

# **ATTACHMENT TO AGENDA ITEM**

**Ordinary Meeting**

**18 October 2016**

<b>Agenda Item 6.6</b>	<b>September 2016 Monthly Financial Report</b>	
<b>Attachment 1</b>	<b>September 2016 - GSCC Council Reports - Monthly Financial Statements .....</b>	<b>34</b>

## MONTHLY FINANCIAL REPORT SEPTEMBER 2016

### Operating Performance

Adjusted underlying result		
Adjusted underlying surplus (or deficit) as a percentage of underlying revenue		
YTD ACTUAL	ADOPTED BUDGET	FORECAST END OF YEAR
<b>66.05%</b>	<b>3.85%</b>	<b>6.42%</b>

- Expected range of -20% to 20%. All indicators have reached the target band of >0%.
- YTD Actual is 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	ADOPTED BUDGET	FORECAST END OF YEAR
<b>397.69%</b>	<b>140.12%</b>	<b>184.46%</b>

- Expected range of 100% to 400%; Target band of 120% to 200%.
- YTD Actual is 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.
- The high level of working capital indicates good liquidity.

### Financial Obligations

Loans and borrowings		
Loans and borrowings as a percentage of rates		
YTD ACTUAL	ADOPTED BUDGET	FORECAST END OF YEAR
<b>25.63%</b>	<b>31.28%</b>	<b>32.81%</b>

- All indicators are within the expected range of 0% to 70% and within the 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

\$62.03m  
Same time last year \$57.21m  
2nd instalment due 30 November

#### Sundry Debtors

0-30 days \$703k  
31-60 days \$212k  
61+ days \$64k

#### Investments

\$23.6m with average rate of 2.13%  
75% at A1+, 0% at A1, 25% at A2  
\$180k in interest income to date

### Operating Performance September 2016

Income	YTD Budget vs YTD Actual (Fav)/Unfav		Forecast vs Current Budget (Fav)/Unfav	
Rates and Charges	Steady	\$0m	Steady	(\$0.15m)
Statutory Fees	Steady	\$0.01m	Steady	(\$0.03m)
User Charges	Steady	(\$0m)	Steady	\$0.06m
Grants	Steady	(\$0.02m)	Favourable	(\$0.21m)
Contributions	Steady	(\$0.01m)	Steady	\$0.01m
Other Revenue	Steady	\$0m	Steady	(\$0m)
<b>Total Income</b>	Steady	<b>(\$0.02m)</b>	Steady	<b>(\$0.33m)</b>
<b>Expense</b>				
Employee Costs	Steady	\$0.13m	Steady	(\$0.01m)
Materials and Consumables	Unfavourable	\$0.26m	Steady	(\$0.05m)
Bad and Doubtful Debts	Steady	\$0m	Steady	\$0m
Depreciation and Amortisation	Steady	\$0.04m	Steady	\$0m
Borrowing Costs	Steady	\$0m	Steady	\$0m
Other Expenses	Steady	(\$0m)	Steady	\$0m
<b>Total Expense</b>	Steady	<b>\$0.43m</b>	Steady	<b>(\$0.06m)</b>

**Notes:**

- Grants are forecast to be \$210k more than September Qtr Review Budget. This favourable variance is caused by additional funding from the Regional Assessment Coordinator for auspice arrangements with DHHS for 2016/2017 and 2017/2018 financial years.

- Materials and consumables are \$257k more than YTD budget. This is caused by the timing of materials and consumable expenses. Please see income statement notes for more detail.

### Capital Works Performance

September 2016

ADOPTED BUDGET	QUARTER FORECAST	CURRENT FORECAST
<b>\$43.64m</b>	<b>\$42.03m</b>	<b>\$46.62m</b>

#### PROGRESS

- \* 9.9% of Adopted Budget spent, 24.4% committed
- \* 9.3% of current forecast spent, 22.7% committed
- \* In September 2015 10.5% 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>114.37%</b>	<b>119.67%</b>

- Expected range of 40% to 130%; Target band of 90% to 110%.
- Indicator of assets being renewed as planned. High or increasing percentages indicates 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
<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>
Verney Road Stages 2 & 3		
Original Approved Estimate	Current Approved Estimate	Current Forecast
<b>\$4.2m*</b>	<b>\$3.37m*</b>	<b>\$3.37m*</b>

