

FINANCIAL REPORT

**Eight months ended
28 February 2014**

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Financial Report

Eight months ended 28 February 2014

1 EXECUTIVE SUMMARY

1.1 Operating performance

	YTD Budget \$'000	YTD Actual \$'000	YTD Var \$'000	Adopted Budget \$'000	Forecast \$'000
Operating					
Revenue	122,943	122,555	(388)	137,503	137,360
Expenditure	(91,289)	(86,824)	4,465	(140,241)	(142,497)
	31,654	35,731	4,077	(2,738)	(5,137)
Capital & other					
Developer and other contributions	1,333	3,796	2,463	2,000	5,184
Revenue	3,748	884	(2,864)	8,636	5,144
Gain (loss) on disposal of assets	226	(32)	(258)	302	144
Net surplus (deficit)	36,961	40,379	3,418	8,200	5,335

For the eight months ended 28 February 2014 Council has recorded an operating surplus before capital revenue and other items of \$35.7 million, which is \$4.1 million ahead of the year to date budget. After capital and other items, the operating surplus is \$40.4 million, which is \$3.4 million ahead of budget. The main items contributing to this favourable variance are development contributions, employee costs and maintenance expenditure, partly offset by unfavourable variances in user fees and capital grants and contributions.

1.2 Capital performance

	YTD Budget \$'000	YTD Actual \$'000	YTD Var \$'000	Adopted Budget \$'000	Adjusted Budget \$'000	Forecast \$'000
Total capital works	21,613	15,326	6,287	38,730	40,960	38,239

For the eight months ended 28 February 2014 Council has expended \$15.3 million on the capital works program, which is \$6.3 million behind the year to date budget. The variance is due mainly to delays with building works, open space projects and the purchase of plant and equipment. As at 28 February 2014 a further \$12.5 million has been committed by way of issued purchase orders. Commitments are not reflected in the reported capital expenditure and indicate that many projects are well advanced.

1.3 Financial position

	YTD Budget \$'000	YTD Actual \$'000	YTD Var \$'000	Adopted Budget \$'000	Forecast \$'000
Cash and investments	35,993	47,105	11,112	25,878	34,746
Net current assets	46,391	63,118	16,727	10,636	17,337
Net assets and total equity	1,166,638	1,173,720	7,082	1,137,875	1,138,673

The Financial Position as at 28 February 2014 shows a cash and investment balance of \$47.1 million which is \$11.1 million ahead of budget. The variance is due mainly to the higher opening cash and investment position compared with budget. The net current asset position is \$63.1 million which is \$16.7 million more than budget. The net asset position of \$1.17 billion is \$7.1 million greater than budget.

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Eight months ended 28 February 2014

