	20/12/2019	151	1.85
Total				33,116,411	Weighted average		1.68

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

Financial Institution Rating	Investment \$	Portfolio %
A1+	17,042,411	51.46%
A1	5,574,000	16.83%
A2	10,500,000	31.71%
Total	33,116,411	100%

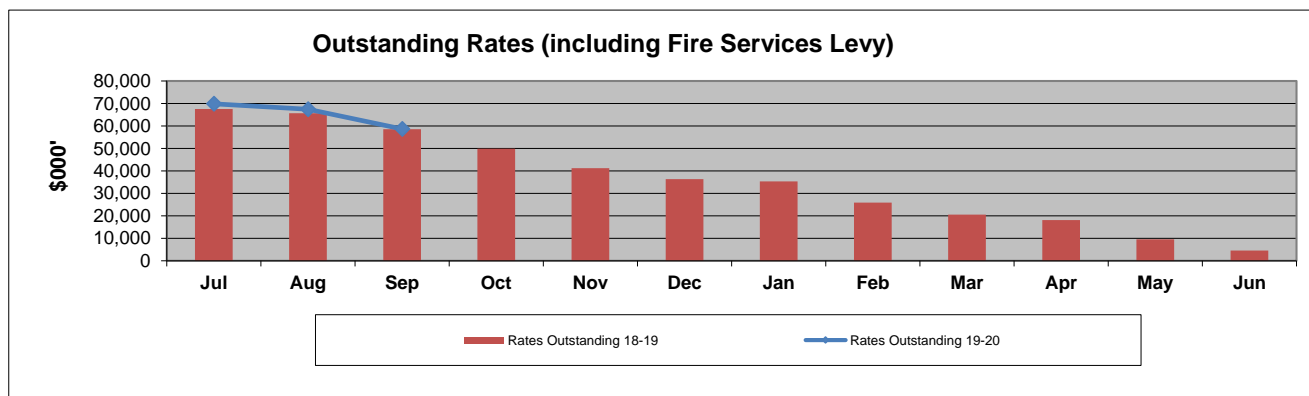
Council's current average rate of return on investments for the 2019-20 financial year is 1.68 percent and is compliant with Council's investment policy.

The portion of investment portfolio currently invested with green institutions is 48.54 percent.

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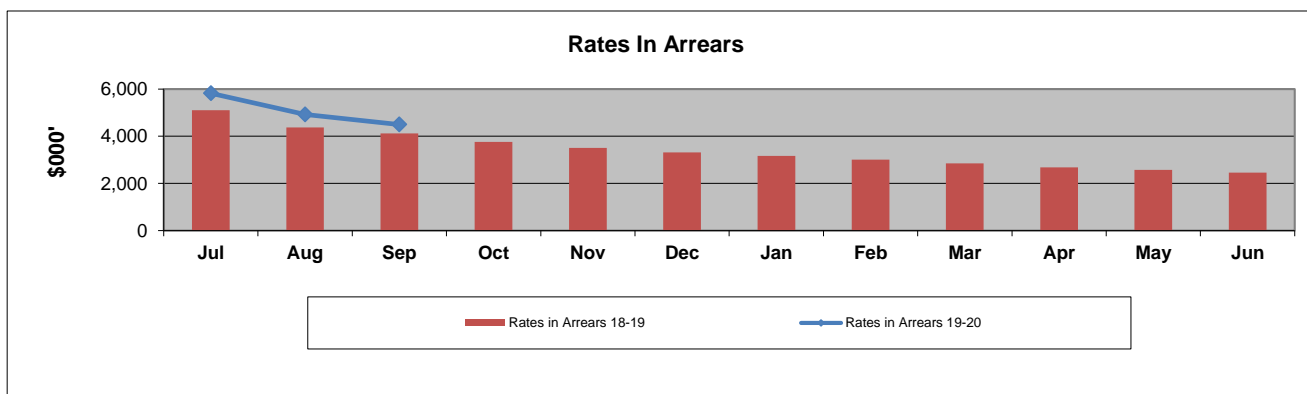
4. Rates Analysis

	YTD Actual 30-Sep-18 \$000'	YTD Actual 30-Sep-19 \$000'	Variance \$000'	Variance %
Rates Outstanding	58,566	58,642	(76)	(0.13)
Rates in Arrears (prior years)	4,119	4,497	(378)	(9.18)



As at 30 September 2019 the year to date actual Fire Service Levy charges outstanding are \$4,127,286; the outstanding rates balance is \$54,514,784.

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 annual 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 2019	23,616
2019-20 growth	46
Rateable properties at 30 September 2019	<u>23,662</u>

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5. Grant Activity

The following table provides a summary of grant funding, greater than \$50,000, received for Council activities during the period 1 July 2019 to 30 September 2019.

Project Description	2019-20 Actuals YTD \$	Funding Body
Recurrent		
Grants Commission - roads	147,529	Department of Environment, Land, Water and Planning
School crossing supervision	277,830	VicRoads
Maternal & Child Health universal funding	86,297	Department of Education and Training (Vic)
Home & Community Care - Respite	58,320	Department of Health and Human Services
Home & Community Care - Domestic Assistance	96,308	Department of Health (Cwlth)
Home & Community Care - Personal Care	59,704	Department of Health (Cwlth)
Living & Learning Vocational Education & Training	71,557	Department of Education and Training (Vic)
Grants Commission - general purpose	265,416	Department of Environment, Land, Water and Planning
Total Recurrent	1,062,961	
Non-Recurrent		
Council Plan / Grant Funded Initiatives		
Learner Driver Mentor Program	63,000	Department of Transport
Peri-Urban Weed Management Partnership	70,582	Department of Environment, Land, Water and Planning
Landcare network facilitator	55,191	Strathewen Landcare Group
Conservation Futures	59,143	Department of Environment, Land, Water and Planning
Corridors of Green	102,975	Melbourne Water
Capital Works		
Early Years facility improvement	74,925	Department of Education and Training (Cwlth)
Eltham North Playground	126,826	Department of Premier and Cabinet
Total Non-Recurrent	552,642	

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6. 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) %
2019/20	**	-	-	-
2018/19	106.90	101.90	105.40	107.10
2017/18	103.80	106.40	106.20	106.00
2016/17	103.70	105.40	106.60	103.10

** The 30 September 2019 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.