

# **ATTACHMENT TO AGENDA ITEM**

**Ordinary Meeting**

**20 December 2016**

**Agenda Item 9.1      November 2016 Monthly Financial Report**

**Attachment 1      November 2016 Monthly Financial Statements..... 360**

## MONTHLY FINANCIAL REPORT NOVEMBER 2016

### Operating Performance

Adjusted underlying result			
Adjusted underlying surplus (or deficit) as a percentage of underlying revenue			
YTD ACTUAL	YTD BUDGET	ADOPTED BUDGET	ADOPTED FORECAST QTR 1
<b>49.20%</b>	<b>49.38%</b>	<b>3.85%</b>	<b>6.42%</b>

- Expected range of -20% to 20%; Target band of >0%.
- YTD Actual and YTD Budget are high due to the full amount of 2016/2017 rates revenue being raised in July. The underlying surplus will reduce throughout the financial year as expenditure is incurred.
- Full year adopted forecast is within acceptable levels

### Financial Health

Working Capital			
Current assets as a percentage of current liabilities			
YTD ACTUAL	YTD BUDGET	ADOPTED BUDGET	ADOPTED FORECAST QTR 1
<b>348.17%</b>	<b>362.43%</b>	<b>140.12%</b>	<b>184.46%</b>

- Expected range of 100% to 400%; Target band of 120% to 200%.
- YTD Actual and YTD Budget are high due to the full amount of 2016/2017 rates revenue being raised in July. Receivables will reduce throughout the financial year as rates instalments fall due.
- Variance between YTD Actual and YTD Budget is largely due to the current provision for Cosgrove 2 landfill rehabilitation works \$1.57m to be completed in 2016/2017.
- VAGO indicate that any level of liquidity higher than 150% is considered low risk.

### Financial Obligations

Loans and borrowings			
Loans and borrowings as a percentage of rates			
YTD ACTUAL	YTD BUDGET	ADOPTED BUDGET	ADOPTED FORECAST QTR 1
<b>25.60%</b>	<b>25.62%</b>	<b>31.28%</b>	<b>32.78%</b>

- Expected range of 0% to 70%; Target band of 20% to 60%.
- This indicates Council has a level of borrowing that is appropriate to their activities and have a strong capacity to meet their long term obligations.
- Borrowings for the Greater Shepparton Regional Sports Precinct and SAM are forecast to increase this indicator.

### Other Financial Performance

#### Rates Debtors

\$51.01m  
Same time last year \$47.31m  
3rd instalment & full year rates due February 2017

#### Sundry Debtors

0-30 days \$1.43m or 84% of total outstanding sundry debtors.  
31-60 days \$168k or 10% of total outstanding sundry debtors.  
61+ days \$106k or 6% of total outstanding sundry debtors.

#### Investments

\$29.6m with average rate of 1.70%  
86% at A1+, 0% at A1, 6.8% at A2  
\$312k in interest income to date

### Operating Performance November 2016

Income	YTD Budget vs YTD Actual (Fav)/Unfav		Current Forecast vs Adopted Forecast Qtr 1 (Fav)/Unfav	
Rates and Charges	Steady	(\$0.06m)	Steady	(\$0.21m)
Statutory Fees	Favourable	(\$0.17m)	Steady	(\$0.08m)
User Charges	Steady	(\$0m)	Unfavourable	\$1.08m
Grants	Favourable	(\$1.19m)	Steady	\$0.01m
Contributions	Favourable	(\$0.12m)	Favourable	(\$0.09m)
Other Revenue	Steady	\$0.03m	Steady	(\$0.01m)
<b>Total Income</b>	Steady	<b>(\$1.51m)</b>	Steady	<b>\$0.7m</b>
<b>Expense</b>				
Employee Costs	Steady	\$0.1m	Steady	(\$0.21m)
Materials and Consumables	Steady	\$0.17m	Unfavourable	\$0.53m
Bad and Doubtful Debts	Steady	(\$0m)	Steady	\$0m
Depreciation and Amortisation	Favourable	(\$0.39m)	Steady	\$0m
Borrowing Costs	Steady	\$0m	Steady	\$0m
Other Expenses	Steady	\$0.04m	Steady	\$0m
<b>Total Expense</b>	Steady	<b>(\$0.08m)</b>	Steady	<b>\$0.33m</b>

**Notes:**

- Statutory fees & charges is \$166k more than YTD budget. This favourable variance is caused by higher than expected income in the Building & Planning department. Please see income statement notes for more detail.