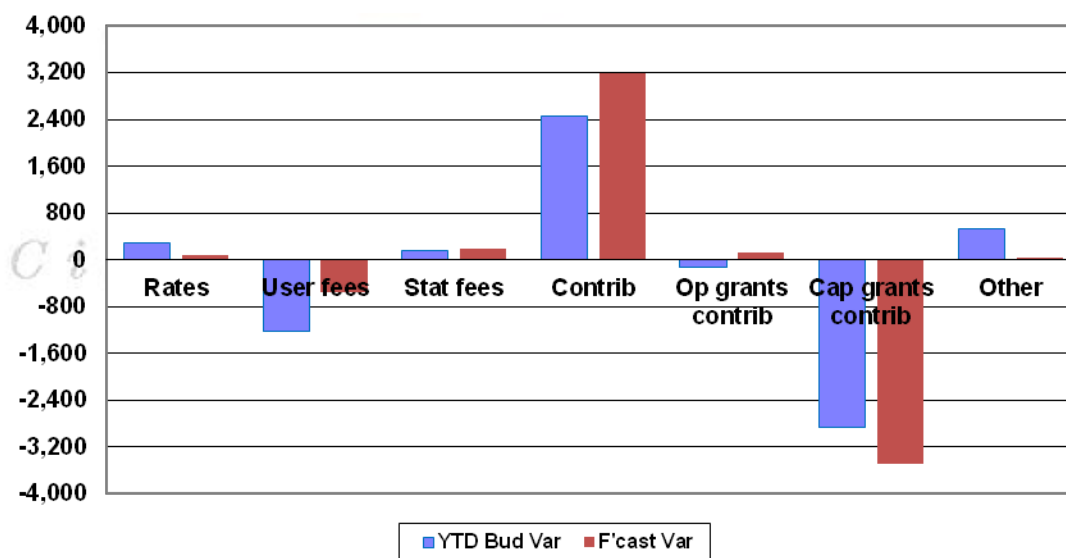
2. FINANCIAL ANALYSIS

2.1 Operating performance

2.1.1 Operating revenue

	YTD Budget \$'000	YTD Actual \$'000	YTD Bud Var \$'000	Adopted Budget \$'000	Forecast \$'000	Forecast Var \$'000
Revenues						
Rates	99,394	99,678	284	100,749	100,821	72
User fees	8,263	7,035	(1,228)	12,621	12,069	(552)
Statutory fees and fines	3,611	3,765	154	5,852	6,046	194
Contributions	1,333	3,796	2,463	2,000	5,184	3,184
Operating grants & contrib's	9,320	9,186	(134)	13,022	13,137	115
Capital grants & contrib's	3,748	884	(2,864)	8,636	5,144	(3,492)
Other revenue	2,355	2,891	536	5,259	5,287	28
Total operating revenue	128,024	127,235	(789)	148,139	147,688	(451)

Revenue YTD & Forecast variances



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Eight months ended 28 February 2014

Major Operating Revenue Variances

	Var	YTD Fav Budget \$'000	YTD Unfav Budget \$'000
Rates		284	
Supplementary rates	P	360	
General rates	P		73
User fees			1,228
Darebin Arts & Entertainment Centre	P		123
Reservoir Leisure Centre	P		241
Home support service delivery	P		183
Health & urban protection	T		156
Infrastructure maintenance	T		143
Leisure contracts	P		298
Environmental operations	P		46
Family & community programs	T	51	
Building services	T	72	
Statutory fees		154	
Traffic enforcement	P	147	
Election fines	P	84	
Statutory planning	T		133
Contributions		2,463	
Open space contributions	P	2,016	
Developer contribution scheme	P	447	
Operating grants and contributions			134
Leisure services	P		115
Assessment & complex care	P		158
Bushlands	P		50
Environmental strategy	P	55	
Transport management & planning	P	60	
Capital grants and contributions			2,864
John Cain flood mitigation	P		365
Preston City Oval gateway	P		250
Reservoir laneway revitalisation	T		250
Reservoir Library redevelopment	CF,P		2,174
Co-generation at NARC & RLC	T		378
Energy efficient street lights	P	462	
Water sensitive urban design	T	75	
Other		536	
Darebin Arts & Entertainment Centre	P	63	
Interest on investment, advances, loans and rates	P	198	
Valuation services	T	58	
Workers compensation insurance	P	284	
Fire services levy recoup costs	P	112	

Note: Var T = Timing P = Permanent CF = Carried forward prior year
 Fav – Favourable against budget, Unfav – Unfavourable against budget

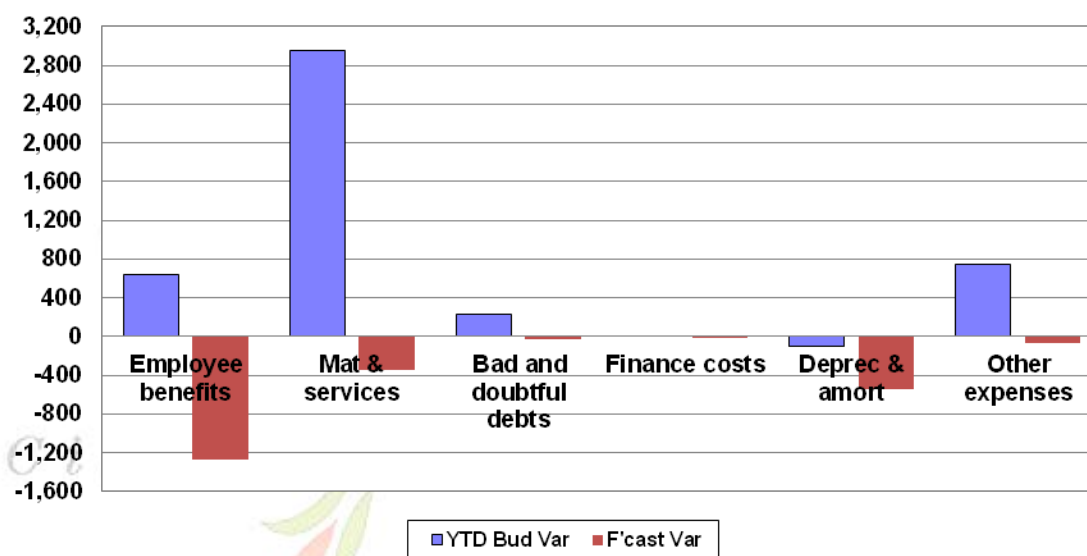
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Eight months ended 28 February 2014

