

# **ATTACHMENT TO AGENDA ITEM**

**Ordinary Meeting**

**22 November 2016**

**Agenda Item 10.1      October 2016 Monthly Financial Report**

**Attachment 1            October 2016 Monthly Financial Statements ..... 271**

## MONTHLY FINANCIAL REPORT OCTOBER 2016

### Operating Performance

Adjusted underlying result			
Adjusted underlying surplus (or deficit) as a percentage of underlying revenue			
YTD ACTUAL	YTD BUDGET	ADOPTED BUDGET	FORECAST END OF YEAR
<b>56.79%</b>	<b>57.15%</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 high underlying operating surplus. This is caused by 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.

### Financial Health

Working Capital			
Current assets as a percentage of current liabilities			
YTD ACTUAL	YTD BUDGET	ADOPTED BUDGET	FORECAST END OF YEAR
<b>365.26%</b>	<b>373.92%</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 high Receivables caused by 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	FORECAST END OF YEAR
<b>25.61%</b>	<b>25.62%</b>	<b>31.28%</b>	<b>32.79%</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

\$57.2m  
Same time last year \$54.69m  
2nd instalment due 30 November

#### Sundry Debtors

0-30 days \$1.02m or 81% of total outstanding sundry debtors.  
31-60 days \$115k or 9% of total outstanding sundry debtors.  
61+ days \$126k or 10% of total outstanding sundry debtors.

#### Investments

\$31.6m with average rate of 1.83%  
81% at A1+, 0% at A1, 25% at A2 12.6%  
\$292k in interest income to date

### Operating Performance October 2016

Income	YTD Budget vs YTD Actual (Fav)/Unfav		Forecast vs Current Budget (Fav)/Unfav	
Rates and Charges	Steady	(\$0.04m)	Steady	(\$0.2m)
Statutory Fees	Steady	(\$0.04m)	Steady	(\$0.03m)
User Charges	Unfavourable	\$0.39m	Steady	(\$0.23m)
Grants	Steady	\$0.12m	Steady	(\$0.03m)
Contributions	Favourable	(\$0.09m)	Favourable	(\$0.07m)
Other Revenue	Steady	(\$0.04m)	Steady	(\$0.01m)
<b>Total Income</b>	Steady	<b>\$0.3m</b>	Steady	<b>(\$0.56m)</b>
<b>Expense</b>				
Employee Costs	Steady	\$0.1m	Steady	(\$0.1m)
Materials and Consumables	Unfavourable	\$0.56m	Steady	\$0.11m
Bad and Doubtful Debts	Steady	(\$0m)	Steady	\$0m
Depreciation and Amortisation	Favourable	(\$0.31m)	Steady	\$0m
Borrowing Costs	Steady	\$0m	Steady	\$0m
Other Expenses	Steady	(\$0.02m)	Steady	\$0m
<b>Total Expense</b>	Steady	<b>\$0.32m</b>	Steady	<b>\$0m</b>

**Notes:**

- User Charges are \$386k less than YTD budget. This unfavourable variance is caused by lower utilisation in the Waste area. It is anticipated in future months the full year forecast will be reduced. Please see income statement notes for more detail.

- Contributions are forecast to be \$68k more than current budget. This favourable variance is caused by additional insurance claim contributions. Please see income statement notes for more detail.

- Materials and consumables are \$559k more than YTD budget. This unfavourable variance is caused by the timing of material and consumables expense. Please see income statement notes for more detail.

- Depreciation is \$314k less than YTD budget. Please see income statement notes for more detail.

### Capital Works Performance October 2016

<b>ADOPTED BUDGET</b>	<b>QUARTER REVIEW #</b>	<b>CURRENT FORECAST</b>	<b>YTD ACTUAL</b>
<b>\$45.49m</b>	<b>\$42.03m</b>	<b>\$46.78m</b>	<b>\$5.89m</b>

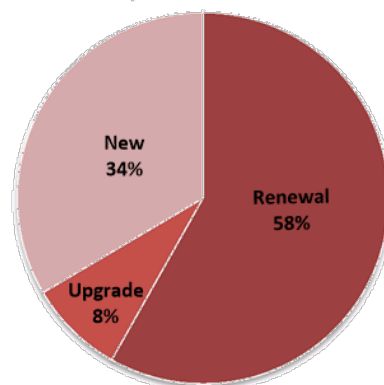
**PROGRESS**

- \* 12.9% of Adopted Budget spent, 37.1% committed
- \* 12.6% of current forecast spent, 36.1% committed
- \* In October 2015 17.4% or \$6.5m of the 2015/2016 Adopted Budget had been spent
- # Reduction factor from August budget review \$4.67m