- User charges is \$1.08m less than Adopted Forecast Qtr 1. This unfavourable variance is mostly due a reduced level of commercial waste going to Cosgrove landfill \$1.5m.

- Grants are \$1.19m more than YTD budget. This favourable variance is mostly caused by timing of Victorian Grants Commission income. Please see income statement notes for more detail.

- Contributions is \$88k more than Adopted Forecast Qtr 1 and \$121k more than YTD budget. These favourable variances are mostly caused by additional contributions for insurance claims and studies into Ford Rd. Please see income statement notes for more detail.

- Materials & Consumables is forecast to be \$533k more than Adopted Forecast Qtr 1. This unfavourable variance is mostly caused by additional consultants for Planning studies; OH&S improvements to Frank Pullar childcare centre; extension of the Victoria Park Lake Caravan Park contract; GV Freight Hub studies and additional legal fees.

- Depreciation is \$388k less than YTD budget. Please see income statement notes for more detail.

### Capital Works Performance November 2016

ADOPTED BUDGET	ADOPTED FORECAST QTR 1 #	CURRENT FORECAST	YTD ACTUAL
<b>\$45.49m</b>	<b>\$42.03m</b>	<b>\$46.93m</b>	<b>\$8.1m</b>

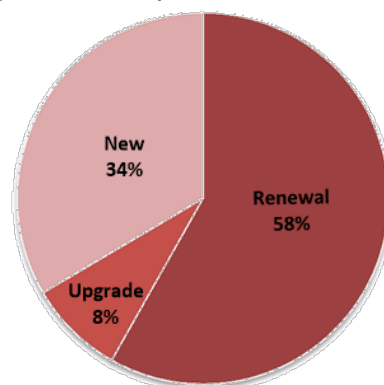
**PROGRESS**

- \* 17.8% of Adopted Budget spent, 32.6% committed
- \* 17.3% of current forecast spent, 31.6% committed
- \* In November 2015 24.6% or \$9.2m of the 2015/2016 Adopted Budget had been spent
- # Reduction factor from Adopted Forecast Qtr 1 \$4.67m

**RENEWAL**

Asset Renewal	
Asset renewal as a percentage of depreciation	
ADOPTED BUDGET	FORECAST END OF YEAR
<b>120.04%</b>	<b>119.96%</b>

- Expected range of 40% to 130%; Target band of 90% to 110%.
- Indicator of assets being renewed as planned. High or increasing percentages indicate improvement in capacity to meet long term obligations.



**MAJOR PROJECTS PERFORMANCE (multiple year projects, > \$2m)**

Greater Shepparton Regional Sports Precinct			
Original Approved Estimate	Current Approved Estimate	Current Forecast	* Budget increase to \$21m approved at May 2016 Councillor briefing
<b>\$13.44m</b>	<b>\$21.0m</b>	<b>\$21.0m</b>	
Shepparton Art Museum			
Original Approved Estimate	Current Approved Estimate	Current Forecast	
<b>\$34.5m</b>	<b>\$34.5m</b>	<b>\$34.5m</b>	
Cosgrove 3 Landfill			
Original Approved Estimate	Current Approved Estimate	Current Forecast	
<b>\$20.5m</b>	<b>\$20.5m</b>	<b>\$20.5m</b>	
Verney Road Stages 2 & 3			
Original Approved Estimate	Current Approved Estimate	Current Forecast	* Includes stage 3 estimates
<b>\$4.2m</b>	<b>\$3.37m</b>	<b>\$3.37m</b>	

Greater Shepparton City Council  
**Income Statement**  
for period ended November 2016