2.1.2 Operating expenses

Expense type	YTD Budget \$'000	YTD Actual \$'000	YTD Bud Var \$'000	Adopted Budget \$'000	Forecast \$'000	Forecast Var \$'000
Expenses						
Employee costs	47,377	46,738	639	72,608	73,872	(1,264)
Materials and services	24,485	21,530	2,955	38,405	38,751	(346)
Bad and doubtful debts	543	310	233	815	845	(30)
Finance costs	21	21	0	29	30	(1)
Depreciation and amortisation	12,560	12,663	(103)	19,503	20,046	(543)
Other expenses	6,303	5,562	741	8,881	8,953	(72)
Total operating expenses	91,289	86,824	4,465	140,241	142,497	(2,256)

Expenses YTD & Forecast variances



Financial Report

Eight months ended 28 February 2014

Major Operating Expense Variances

	Var	YTD Fav Budget \$'000	YTD Unfav Budget \$'000
Employee costs		639	
Civic compliance	T	142	
Home support service delivery	T	164	
IT application systems	P	133	
Environmental operation	T	123	
Health & urban protection	T	78	
Leisure services	P	108	
Leisure & public realm	P	63	
Darebin libraries	T	69	
Occupational health & safety	T	66	
Operations projects & fleet	T	87	
Community planning	P	144	
Communications & marketing	T		61
Customer service	P		57
Northcote Town Hall	P		109
Strategic planning	P		123
Performance support	P		126
Parental leave	T		119
Workers compensation insurance	P		413
Materials and services		2,955	
Open space - arboriculture	T	155	
Communications & marketing	T	60	
Children & community development	T	71	
Human resources	T	93	
Creative culture programs	T	133	
Home support service delivery	P	125	
Infrastructure maintenance	P	129	
Leisure contracts	P	185	
Utilities	P	486	
Major maintenance	CF,P	1,061	
Occupational health & safety	T	67	
Desktop support	P		154
Transport management and planning	P		57
Facilities maintenance	T		96
Environmental operation	T		838
Bad & Doubtful debts		233	
Civic compliance	T	226	
Depreciation and amortisation			103
Intangibles	P		453
Plant & equipment	T		55
Infrastructure assets	P	61	
Buildings	P	444	
Other		741	
Strategic planning	P	103	
Management committee contributions	T	328	
Fire services levy	P	154	
Supplementary rate adjustments	P	407	
Assessment alliance project	P		63
Insurances various	P		263
Legal advocacy	P		90