**RENEWAL**

Asset Renewal	
Asset renewal as a percentage of depreciation	
ADOPTED BUDGET	FORECAST END OF YEAR
<b>120.04%</b>	<b>119.95%</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			
<b>Original Approved Estimate</b>	<b>Current Approved Estimate</b>	<b>Current Forecast</b>	
<b>\$13.44m</b>	<b>\$21.0m</b>	<b>\$21.0m</b>	
Shepparton Art Museum			
<b>Original Approved Estimate</b>	<b>Current Approved Estimate</b>	<b>Current Forecast</b>	
<b>\$34.5m</b>	<b>\$34.5m</b>	<b>\$34.5m</b>	
Cosgrove 3 Landfill			
<b>Original Approved Estimate</b>	<b>Current Approved Estimate</b>	<b>Current Forecast</b>	
<b>\$20.5m</b>	<b>\$20.5m</b>	<b>\$20.5m</b>	
Verney Road Stages 2 & 3			
<b>Original Approved Estimate</b>	<b>Current Approved Estimate</b>	<b>Current Forecast</b>	<small>* Includes stage 3 estimates</small>
<b>\$4.2m</b>	<b>\$3.37m</b>	<b>\$3.37m</b>	

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

	2016/2017 September Qtr Review	2016/2017 Forecast	Forecast v Budget (Fav)/Unfav	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	71,538,775	(195,457)	71,443,066	71,482,684	(39,618)	(0.1%)	
Statutory Fees	3,227,252	3,259,906	(32,654)	810,357	852,342	(41,985)	(5.2%)	
User Charges	20,539,574	20,765,802	(226,228)	5,918,090	5,531,638	386,452	6.5%	1
Operating Grants	22,817,252	22,847,487	(30,235)	6,815,219	6,690,243	124,976	1.8%	
Operating Contributions	623,238	691,320	(68,082)	121,449	214,942	(93,493)	(77.0%)	2
Other	1,656,867	1,664,231	(7,364)	588,556	624,571	(36,015)	(6.1%)	
<b>Total Operating Revenue</b>	<b>120,207,501</b>	<b>120,767,521</b>	<b>(560,020)</b>	<b>85,696,737</b>	<b>85,396,420</b>	<b>300,317</b>	<b>0.4%</b>	
<b>Expenses from Operating Activities</b>								
Employee Costs	46,577,617	46,473,861	(103,756)	15,680,787	15,776,398	95,611	0.6%	
Materials and Consumables	47,132,627	47,238,418	105,791	14,031,180	14,590,063	558,883	4.0%	3
Bad & Doubtful Debts	144,000	144,000	0	8,226	7,749	(477)	(5.8%)	
Depreciation and Amortisation	22,044,545	22,044,545	0	7,214,145	6,900,070	(314,075)	(4.4%)	4
Borrowing Costs	1,250,000	1,250,000	0	5,305	5,305	0	0.0%	
Other Expenses	284,500	284,500	0	99,660	77,060	(22,600)	(22.7%)	
<b>Total Operating Expenses</b>	<b>117,433,289</b>	<b>117,435,324</b>	<b>2,035</b>	<b>37,039,303</b>	<b>37,356,645</b>	<b>317,342</b>	<b>0.9%</b>	
<b>UNDERLYING OPERATING RESULT</b>	<b>2,774,212</b>	<b>3,332,197</b>	<b>(557,985)</b>	<b>48,657,434</b>	<b>48,039,775</b>	<b>617,659</b>	<b>1.3%</b>	
<b>Non-operating Income and Expenditure</b>								
Capital Grants	7,312,860	7,380,660	(67,800)	697,689	759,016	(61,327)	(8.8%)	
Capital Contributions	635,000	940,196	(305,196)	0	205,001	(205,001)	(100.0%)	5
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	22,412	(0)	(0.0%)	
Other Revenue	0	368,700	(368,700)	0	368,700	(368,700)	(100.0%)	6
Written Down Value of Asset Disposals	(1,668,323)	(1,668,323)	0	0	(23,482)	23,482	100.0%	
<b>Total Non Operating Items</b>	<b>10,328,537</b>	<b>11,070,233</b>	<b>(741,696)</b>	<b>720,101</b>	<b>1,331,648</b>	<b>(611,547)</b>	<b>(84.9%)</b>	
<b>ACCOUNTING SURPLUS/(DEFICIT)</b>	<b>13,102,749</b>	<b>14,402,430</b>	<b>1,299,681</b>	<b>49,377,535</b>	<b>49,371,423</b>	<b>6,112</b>	<b>0.0%</b>	

**Notes**

1) User Charges is \$386k less than YTD budget. This unfavourable variance is mostly due to Cosgrove landfill \$462k which has seen less utilisation of the service. The timing of Saleyards selling fees \$165k has also impacted this variance.