\* Includes stage 3 estimates

Greater Shepparton City Council  
**Income Statement**  
for period ended September 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	71,497,380	(154,062)	71,433,066	71,431,824	1,242	0.0%	
Statutory Fees	3,227,252	3,261,907	(34,655)	664,347	655,554	8,793	1.3%	
User Charges	20,539,574	20,478,917	60,657	4,027,324	4,031,970	(4,646)	(0.1%)	
Operating Grants	22,817,252	23,026,813	(209,561)	5,890,841	5,906,750	(15,909)	(0.3%)	
Operating Contributions	623,238	609,783	13,455	108,033	117,933	(9,900)	(9.2%)	
Other	1,656,867	1,658,231	(1,364)	472,210	470,500	1,710	0.4%	
<b>Total Operating Revenue</b>	<b>120,207,501</b>	<b>120,533,031</b>	<b>(325,530)</b>	<b>82,595,821</b>	<b>82,614,530</b>	<b>(18,709)</b>	<b>(0.0%)</b>	
<b>Expenses from Operating Activities</b>								
Employee Costs	46,577,617	46,567,010	(10,607)	11,953,434	12,085,265	131,831	1.1%	
Materials and Consumables	47,132,627	47,080,237	(52,390)	10,579,584	10,836,953	257,369	2.4%	1
Bad & Doubtful Debts	144,000	144,000	0	8,226	8,825	599	7.3%	
Depreciation and Amortisation	22,044,545	22,044,545	0	5,377,836	5,414,916	37,080	0.7%	
Borrowing Costs	1,250,000	1,250,000	0	5,305	5,305	0	0.0%	
Other Expenses	284,500	284,500	0	77,070	77,060	(10)	(0.0%)	
<b>Total Operating Expenses</b>	<b>117,433,289</b>	<b>117,370,292</b>	<b>(62,997)</b>	<b>28,001,455</b>	<b>28,428,323</b>	<b>426,868</b>	<b>1.5%</b>	
<b>UNDERLYING OPERATING RESULT</b>	<b>2,774,212</b>	<b>3,162,739</b>	<b>(388,527)</b>	<b>54,594,366</b>	<b>54,186,206</b>	<b>408,160</b>	<b>0.7%</b>	
<b>Non-operating Income and Expenditure</b>								
Capital Grants	7,312,860	7,382,960	(70,100)	697,689	759,016	(61,327)	(8.8%)	
Capital Contributions	635,000	904,196	(269,196)	0	545,022	(185,001)	100.0%	
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%)	
Written Down Value of Asset Disposals	(1,668,323)	(1,668,323)	0	0	0	0	0.0%	
<b>Total Non Operating Items</b>	<b>10,328,537</b>	<b>10,667,833</b>	<b>(339,296)</b>	<b>720,101</b>	<b>1,326,451</b>	<b>(606,350)</b>	<b>(84.2%)</b>	
<b>ACCOUNTING SURPLUS/(DEFICIT)</b>	<b>13,102,749</b>	<b>13,830,572</b>	<b>(727,823)</b>	<b>55,314,467</b>	<b>55,512,657</b>	<b>(198,190)</b>	<b>(0.4%)</b>	

**Notes**

1) Materials and consumables is \$257k more than YTD budget. This unfavourable variance is caused by the timing of Fire Services levy expense \$128k and waste management contract payments \$188k. Despite this unfavourable variance materials and consumables expense is forecast to remain steady.

## Greater Shepparton City Council

**Balance Sheet**  
**as at September 2016**

	June 2016 Actual \$	Sept Qtr Budget June 2017 \$	Budget 2017 \$	Actual 2017 \$	Variance (Fav)/Unfav \$	Variance (Fav)/Unfav %	Note
<b>Current Assets</b>							
Cash and Cash Equivalent	13,275,933	9,887,461	12,060,617	12,057,172	3,445	0.0%	1
Receivables	5,965,568	5,965,568	71,356,925	71,109,394	247,531	0.3%	
Other Financial Assets	27,042,827	27,042,827	21,604,114	21,604,114	0	0.0%	
Inventories	73,754	73,754	-	95,735	(95,735)	100.0%	
Other Assets	1,230,299	1,230,300	461,462	365,728	95,734	20.7%	
<b>Total Current Assets</b>	<b>47,588,381</b>	<b>44,199,910</b>	<b>105,483,118</b>	<b>105,232,143</b>	<b>250,975</b>	<b>0.2%</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	1,019,639,412	1,019,840,054	200,642	0.0%	
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>1,022,105,397</b>	<b>1,022,306,039</b>	<b>(200,642)</b>	<b>(0.0%)</b>	
<b>Total Assets</b>	<b>1,071,040,539</b>	<b>1,087,639,772</b>	<b>1,127,588,515</b>	<b>1,127,538,182</b>	<b>50,333</b>	<b>0.0%</b>	
<b>Current Liabilities</b>							
Trade & Other Payables	9,986,238	10,040,114	13,533,345	4,732,892	(8,800,453)	(65.0%)	
Trust Funds	3,093,498	3,093,498	2,452,940	9,437,351	6,984,411	284.7%	
Provisions	11,499,520	9,932,003	9,910,338	11,477,857	1,567,519	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>26,709,520</b>	<b>26,460,997</b>	<b>(248,523)</b>	<b>(0.9%)</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>50,688,390</b>	<b>50,439,867</b>	<b>(248,523)</b>	<b>(0.5%)</b>	
<b>Net Assets</b>	<b>1,021,585,658</b>	<b>1,034,634,532</b>	<b>1,076,900,125</b>	<b>1,077,098,315</b>	<b>(198,190)</b>	<b>(0.0%)</b>	
<b>Represented By</b>							
Accumulated Surplus	323,971,195	337,020,069	379,285,662	379,483,853	(198,190)	(0.1%)	
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>1,076,900,125</b>	<b>1,077,098,315</b>	<b>(198,190)</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 September the receivables balance reduced by \$7.12m due to the 1st rates instalment falling due. The next rates instalment is due on 30 November 2016.