Note: Var T = Timing P = Permanent CF = Carried forward prior year,
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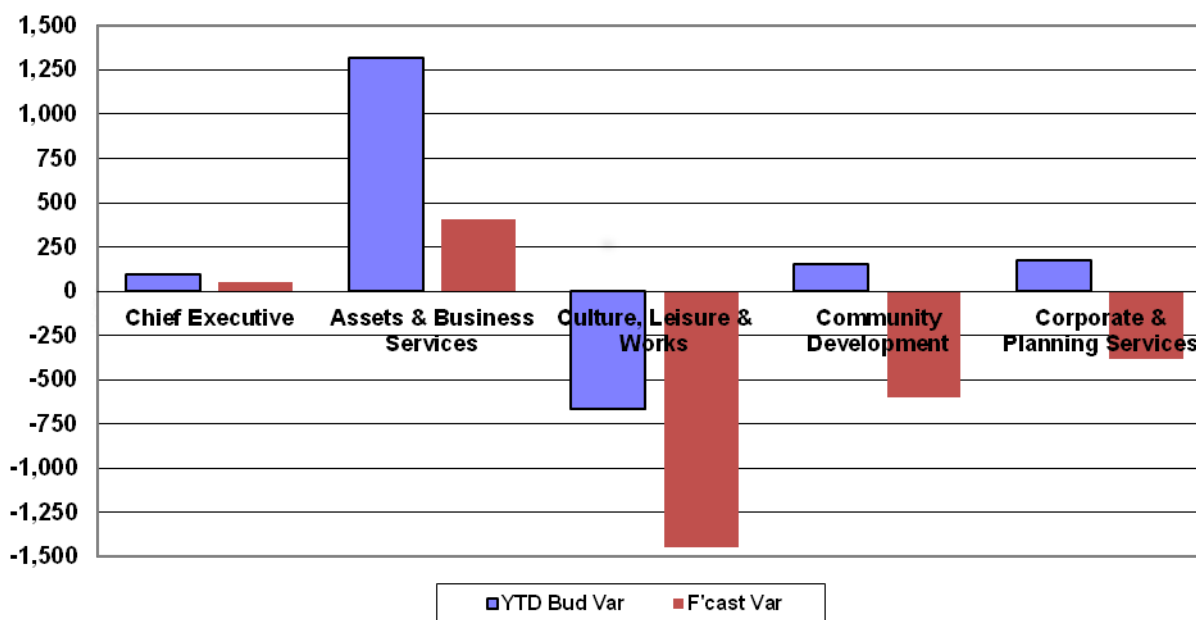
Eight months ended 28 February 2014

2.1.3 Department analysis

Department	YTD Budget Net cost \$'000	YTD Actual Net cost \$'000	YTD Bud Var Net cost \$'000	Adopted Budget Net cost \$'000	Forecast Net cost \$'000	Forecast Net cost Var \$'000
Chief Executive	541	443	97	841	787	54
Assets & Business Services	8,067	6,751	1,316	11,825	11,396	409
Culture, Leisure & Works	18,566	19,233	(667)	28,292	30,156	(1,448)
Community Development	13,413	13,260	153	21,351	21,558	(603)
Corporate & Planning Services	11,246	11,073	174	16,706	17,085	(379)
	51,833	50,760	1,073	79,015	80,982	(1,967)
Other non-attributable ¹	(88,794)	(91,139)	2,345	(87,215)	(86,317)	(898)
Net (surplus) deficit	(36,961)	(40,379)	3,418	(8,200)	(5,335)	(2,865)

1. Other non-attributable includes rate revenue, grants commission, capital revenue, major maintenance, depreciation, insurance and other significant items.

Department net cost YTD & Forecast variances



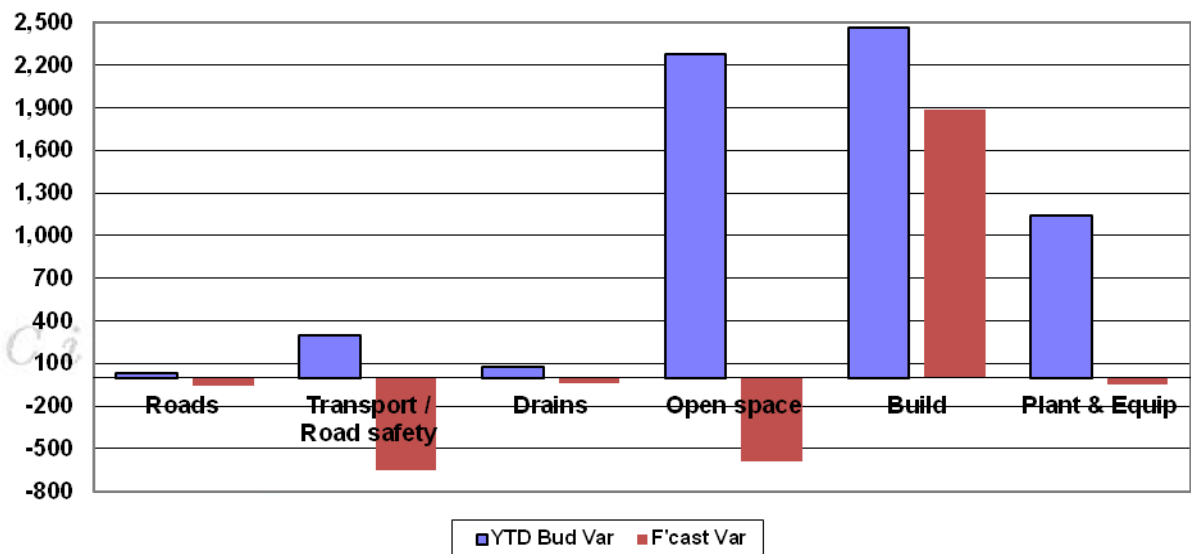
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Eight months ended 28 February 2014

