



GREATER  
SHEPPARTON

# Greater Shepparton City Council

## 2012-2013 Mid Year Budget Review



## **Executive Summary**

In July 2012 the Council adopted the 2012-2013 Budget. It is now over six months since Council set the original budget and in that time a number of factors which influence the budget have changed. It is prudent that Council reviews and updates its forecast financial performance for the 2012-2013 financial year based on what is now known.

The Mid Year Budget Review covers the six to the end of December 2012.

The Review forecasts an increase in operating income of \$2.06 million, to \$104.7 million which includes an increase in operating grants of \$1.55 million. Operating expenditure is forecast to increase by \$739,000. Overall changes result in an increase operating surplus of \$1.32 million, taking the forecast operating surplus to \$6.41 million. It is forecast that there will be an underlying cash surplus of \$751,715 at the end of the financial year.

Capital expenditure in forecast will decrease by \$5.36 million, bringing the forecast capital works program to \$26.45 million. The majority of this decrease relates to projects that are still proceeding however will not be as far progressed as originally expected by 30 June 2013 or will be delayed until the 2013-2014 financial year. The allocated funding for these projects will still be required in order for the projects to be completed in the 2013-2014 financial year.

Details as to variances are contained within this report.

# Income Statement

## for year ending 30 June 2013

	2012-2013 Sept Qtr Budget Review \$	2012-2013 Mid Year Budget Review \$	Variance (Fav)/ Unfav \$	Variance (Fav)/ Unfav %
<b>Revenue</b>				
Rates and Charges	56,410,956	56,875,000	(464,044)	(0.8%)
Operating Grants and Contributions	15,908,695	17,457,291	(1,548,596)	(9.7%)
Capital Grants and Contributions	8,473,700	7,816,290	657,410	7.8%
Interest	1,648,059	1,701,930	(53,871)	(3.3%)
User Charges	14,297,803	14,309,064	(11,261)	(0.1%)
Statutory Fees	2,444,736	2,490,174	(45,438)	(1.9%)
Proceeds from Sale of Assets	346,000	274,222	71,778	20.7%
Other	533,207	1,085,590	(552,383)	(103.6%)
Parking Fees and Fines	1,983,695	1,983,695	0	0.0%
Rent	591,451	705,663	(114,212)	(19.3%)
<b>Total Revenue</b>	<b>102,638,302</b>	<b>104,698,919</b>	<b>(2,060,617)</b>	<b>(2.0%)</b>
<b>Expenses</b>				
Employee Benefits	38,179,587	37,915,394	(264,193)	(0.7%)
Materials and Consumables	27,329,187	27,742,749	413,562	1.5%
External Contracts	10,060,458	10,506,318	445,860	4.4%
Utilities	2,706,526	2,853,361	146,835	5.4%
Borrowing Costs	1,330,247	1,330,247	0	0.0%
Depreciation and Amortisation	17,649,000	17,646,000	(3,000)	(0.0%)
Written Down Value of Assets Sold	294,000	294,000	0	0.0%
<b>Total Expenses</b>	<b>97,549,005</b>	<b>98,288,069</b>	<b>739,064</b>	<b>0.8%</b>
<b>Surplus/(Deficit) for the period</b>	<b>5,089,297</b>	<b>6,410,850</b>	<b>(1,321,553)</b>	<b>(26.0%)</b>

## Notes to Income Statement

The total variance between revenue reflected in the September Quarter Review and the Mid Year Budget Review is \$2,060,617. The table below provides explanations of key variances which have been incorporated into the income statement revenue forecasts.

Revenue Category	Variance Amount	Inc/Dec	Variance details	Total Explained
Rates & Charges	464,044	Increase	\$408k Increase relates to supplementary rates including April 2012 Supplementary return. \$56k other minor variances	\$464k
Operating Grants & Contributions	1,548,596	Increase	INCREASES (OFFSET BY EXPENSE) \$950k February/March 2012 Floods \$90k Best Start Program \$38k Insurance Claims <b>\$1,078k</b>  INCREASES (OFFSET IN USER CHARGES) \$317k Childcare CCB (govt childcare benefit) - offset by increase in user charges - less eligibility to govt subsidy <b>\$317k</b> \$100k other minor variances	\$1,549k
Capital Grants & Contributions	657,410	Decrease	DECREASES <b>(\$267k)</b> Mooroopna West DPC Flood Mitigation <b>(\$109k)</b> Mooroopna West Culvert and Link Rd <b>(\$90k)</b> Golf Drive Drainage <b>(\$95k)</b> Street Lighting Retrofit <b>(\$78k)</b> Mooroopna West DCP Community Facilities <b>(\$66k)</b> Golf Drive Upgrade <b>(\$64k)</b> Waverly Ave Pedestrian Maze <b>\$769k</b>  INCREASES \$147k Vaughan St Contributions <b>\$147k</b> <b>(\$35k)</b> Other minor variances	(\$657k)
Other	552,383	Increase	GENERAL INCREASES \$80k Accounting Adjustments \$18k Jobs & Skills Drive \$15k Kaiela Institute \$10k Financial Services \$7k SPC Ardmona KidsTown Kids Fest \$7k Art Museum Import taxes \$6k Health Plan Project - Parks Victoria grant <b>\$143k</b>  INCREASES OFFSET BY EXPENDITURE \$152k Hume Region Workforce Plan Project \$142k United Approach Tourism-Final COGS a/c's <b>\$294k</b> \$115k Other minor variances	\$552k
Rent	114,212	Increase	Increase primarily relates to the reclassification of the Business Centre User Charges to Rental Income (\$110K). \$4k Other minor variances	\$114k
			Other revenue classification variances	\$38k
			<b>Total revenue variance</b>	<b>\$2,060k</b>