2) Interest bearing liabilities is budgeted to increase through the year. This relates to new 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 Borrowing indicators.

## Greater Shepparton City Council

**Cash Flow Statement**

as at September 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	17,791,042	17,784,131	6,911
Payments to suppliers	(95,706,262)	(27,216,965)	(27,616,615)	399,650
Net cash inflow(outflow) from customers(suppliers)	11,749	(9,425,923)	(9,832,484)	406,561
Interest received	1,049,000	180,158	180,158	(0)
Government receipts	30,130,112	6,588,530	6,665,766	(77,236)
Contributions	1,258,238	101,033	664,634	(563,601)
<b>Net cash inflow(outflow) from operating activities</b>	<b>32,449,099</b>	<b>(2,556,202)</b>	<b>(2,321,926)</b>	<b>(234,276)</b>
<b><i>Cash flows from investing activities</i></b>				
Net movement in other financial assets	-	5,438,713	5,438,713	-
Infrastructure, property, plant & equipment - proceeds	2,049,000	22,412	22,412	(0)
Infrastructure, property, plant & equipment - payments	(40,499,011)	(4,031,076)	(4,268,797)	237,721
<b>Net cash inflow(outflow) from investing activities</b>	<b>(38,450,011)</b>	<b>1,430,049</b>	<b>1,192,329</b>	<b>237,721</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>(1,215,316)</b>	<b>(1,218,760)</b>	<b>3,445</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>12,060,617</b>	<b>12,057,172</b>	<b>3,445</b>

Greater Shepparton City Council  
**Capital Budget vs Actual**  
 period ended September 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	0	0	0	0%
Buildings	3,305,155	588,056	484,105	476,847	(7,258)	(1%)
Computer & Telecommunications	959,815	69,951	58,567	123,175	64,608	110%
Drainage	685,999	45,000	25,351	25,406	55	0%
Fixture Fittings and Furniture	579,704	52,925	63,035	61,956	(1,079)	(2%)
Footpaths & Cycleways	491,007	18,290	5,870	2,174	(3,696)	(63%)
Land Improvements	15,217,445	1,218,004	988,653	1,019,298	30,645	3%
Parks, Open Space & Streetscape	700,000	50,000	101,601	102,010	409	0%
Plant Machinery & Equipment	2,439,937	694,000	31,873	29,318	(2,555)	(8%)
Recreational Leisure and Community Facilities	5,990,046	1,207,527	294,444	237,260	(57,184)	(19%)
Roads	13,580,967	2,051,914	2,020,875	2,137,652	116,777	6%
Waste Management	2,414,916	0	71,174	120,952	49,778	70%
Other Infrastructure	50,708	0	643	643	(0)	(0%)
<b>Total Capital Works</b>	<b>46,702,499</b>	<b>5,995,667</b>	<b>4,148,826</b>	<b>4,336,691</b>	<b>187,865</b>	<b>5%</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	2,848,618	2,397,632	2,486,039	88,407	4%
Upgrade	4,059,554	391,800	245,910	240,812	(5,098)	(2%)
New	15,996,606	2,755,249	1,505,284	1,609,839	104,555	6%
Expansion	0	0	0	0	0	0%
<b>Total Capital Works</b>	<b>46,702,499</b>	<b>5,995,667</b>	<b>4,148,826</b>	<b>4,336,691</b>	<b>187,865</b>	<b>4%</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.