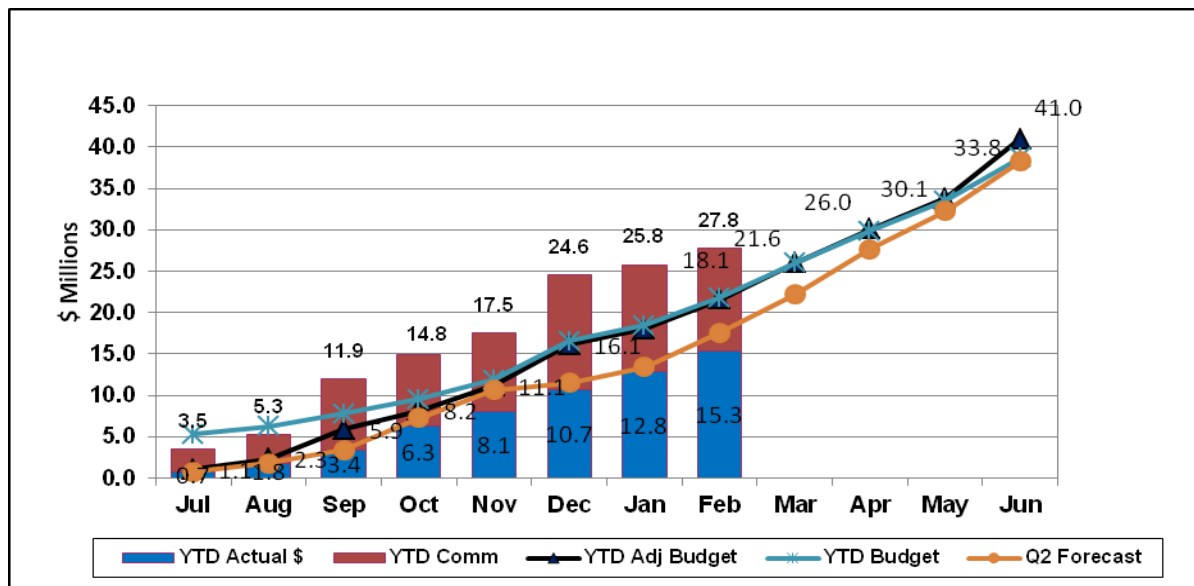
2.2 Capital performance

	YTD Budget \$'000	YTD Actual \$'000	YTD Bud Var \$'000	Adopted Budget \$'000	Adjusted Budget \$'000	Forecast \$'000
Capital works class						
Roads	2,801	2,768	33	6,410	6,468	6,468
Transport / Road safety	654	352	302	920	920	1,568
Drains	259	180	79	644	687	687
Open space	5,795	3,520	2,275	8,483	9,309	9,076
Buildings	7,264	4,804	2,460	15,838	16,683	14,005
Plant & equipment	4,840	3,702	1,138	6,435	6,893	6,435
Total capital works	21,613	15,326	6,287	38,730	40,960	38,239
Represented by:						
Capital expenditure	18,162	12,936	5,226	32,653	34,818	31,450
Major maintenance	3,451	2,390	1,061	6,077	6,142	6,789
Total capital works	21,613	15,326	6,287	38,730	40,960	38,239