	2016/2017 Adopted Forecast Qtr 1 \$	2016/2017 Forecast \$	Forecast v Budget \$	2016/2017 YTD Budget \$	2016/2017 YTD Actual \$	YTD Variance (Fav)/Unfav \$	YTD Variance (Fav)/Unfav %	Note
<b>Revenues from Operating Activities</b>								
Rates and Charges	71,343,318	71,555,259	(211,941)	71,453,066	71,508,235	(55,169)	(0.1%)	
Statutory Fees	3,227,252	3,308,464	(81,212)	960,568	1,126,735	(166,167)	(17.3%)	1
User Charges	20,539,574	19,458,329	1,081,245	7,389,686	7,391,004	(1,318)	(0.0%)	
Operating Grants	22,817,252	22,809,057	8,195	9,784,093	10,979,068	(1,194,975)	(12.2%)	2
Operating Contributions	623,238	711,352	(88,114)	176,952	298,703	(121,751)	(68.8%)	3
Other	1,656,867	1,663,845	(6,978)	715,469	685,541	29,928	4.2%	
<b>Total Operating Revenue</b>	<b>120,207,501</b>	<b>119,506,306</b>	<b>701,195</b>	<b>90,479,834</b>	<b>91,989,287</b>	<b>(1,509,453)</b>	<b>(1.7%)</b>	
<b>Expenses from Operating Activities</b>								
Employee Costs	46,577,617	46,371,182	(206,435)	19,514,356	19,612,512	98,156	0.5%	
Materials and Consumables	47,132,627	47,665,472	532,845	17,914,025	18,084,366	170,341	1.0%	
Bad & Doubtful Debts	144,000	144,000	0	8,226	7,729	(497)	(6.0%)	
Depreciation and Amortisation	22,044,545	22,044,545	0	9,050,454	8,662,363	(388,091)	(4.3%)	4
Borrowing Costs	1,250,000	1,250,000	0	5,305	5,305	0	0.0%	
Other Expenses	284,500	284,500	0	122,660	159,863	37,203	30.3%	
<b>Total Operating Expenses</b>	<b>117,433,289</b>	<b>117,759,699</b>	<b>326,410</b>	<b>46,615,026</b>	<b>46,532,138</b>	<b>(82,888)</b>	<b>(0.2%)</b>	
<b>UNDERLYING OPERATING RESULT</b>	<b>2,774,212</b>	<b>1,746,607</b>	<b>1,027,605</b>	<b>43,864,808</b>	<b>45,457,149</b>	<b>(1,592,341)</b>	<b>(3.6%)</b>	
<b>Non-operating Income and Expenditure</b>								
Capital Grants	7,312,860	7,444,285	(131,425)	1,567,873	759,016	808,857	51.6%	5
Capital Contributions	635,000	1,120,196	(485,196)	12,000	303,502	(291,502)	(2,429.2%)	6
Contributed Assets	2,000,000	2,000,000	0	0	0	0	0.0%	
Proceeds from Sale of Assets	2,049,000	2,049,000	0	22,412	410,171	(387,759)	(1,730.1%)	7
Other Revenue	0	368,700	(368,700)	0	360,021	(360,021)	100.0%	8
Written Down Value of Asset Disposals	(1,668,323)	(1,668,323)	0	0	(1,150,392)	1,150,392	100.0%	
<b>Total Non Operating Items</b>	<b>10,328,537</b>	<b>11,313,858</b>	<b>(985,321)</b>	<b>1,602,285</b>	<b>682,318</b>	<b>919,967</b>	<b>57.4%</b>	
<b>ACCOUNTING SURPLUS/(DEFICIT)</b>	<b>13,102,749</b>	<b>13,060,465</b>	<b>42,284</b>	<b>45,467,093</b>	<b>46,139,466</b>	<b>(672,373)</b>	<b>(1.5%)</b>	

**Notes**

- 1) Statutory fees & charges is \$166k more than YTD budget. This favourable variance is mostly due to higher than anticipated income in building fees \$118k and planning permits \$36k.
- 2) Operating Grants is \$1.19m more than YTD budget. This favourable variance is mostly due Victorian Grants Commission income for local roads \$730k being received earlier than anticipated. This variance is also impacted by additional grant income for Regional Assessment Coordinator \$208k and children services \$72k.
- 3) Operating contributions is \$122k more than YTD budget. This favourable variance is mostly due to additional income from insurance claims \$47k and from Vic Roads for the Ford Road study \$35k. This variance is also impacted by the timing of income from developer contributions \$27k.
- 4) Depreciation and Amortisation is \$388k less than YTD budget. This favourable variance is due to a reduction in total Plant and Equipment. This variance will reduce in future months with the purchase of new plant and equipment.
- 5) Capital Grants is \$809k less than YTD budget. This unfavourable variance is mostly due to a delay in funding for the Roads to Recovery program \$870k. This income is expected to be received early in the second half of the financial year.
- 6) Capital contributions are \$291k more than YTD budget. This favourable variance is due to unbudgeted contributions received from various sporting clubs for the Greater Shepparton Sports Precinct \$133k, as well as unbudgeted contributions from Vic Roads for road stabilisation works \$100k.
- 7) Proceeds from sale of assets is \$388k more than YTD budget. This favourable variance is mostly due to the timing of Council owned land sales \$375k.
- 8) Other Revenue is \$360k more than YTD budget. This favourable variance is due to unbudgeted contributions from Goulburn Valley Water for Verney Road water main upgrades \$369k.

