

# Mid-Year Financial Review

## 2019-2020

## 1. Executive Summary

In May 2019 Council adopted the 2019-2020 Budget, which projected an operating surplus of \$16.441 million. Currently, the Mid-Year Financial Review projects a revised surplus of \$19.925 million. The significant increase in surplus is driven by a one off grant to be used specifically towards the Diamond Creek Trail Project totaling \$3.6 million. If this item is excluded there is a small unfavourable movement of \$115,000 which reduces the surplus to \$16.325 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 2019 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 continue to monitor and further explore potential savings/measures in the lead up to the end of the financial year to accommodate the minor unfavorable movements and aim to achieve the adopted budget surplus.

## 2. Income Statement

# Financial Report

## 2019-20 Mid-Year Budget Review

## Income Statement

	Annual Budget	Mid-Year Budget Review	Movement from Annual Budget (incl c/fwds)	YTD Actuals & Comm
	\$	\$	\$	\$
<b>Income</b>				
Rates	57,784,652	57,908,200	123,548	57,174,351
Waste management charge	8,598,494	8,611,010	12,516	8,611,010
Government grants-recurrent	6,252,437	5,029,243	(1,223,194)	1,975,179
Government grants-non-recurrent	11,828,588	15,728,291	3,899,703	707,825
User charges	12,526,250	12,847,223	320,973	2,051,515
Statutory fees and fines	1,552,948	1,756,548	203,600	520,704
Reimbursements	68,186	102,884	34,698	106,604
Interest income	915,000	815,000	(100,000)	147,066
Capital contributions	5,229,872	5,659,900	430,028	68,601
Other revenue-recurrent	647,894	656,167	8,273	302,468
Other revenue-non-recurrent	-	-	-	-
Contributions	122,000	1,650,357	1,528,357	1,628,357
Net gain on disposal of property, infrastructure, plant and equipment	-	-	-	-
<b>Total income</b>	<b>105,526,321</b>	<b>110,764,823</b>	<b>5,238,502</b>	<b>73,293,680</b>
<b>Expenses</b>				
Employee benefits	35,560,009	34,835,206	724,803	10,158,243
External contracts	15,594,589	17,187,448	(1,592,859)	6,149,934
Materials and related costs	15,585,384	16,355,275	(769,891)	8,792,599
Bad and doubtful debts	-	-	-	-
Other expenditure	8,825,668	8,742,748	82,920	4,437,807
Interest expenditure	686,690	686,690	-	109,088
Financial year projects allocation	1,388,035	1,587,238	(199,203)	843,240
<b>Total expenses</b>	<b>77,640,375</b>	<b>79,394,605</b>	<b>(1,754,230)</b>	<b>30,490,911</b>
<b>Earnings before Depreciation</b>	<b>27,885,946</b>	<b>31,370,218</b>	<b>3,484,272</b>	<b>42,802,769</b>
Depreciation	11,445,000	11,445,000	-	2,861,250
<b>Net Surplus</b>	<b>16,440,946</b>	<b>19,925,218</b>	<b>3,484,272</b>	<b>39,941,519</b>

### 3. Overview Mid-Year Financial Review

The **major** items driving the favourable budget change of \$3,484,272 are comprised of:

Items	Amount	Movement	Commentary on major drivers
<b>Income</b>			
Rates and charges	\$136,064	Favourable	Additional rateable properties processed in July 2019.
Grant funding	\$2,676,509	Favourable	Approved funding of \$3,600,000 from the Department of Transport towards the construction of the Diamond Creek Trail extension project.  The financial assistance grant was received in the prior financial year when budgeted to be received in the 2019-2020 – (\$1,371,913).
User charges	\$320,973	Favourable	Mainly attributable to Eltham Leisure Centre revised increase in user fees of \$329,204.
Statutory Fees	\$203,600	Favourable	Increase in fees is driven by the introduction of new permit registration for pool owners and an increase in planning application fees.
Contributions	\$1,528,357	Favourable	Higher than anticipated developer contributions received for open space and developer planning overlay schemes.
Other income items (reimbursements, Interest income, capital contributions, other, revenue, contributions)	\$372,999	Favourable	The favourable movement is attributable to a reimbursement received for natural disasters costs 2016-17.
<b>Expenditure</b>			
Employee benefits	\$724,803	Favourable	Reflective of delays in recruitment of budgeted positions.

External contracts	(\$1,592,859)	Unfavourable	This movement is driven by agency staff engaged across the organisation to temporarily fill vacant positions, revised increase in expenditure for the Eltham Leisure Centre and an increase charges imposed by external contractor for the disposal of recyclables.
Materials and related costs	(\$769,891)	Unfavourable	Increase in costs relating to; legal fees incurred, contractors engaged to deliver services and essential services maintenance audit costs required to be undertaken in the financial year.
Financial year priority projects	(\$199,203)	Unfavourable	Additional costs associated with grant funded projects including Learner Driver Mentor Program and Environmental related projects.
Other expenditure	\$82,920	Favourable	Minor variances across a large number of accounts.
<b>Net change</b>	<b>\$3,484,272</b>	<b>Favourable</b>	

#### 4. Capital works program update

The capital works program is currently on budget with no major variances to report at the mid-year review.

Council has received confirmation regarding funding of \$3,600,000 from the Department of Transport to be allocated for the construction of the Diamond Creek Trail extension project.

Ongoing monitoring will be maintained for the remainder of the financial year.