Capital works YTD & Forecast variances by asset class



Capital works YTD & Committed expenditure cumulative



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Eight months ended 28 February 2014

Major Capital Works Variances

	Var	YTD Ahead of Budget \$'000	YTD Behind Budget \$'000
Roads			33
Reservoir laneway revitalisation	T		257
Improve cycling facilities	T		146
Walking improvements – aged & disability facilities	T		119
Roads to recovery program	T		186
Roads resurfacing program	T	602	
Footpath renewal program	T	112	
Shared path – park renewal	T	160	
Transport / road safety			302
Traffic signal upgrade	T		120
Traffic device repairs	T		46
Drainage			79
No individual significant item			
Open space			2,275
Darebin community forest strategy	T		151
Greenstreet strategy review	T		92
John Cain flood mitigation	E,T		690
Merri Park playspace	T		230
Preston City Oval gateway	E,P		225
Northcote streetscape masterplan	T		116
Sportsfield lighting	T		117
Strip shopping streetscape	T		215
Sullivan Reserve field lighting	T		70
East Reservoir neighbourhood renew	T		121
Sir Doug Nicholls Oval	CF,P	53	
Playground upgrades	CF,P	277	
Buildings			2,460
Barling Reserve pavilion	E,CF,P		57
Building painting program	T		86
Cogeneration at RLC	E,T		506
Energy efficiency works	T		62
Floor covering replacement	T		70
Northcot Town Hall works	T		160
Oakhill Community Centre	E,CF,P		64
Cogeneration at NARC	E,CF,P		155
Reservoir Library redevelopment	E,CF,T		211
Resource efficient projects	E,CF,P		90
Keon Park community hub	E,CF,T		898
Lancaster Gate Community Centre	P	116	
Urgent building maintenance	T	65	
Major building rectification	T	64	
Plant & Equipment			1,138
Plant replacement program	CF,P		662
Aged & disability system replacement	CF,P		217
Licence plate recognition	CF,P		77
Darebin libraries product purchases	T		55
IT pc & network replacement	T	66	

Note: Var T = Timing P = Permanent CF = Carried forward prior year E = Externally funded

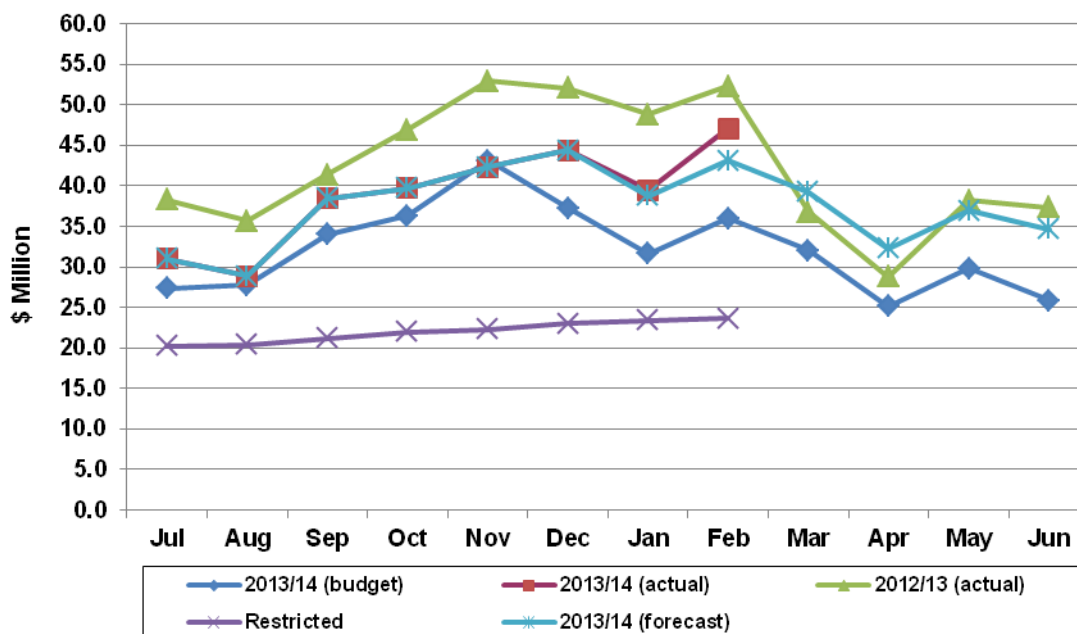
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Eight months ended 28 February 2014