## Greater Shepparton City Council

### Balance Sheet

as at November 2016

	June 2016 Actual \$	Adopted Forecast Qtr 1 \$	YTD Budget 2017 \$	YTD Actual 2017 \$	Variance (Fav)/Unfav \$	Variance (Fav)/Unfav %	Note
<b>Current Assets</b>							
Cash and Cash Equivalent	13,275,933	9,887,461	15,090,733	33,177,973	(18,087,240)	(119.9%)	1
Receivables	5,965,568	5,965,568	68,795,354	58,791,320	10,004,034	14.5%	
Other Financial Assets	27,042,827	27,042,827	6,000,000	6,000,000	0	0.0%	
Inventories	73,754	73,754	-	152,841	(152,841)		
Other Assets	1,230,299	1,230,300	461,007	179,796	281,211	61.0%	
<b>Total Current Assets</b>	<b>47,588,381</b>	<b>44,199,910</b>	<b>90,347,094</b>	<b>98,301,930</b>	<b>(7,954,836)</b>	<b>(8.8%)</b>	
<b>Non Current Assets</b>							
Investment in Associates	1,493,041	1,493,041	1,493,041	1,493,041	0	0.0%	
Infrastructure	1,020,986,172	1,040,973,877	1,023,146,615	1,019,170,355	(3,976,261)	(0.4%)	
Intangible Assets	972,944	972,944	972,944	972,944	0	0.0%	
<b>Total Non Current Assets</b>	<b>1,023,452,158</b>	<b>1,043,439,862</b>	<b>1,025,612,600</b>	<b>1,021,636,340</b>	<b>3,976,260</b>	<b>0.4%</b>	
<b>Total Assets</b>	<b>1,071,040,539</b>	<b>1,087,639,772</b>	<b>1,115,959,694</b>	<b>1,119,938,270</b>	<b>(3,978,576)</b>	<b>(0.4%)</b>	
<b>Current Liabilities</b>							
Trade & Other Payables	9,986,238	10,040,114	11,637,156	6,485,086	(5,152,070)	(44.3%)	2
Trust Funds	3,093,498	3,093,498	2,562,868	9,457,374	6,894,506	269.0%	
Provisions	11,499,520	9,932,003	9,915,152	11,478,918	1,563,766	15.8%	
Interest Bearing Liabilities	896,755	896,755	812,897	812,898	1	0.0%	
<b>Total Current Liabilities</b>	<b>25,476,011</b>	<b>23,962,370</b>	<b>24,928,073</b>	<b>28,234,276</b>	<b>3,306,203</b>	<b>13.3%</b>	
<b>Non Current Liabilities</b>							
Provisions	6,484,709	6,484,709	6,484,709	6,484,709	(0)	(0.0%)	4
Interest Bearing Liabilities	17,494,161	22,558,161	17,494,161	17,494,161	(0)	(0.0%)	
<b>Total Non Current Liabilities</b>	<b>23,978,870</b>	<b>29,042,870</b>	<b>23,978,870</b>	<b>23,978,870</b>	<b>(0)</b>	<b>(0.0%)</b>	
<b>Total Liabilities</b>	<b>49,454,881</b>	<b>53,005,240</b>	<b>48,906,943</b>	<b>52,213,145</b>	<b>3,306,202</b>	<b>6.8%</b>	
<b>Net Assets</b>	<b>1,021,585,658</b>	<b>1,034,634,532</b>	<b>1,067,052,751</b>	<b>1,067,725,125</b>	<b>(672,374)</b>	<b>(0.1%)</b>	
<b>Represented By</b>							
Accumulated Surplus	323,971,195	337,020,069	369,438,288	370,110,662	(672,373)	(0.2%)	
Reserves	697,614,463	697,614,463	697,614,463	697,614,463	0	0.0%	
<b>Total Equity</b>	<b>1,021,585,658</b>	<b>1,034,634,532</b>	<b>1,067,052,751</b>	<b>1,067,725,125</b>	<b>(672,373)</b>	<b>(0.1%)</b>	