2) Operating Contribution is \$93k more than YTD budget. This favourable variance is mostly due to additional contributions from insurance claims \$46k. This variance is also impacted by the timing of contributions for the Recreational Land Fund \$18k for the Garret Land, and for Kids Town \$11k for Work for the Dole programs.

3) Materials and Consumables are \$559k more than YTD budget. This unfavourable variance is mostly due to the timing of contributions paid to the Goulburn Valley Regional Library Corporation \$258k. The variance is also impacted by the timing of organics collection payments \$147k, Fire Services Levy \$128k and annual IT maintenance costs \$111k.

4) Depreciation and Amortisation is \$314k less than YTD budget. This favourable variance is due to a reduction in total Plant and Equipment.

5) Capital contributions are \$205k more than YTD budget. This favourable variance is due to unbudgeted contributions received from various sporting clubs for the Greater Shepparton Sports Precinct, as well as unbudgeted contributions from Vic Roads for road stabilisation works.

6) Other Revenue is \$369k more than YTD budget. This favourable variance is due to unbudgeted contributions from Goulburn Valley Water for Verney Road water main upgrades.

## Greater Shepparton City Council

**Balance Sheet**  
**as at October 2016**

	June 2016 Actual \$	Sept Qtr Budget June 2017 \$	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	7,659,368	4,893,486	2,765,882	36.1%	1
Receivables	5,965,568	5,965,568	70,442,767	65,035,549	5,407,218	7.7%	
Other Financial Assets	27,042,827	27,042,827	19,604,114	29,604,114	(10,000,000)	(51.0%)	
Inventories	73,754	73,754	-	105,200	(105,200)		
Other Assets	1,230,299	1,230,300	468,956	359,016	109,940	23.4%	
<b>Total Current Assets</b>	<b>47,588,381</b>	<b>44,199,910</b>	<b>98,175,205</b>	<b>99,997,364</b>	<b>(1,822,159)</b>	<b>(1.9%)</b>	
<b>Non Current Assets</b>							
Investment in Associates	1,493,041	1,493,041	1,493,041	1,493,041	0	0.0%	2
Infrastructure	1,020,986,172	1,040,973,877	1,020,556,473	1,019,849,931	(706,542)	(0.1%)	
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>1,023,022,458</b>	<b>1,022,315,917</b>	<b>706,541</b>	<b>0.1%</b>	
<b>Total Assets</b>	<b>1,071,040,539</b>	<b>1,087,639,772</b>	<b>1,121,197,663</b>	<b>1,122,313,281</b>	<b>(1,115,618)</b>	<b>(0.1%)</b>	
<b>Current Liabilities</b>							
Trade & Other Payables	9,986,238	10,040,114	12,994,572	5,357,892	(7,636,680)	(58.8%)	2
Trust Funds	3,093,498	3,093,498	2,535,386	9,728,684	7,193,298	283.7%	
Provisions	11,499,520	9,932,003	9,912,745	11,477,857	1,565,112	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>26,255,600</b>	<b>27,377,330</b>	<b>1,121,730</b>	<b>4.3%</b>	
<b>Non Current Liabilities</b>							
Provisions	6,484,709	6,484,709	6,484,709	6,484,709	(0)	(0.0%)	2
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>50,234,470</b>	<b>51,356,200</b>	<b>1,121,730</b>	<b>2.2%</b>	
<b>Net Assets</b>	<b>1,021,585,658</b>	<b>1,034,634,532</b>	<b>1,070,963,193</b>	<b>1,070,957,081</b>	<b>6,112</b>	<b>0.0%</b>	
<b>Represented By</b>							
Accumulated Surplus	323,971,195	337,020,069	373,348,730	373,342,618	6,112	0.0%	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>1,070,963,193</b>	<b>1,070,957,081</b>	<b>6,112</b>	<b>0.0%</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 October the receivables balance reduced by \$6.3m due to the 1st rates instalment falling due at the end of September. The next rates instalment is due on 30 November 2016.