2.3 Financial position

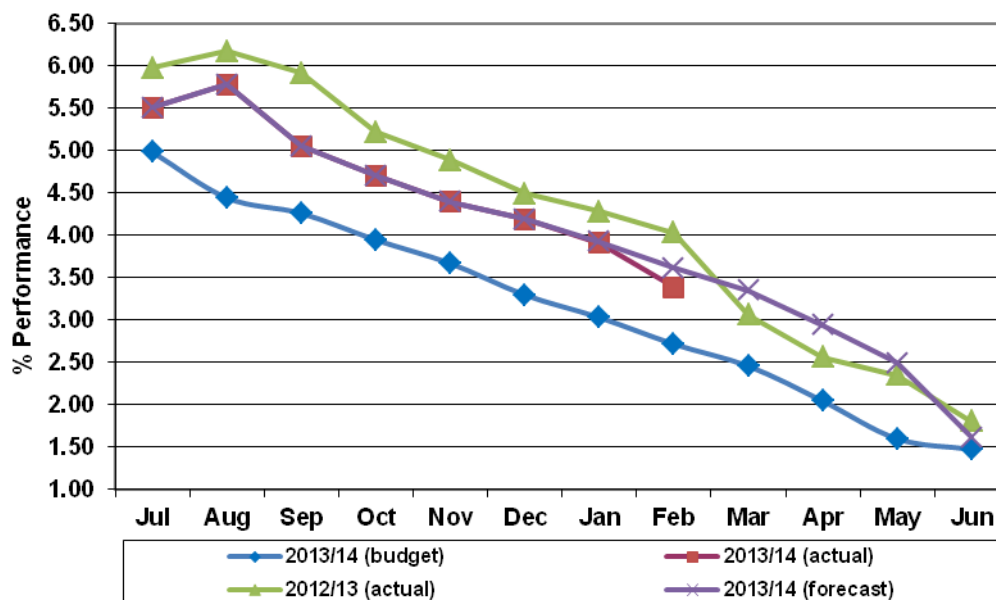
	YTD Budget \$'000	YTD Actual \$'000	YTD Bud Var \$'000	Adopted Budget \$'000	Forecast \$'000
Cash and investments	35,993	47,105	11,112	25,878	34,746
Net current assets	46,391	63,118	16,727	10,636	17,337
Net assets and total equity	1,166,638	1,173,720	7,082	1,137,875	1,138,673

Actual & Budget cash & investments balance by month



Note: Cash and investments include term deposits with a maturity date exceeding 90 days which are classified as other financial assets in the Balance Sheet (\$14.04M).

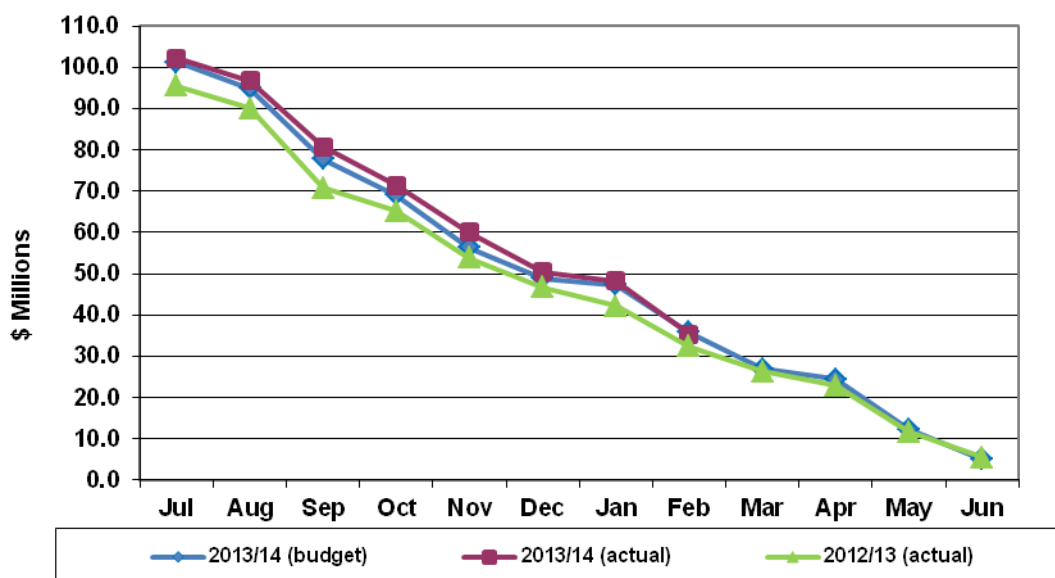
Actual & Budget working capital ratio by month (Current assets / Current liabilities)