**Notes**

- 1) Receivables is showing a high YTD budget and YTD actual balance due to the full amount of 2016/2017 rates being raised in July. This figure will reduce throughout the financial year as rates instalments fall due and are paid. During November the receivables balance reduced by \$6.2m. The second rates instalment fell due 30th November and is expected to impact this balance throughout December.
- 2) Trust funds are showing a high YTD variance of \$6.89m due to the Fire Services Levy liability. This liability was raised in July 2016 and will reduce throughout the financial year as payments fall due; 28 days after each rates instalment. The next payment will occur in December 2017.
- 3) Provisions are showing a YTD variance of \$1.56m due to the current provision for Cosgrove 2 landfill rehabilitation works to be completed in 2016/2017.
- 4) Interest bearing liabilities is budgeted to increase throughout the year. This related to borrowings in 2016/2017 for the Greater Shepparton Regional Sports Precinct \$4.1m and the new Shepparton Art Museum \$1.0m. Despite this increase, page 1 shows we are well within the Loans and Borrowings indicators.

## Greater Shepparton City Council

**Cash Flow Statement**

as at November 2016

	<b>2016/2017 Adopted Forecast Qtr 1 \$</b>	<b>2016/2017 YTD Budget \$</b>	<b>2016/2017 YTD Actual \$</b>	<b>Variance (Fav)/Unfav \$</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	95,718,011	24,293,258	34,454,111	(10,160,853)
Payments to suppliers	(95,706,262)	(44,140,946)	(40,829,365)	(3,311,581)
Net cash inflow(outflow) from customers(suppliers)	11,749	(19,847,688)	(6,375,254)	(13,472,434)
Interest received	1,049,000	365,391	311,705	53,686
Government receipts	30,130,112	11,351,966	11,738,084	(386,118)
Contributions	1,258,238	179,952	961,905	(781,953)
<b>Net cash inflow(outflow) from operating activities</b>	<b>32,449,099</b>	<b>(7,950,379)</b>	<b>6,636,440</b>	<b>(14,586,819)</b>
<b>Cash flows from investing activities</b>				
Net movement in other financial assets	-	21,042,827	21,042,827	-
Infrastructure, property, plant & equipment - proceeds	2,049,000	22,412	410,171	(387,759)
Infrastructure, property, plant & equipment -	(40,499,011)	(11,210,897)	(8,098,234)	(3,112,662)
<b>Net cash inflow(outflow) from investing activities</b>	<b>(38,450,011)</b>	<b>9,854,342</b>	<b>13,354,763</b>	<b>(3,500,421)</b>
<b>Cash flows from financing activities</b>				
Finance Cost	(1,250,000)	(5,305)	(5,305)	0
Repayment of interest-bearing loans and borrowings	3,862,440	(83,858)	(83,858)	(1)
<b>Net cash inflow(outflow) from financing activities</b>	<b>2,612,440</b>	<b>(89,163)</b>	<b>(89,163)</b>	<b>(0)</b>
<b>Net increase(decrease) in cash and equivalents</b>	<b>(3,388,472)</b>	<b>1,814,800</b>	<b>19,902,041</b>	<b>(18,087,240)</b>
Cash and equivalents at the beginning of the year	13,275,933	13,275,933	13,275,933	0
<b>Cash and equivalents at the end of the year</b>	<b>9,887,461</b>	<b>15,090,733</b>	<b>33,177,973</b>	<b>(18,087,240)</b>

Greater Shepparton City Council  
**Capital Budget vs Actual**  
 period ended November 2016