Significant variances explained:

The total variance between expenses reflected in the September Quarter Review and the Mid Year Budget Review is \$739,064. The table below provides explanations of key variances which have been incorporated into the income statement expense forecasts.

<b>Expense Category</b>	<b>Amount</b>	<b>Inc/Dec</b>	<b>Variance details</b>	<b>Total Explained</b>
Materials & Consumables	413,562	Increase	<p><b>GENERAL INCREASES</b>            \$480k Human Resources – organisational review, specific work area reviews, management recruitment and transitional management.            \$160k Town Planning Legal fees  <b>\$640k</b></p> <p><b>INCREASES (OFFSET BY INCOME)</b>            \$270k February/March 2012 Floods            \$156k Hume Regions Workforce Plan (\$4k council contribution)  <b>\$426k</b></p> <p><b>GENERAL REDUCTIONS</b>            (\$263k) LEAD Program            (\$200k) STS Operations (to Concrete Crushing)            (\$40k) Executive Management - legal expenses            (\$36k) BEST Start program  <b>(\$539k)</b>            (\$114k) Other minor variances</p>	\$413k
7. External Contracts	445,860	Increase	<p><b>INCREASES</b>            \$200k Concrete Crushing (from STS Operations)  <b>\$200k</b></p> <p><b>INCREASES (OFFSET BY INCOME)</b>            \$160K Community Care Packages (CPP)            \$69k Family Day Care Provision  <b>\$129k</b>            \$120 Other minor variances</p>	\$446k
8. Utilities	146,835	Increase	Increase reflective of current usage patterns. Utilities were originally increased in the 2012-2013 budget by 15% however this was insufficient.	\$147k
			Other expense classification variances	<u>(\$267)</u>
			<b>Total increase in expense</b>	<b><u>\$739k</u></b>

# Capital Works Statement

## for year ending 30 June 2013

Capital Works Area	2012-2013 Sept Qtr Budget Review	2012-2013 Mid Year Budget Review	\$ variance	% variance
Buildings	2,675,600	2,003,828	(671,772)	(33.5%)
Drainage	4,158,666	1,937,602	(2,221,064)	(114.6%)
Open Space	4,283,690	3,907,019	(376,671)	(9.6%)
Other	1,809,260	1,777,979	(31,281)	(1.8%)
Plant Equipment & Other	3,091,850	3,233,937	142,087	4.4%
Roads	12,926,179	11,788,050	(1,138,129)	(9.7%)
Waste Management	2,658,000	1,599,222	(1,058,778)	(66.2%)
<b>Total Capital Works</b>	<b>31,603,245</b>	<b>26,247,637</b>	<b>(5,355,608)</b>	<b>(20.4%)</b>
<b>Represented by:</b>				
Renewal	17,705,520	16,271,639	(1,433,881)	(8.8%)
Upgrade	6,053,350	4,248,645	(1,804,705)	(42.5%)
New	7,844,375	5,727,353	(2,117,022)	(37.0%)
<b>Total Capital Works</b>	<b>31,603,245</b>	<b>26,247,637</b>	<b>(5,355,608)</b>	<b>(20.4%)</b>

### Significant variances explained:

Expense Area	\$		General Explanation
Minor Development Shepp Transfer Station	1,737,000	Decrease	Expenditure will be required to be carried over to the next financial year
Building Better Regional Cities (BBRC)	1,710,666	Decrease	Ongoing discussions occurring, works unlikely to be undertaken in the 2012-2013 financial year due to the complexity of the legal agreements and negotiations.
Community Soccer Complex	500,000	Decrease	\$600,000 to be expended in 2012-2013 with completion in 2013-2014.
Rafetry Road Reconstruction	344,000	Decrease	\$100,000 to be expended in 2012-2013 with this amount to be carried over to 2013-2014.
Connolly Estate - DCP	300,000	Decrease	Not expected this financial year due to the project experiencing delays.
Mooroopna West DCP Midland HWY Traffic Lights	298,000	Decrease	Project linked with BBRC project above, project works to be undertaken in 2013-2014.
Utility Management Upgrade	280,000	Decrease	Project scheduled to be a two year project, with these funds to be used in 2013-2014.
Building Renewals	166,000	Decrease	Budget not expected to be fully expended this financial year.
Street Lighting Retrofit	190,000	Decrease	Grant money expected 2013-2014, expenditure to match year.
DCP Funding of Subdivisions	167,000	Decrease	Projects not expected to go ahead during 2012/2013
Cosgrave Landfill 2 Cell 3 Cap	(485,000)	Increase	Tenders received in December 2012, EPA requirements greater than previously expected.
Other minor variances	147,942	Increase	