2) 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 Loads and Borrowings indicators.

## Greater Shepparton City Council

**Cash Flow Statement**

as at October 2016

	2016/2017 Sept Qtr Budget \$	2016/2017 YTD Budget \$	2016/2017 YTD Actual \$	Variance (Fav)/Unfav \$
<b><i>Cash flows from operating activities</i></b>				
Receipts from customers	95,718,011	20,890,618	26,113,238	(5,222,620)
Payments to suppliers	(95,706,262)	(34,987,297)	(28,323,834)	(6,663,463)
Net cash inflow(outflow) from customers(suppliers)	11,749	(14,096,679)	(2,210,596)	(11,886,083)
Interest received	1,049,000	265,241	291,991	(26,750)
Government receipts	30,130,112	7,512,908	7,449,259	63,649
Contributions	1,258,238	114,449	781,644	(667,195)
<b>Net cash inflow(outflow) from operating activities</b>	<b>32,449,099</b>	<b>(6,204,081)</b>	<b>6,312,297</b>	<b>(12,516,378)</b>
<b><i>Cash flows from investing activities</i></b>				
Net movement in other financial assets	-	7,438,713	(2,561,287)	10,000,000
Infrastructure, property, plant & equipment - proceeds	2,049,000	22,412	22,412	(0)
Infrastructure, property, plant & equipment - payments	(40,499,011)	(6,784,446)	(12,066,707)	5,282,261
<b>Net cash inflow(outflow) from investing activities</b>	<b>(38,450,011)</b>	<b>676,679</b>	<b>(14,605,581)</b>	<b>15,282,261</b>
<b><i>Cash flows from financing activities</i></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>(5,616,565)</b>	<b>(8,382,447)</b>	<b>2,765,882</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>7,659,368</b>	<b>4,893,486</b>	<b>2,765,882</b>

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

Capital Works Area	2016/2017 September Qtr Budget	2016/2017 YTD Adopted Budget	2016/2017 YTD Current Budget	2016/2017 YTD Actual	YTD Variance (Fav)/Unfav \$	YTD Variance (Fav)/Unfav %
Aerodrome	226,800	0	2,635	0	(2,635)	(100%)
Bridges	60,000	0	15,000	0	(15,000)	(100%)
Buildings	3,305,155	643,456	883,566	596,005	(287,561)	(33%)
Computer & Telecommunications	959,815	144,951	58,567	164,802	106,235	181%
Drainage	685,999	75,000	54,351	45,244	(9,107)	(17%)
Fixture Fittings and Furniture	579,704	92,179	132,691	87,004	(45,687)	(34%)
Footpaths & Cycleways	491,007	58,290	5,870	1,578	(4,292)	(73%)
Land Improvements	15,217,445	1,649,530	1,503,020	1,480,736	(22,285)	(1%)
Parks, Open Space & Streetscape	700,000	50,000	106,601	103,880	(2,721)	(3%)
Plant Machinery & Equipment	2,439,937	918,000	35,873	28,568	(7,305)	(20%)
Recreational Leisure and Community Facilities	5,990,046	2,222,685	709,248	465,097	(244,151)	(34%)
Roads	13,580,967	3,121,914	3,322,957	2,629,841	(693,116)	(21%)
Waste Management	2,414,916	0	71,174	284,498	213,324	300%
Other Infrastructure	50,708	50,037	643	643	(0)	(0%)
<b>Total Capital Works</b>	<b>46,702,499</b>	<b>9,026,042</b>	<b>6,902,196</b>	<b>5,887,894</b>	<b>(1,014,302)</b>	<b>(15%)</b>

Capital Works Type	2016/2017 September Qtr Budget	2016/2017 YTD Adopted Budget	2016/2017 YTD Current Budget	2016/2017 YTD Actual	YTD Variance (Fav)/Unfav \$	YTD Variance (Fav)/Unfav %
Renewal	26,646,339	4,250,836	3,713,402	3,176,814	(536,588)	(17%)
Upgrade	4,059,554	783,800	534,089	346,615	(187,474)	(54%)
New	15,996,606	3,991,406	2,654,705	2,364,466	(290,239)	(12%)
<b>Total Capital Works</b>	<b>46,702,499</b>	<b>9,026,042</b>	<b>6,902,196</b>	<b>5,887,894</b>	<b>(1,014,302)</b>	<b>(17%)</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.