Capital Works Area	2016/2017 Adopted Forecast Qtr 1	2016/2017 YTD Adopted Budget	2016/2017 YTD Adopted Forecast Qtr 1	2016/2017 YTD Actual	2016/2017 YTD Variance (Fav.)/Unfav. \$	2016/2017 YTD Variance (Fav.)/Unfav. %	Note
Aerodrome	226,800	2,000	2,635	0	(2,635)	(100%)	
Bridges	60,000	0	15,000	0	(15,000)	(100%)	
Buildings	3,305,155	886,712	1,126,260	694,644	(431,616)	(38%)	1
Computer & Telecommunications	959,815	194,951	58,567	257,781	199,214	340%	2
Drainage	685,999	125,000	106,351	125,849	19,498	18%	
Fixture Fittings and Furniture	579,704	161,810	230,867	180,331	(50,536)	(22%)	
Footpaths & Cycleways	491,007	127,390	5,870	1,578	(4,292)	(73%)	
Land Improvements	15,217,445	2,205,211	2,568,530	1,798,417	(770,113)	(30%)	3
Parks, Open Space & Streetscape	700,000	125,000	171,601	128,880	(42,721)	(25%)	
Plant Machinery & Equipment	2,439,937	1,002,500	934,373	166,824	(767,549)	(82%)	4
Recreational Leisure and Community Facilities	5,990,046	3,257,896	1,813,950	726,064	(1,087,886)	(60%)	5
Roads	13,580,967	4,262,301	4,222,826	3,517,558	(705,268)	(17%)	6
Waste Management	2,414,916	0	71,174	499,666	428,492	602%	7
Other Infrastructure	50,708	50,037	643	643	(0)	(0%)	
<b>Total Capital Works</b>	<b>46,702,499</b>	<b>12,400,808</b>	<b>11,328,647</b>	<b>8,098,234</b>	<b>(3,230,413)</b>	<b>(29%)</b>	

Capital Works Type	2016/2017 Adopted Forecast Qtr 1	2016/2017 YTD Adopted Budget	2016/2017 YTD Adopted Forecast Qtr 1	2016/2017 YTD Actual	2016/2017 YTD Variance (Fav.)/Unfav. \$	2016/2017 YTD Variance (Fav.)/Unfav. %	Note
Renewal	26,646,339	5,384,479	5,447,584	4,397,865	(1,049,719)	(24%)	
Upgrade	4,059,554	1,260,800	995,089	437,243	(557,846)	(128%)	
New	15,996,606	5,755,529	4,885,974	3,263,126	(1,622,848)	(50%)	
<b>Total Capital Works</b>	<b>46,702,499</b>	<b>12,400,808</b>	<b>11,328,647</b>	<b>8,098,234</b>	<b>(3,230,413)</b>	<b>(40%)</b>	

Greater Shepparton City Council has conducted a review of its historical capital expenditure performance. The review identified historical trends relating to a level of approved capital project expenditure not being achieved each financial year due to various factors such as delays with poor weather and time impacts of obtaining authority approvals. In consideration of the historical performance, and in an effort to provide a more realistic total capital works expenditure forecast to stakeholders, a "reduction factor" of approximately 10% of the current forecast has been applied to the total forecast. The reduction factor at the August budget review was \$4.67m leaving a total forecast for capital works of \$42.03m.

**Notes:**

- 1) Buildings are \$432k less than YTD budget. This variance is mostly due to the timing of expenses relating to Katandra West Community centre \$240k.
- 2) Computer & Telecommunications is \$199k more than YTD budget. This variance is mostly due to the timing of expenses relating to the new finance system replacement \$138k.
- 3) Land improvements is \$770k less than YTD budget. This variance is mostly due to poor weather delaying works on the Greater Shepparton Sports Precinct \$1.0m. Despite these delays the project is still expected to be completed by April 2017.
- 4) Plant Machinery & Equipment is \$767k less than YTD budget. This variance is mostly due to the timing of purchases of items of plant and equipment.
- 5) Recreational leisure and community facilities is \$1.08m less than YTD budget. The variance is mostly due to weather delaying the start of work on the Greater Shepparton Sports Precinct boulevard \$867k. This variance is also impacted by the timing of works relating to the sports field lighting in Mooroopna \$100k.
- 6) Roads are \$705k less than YTD budget. This variance is mostly due to stage 2 of Verney Roads works being delayed by ground conditions and issues around NBN installation \$991k.
- 7) Waste Management is \$428k more than YTD budget. This variance is mostly due to works on Cosgrove 2 Cell 4 sideline being completed earlier than anticipated \$368k.