**5,355,608**

# Balance Sheet

## for period ending June 2013

	June 2012 Actual \$	Sept Qtr Budget Review \$	Mid Year Budget Review \$	Variance \$	Variance %
<b>Current Assets</b>					
Cash	2,685,120	1,000,000	1,000,000	0	0.0%
Receivables	4,803,422	6,000,000	6,000,000	0	0.0%
Investments	34,163,064	21,674,239	28,348,400	6,674,161	23.5%
Other	78,968	500,000	500,000	0	0.0%
<b>Total Current Assets</b>	<b>41,730,573</b>	<b>29,174,239</b>	<b>35,848,400</b>	<b>6,674,161</b>	<b>18.6%</b>
<b>Non Current Assets</b>					
Infrastructure	649,795,745	667,893,245	662,540,637	(5,352,608)	(0.8%)
Other	1,157,661	1,371,049	1,371,049	0	0.0%
<b>Total Non Current Assets</b>	<b>650,953,406</b>	<b>669,264,294</b>	<b>663,911,686</b>	<b>(5,352,608)</b>	<b>(0.8%)</b>
<b>Total Assets</b>	<b>692,683,980</b>	<b>698,438,533</b>	<b>699,760,086</b>	<b>1,321,553</b>	<b>0.2%</b>
<b>Current Liabilities</b>					
Payables	5,312,639	8,236,305	8,236,305	0	0.0%
Interest Bearing Liabilities	389,095	100,000	100,000	0	0.0%
Trust Funds	2,123,054	2,000,000	2,000,000	0	0.0%
Employee Benefits	13,771,581	7,900,000	7,900,000	0	0.0%
Other	242,851	220,000	220,000	0	0.0%
<b>Total Current Liabilities</b>	<b>21,839,220</b>	<b>18,456,305</b>	<b>18,456,305</b>	<b>0</b>	<b>0.0%</b>
<b>Non Current Liabilities</b>					
Payables	166,602	200,000	200,000	0	0.0%
Employee Benefits	907,758	800,000	800,000	0	0.0%
Interest Bearing Liabilities	15,224,794	15,238,000	15,238,000	0	0.0%
<b>Total Non Current Liabilities</b>	<b>16,299,154</b>	<b>16,238,000</b>	<b>16,238,000</b>	<b>0</b>	<b>0.0%</b>
<b>Total Liabilities</b>	<b>38,138,374</b>	<b>34,694,305</b>	<b>34,694,305</b>	<b>0</b>	<b>0.0%</b>
<b>Net Assets</b>	<b>654,545,605</b>	<b>663,744,228</b>	<b>665,065,781</b>	<b>1,321,553</b>	<b>0.2%</b>
<b>Represented By</b>					
Accumulated Surplus	294,569,818	303,623,322	304,944,875	1,321,553	0.4%
Reserves	359,975,787	360,120,906	360,120,906	0	0.0%
<b>Total Equity</b>	<b>654,545,605</b>	<b>663,744,228</b>	<b>665,065,781</b>	<b>1,321,553</b>	<b>0.2%</b>



# Cash Flow Statement

## for period ending June 2013

	2012/2013 Sept Qtr Budget Review \$	2012/2013 Mid Year Budget Review \$
<b><i>Cash flows from operating activities</i></b>		
Receipts from customers	71,070,602	72,257,940
Payments to suppliers	78,212,205)	(78,954,385)
Net cash inflow(outflow) from customers(suppliers)	(7,141,603)	(6,696,445)
Interest received	1,598,755	1,652,626
Government receipts	26,625,000	7,516,186
Other	(1,330,000)	(1,330,000)
<b>Net cash inflow(outflow) from operating activities</b>	<b>19,752,152</b>	<b>21,142,367</b>
<b><i>Cash flows from investing activities</i></b>		
Property, plant & equipment, infrastructure - receipts	346,000	273,222
Property, plant & equipment, infrastructure - payments	(31,372,472)	(26,247,637)
<b>Net cash inflow(outflow) from investing activities</b>	<b>(31,027,472)</b>	<b>(25,974,415)</b>
<b><i>Cash flows from financing activities</i></b>		
Repayment of interest-bearing loans and borrowings	(362,000)	(362,000)
<b>Net cash inflow(outflow) from financing activities</b>	<b>(362,000)</b>	<b>(362,000)</b>
<b>Net increase(decrease) in cash and equivalents</b>	<b>(11,868,093)</b>	<b>(5,194,048)</b>
Cash and equivalents at the beginning of the year	34,542,448	34,542,448
<b>Cash and equivalents at the end of the year</b>	<b>22,674,355</b>	<b>29,348,400</b>