Financial Report

Eight months ended 28 February 2014

Actual & Budget rates outstanding balances by month



Major Balance Sheet YTD variances

	Var	YTD Fav Budget \$'000	YTD Unfav Budget \$'000
Current assets		16,097	
Rate receivables	T	1,840	
Other receivables	T	2,551	
Cash and investments	CF,P *	11,112	
Other assets	P	594	
Current liabilities		630	
Trade creditors	T	2,806	
Other payables	T		736
Trust funds and deposits	T		1,021
Employee provisions	P		415
Non-current assets			9,744
Property, Infra. plant & equipment	P		10,357
Intangible assets	P	565	
Non-current liabilities		99	
Employee provisions	P	108	
Equity		7,082	
Accumulated surplus	P	6,951	
Other reserves	P	132	

*Note: Cash and investments include term deposits with a maturity date exceeding 90 days which are classified as other financial assets in the Balance Sheet (\$14.04M).

Note: Var T = Timing P = Permanent CF = Carried forward prior year
Fav – Favourable against budget, Unfav – Unfavourable against budget

APPENDIX A

Income Statement
Balance Sheet
Cash Flow Statement
Statement of Capital Works



Financial Report

Eight months ended 28 February 2014

DAREBIN CITY COUNCIL

Income Statement

For the 8 months ended 28 February, 2014

	YTD Budget	YTD Actual	YTD Variance	Annual Budget	Forecast Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities					
Rates	99,394	99,678	284	100,749	100,821
User fees	8,263	7,035	(1,228)	12,621	12,069
Statutory fees and fines	3,611	3,765	154	5,852	6,046
Contributions	1,333	3,796	2,463	2,000	5,184
Operating grants and contributions	9,320	9,186	(134)	13,022	13,137
Capital grants and contributions	3,748	884	(2,864)	8,636	5,144
Other	2,355	2,891	536	5,259	5,287
Total revenues	<u>128,024</u>	<u>127,235</u>	<u>(789)</u>	<u>148,139</u>	<u>147,688</u>
Expenses from ordinary activities					
Employee costs	47,377	46,738	639	72,608	73,872
Materials and services	24,485	21,530	2,955	38,405	38,751
Bad and doubtful debts	543	310	233	815	845
Finance costs	21	21	0	29	30
Depreciation and amortisation	12,560	12,663	(103)	19,503	20,046
Other	6,303	5,562	741	8,881	8,953
Total expenses	<u>91,289</u>	<u>86,824</u>	<u>4,465</u>	<u>140,241</u>	<u>142,497</u>
Net gain (loss) on disposal of property infrastructure, plant and equipment	226	(32)	(258)	302	144
Surplus for the year	<u><u>36,961</u></u>	<u><u>40,379</u></u>	<u><u>3,418</u></u>	<u><u>8,200</u></u>	<u><u>5,335</u></u>

Financial Report
Eight months ended 28 February 2014

DAREBIN CITY COUNCIL
Balance Sheet

As at 28 February, 2014

	YTD Budget \$'000	YTD Actual \$'000	YTD Variance \$'000	Annual Budget \$'000	Forecast Actual \$'000
Current assets					
Cash and cash equivalents	35,993	34,081	(1,912)	25,878	23,868
Trade and other receivables	36,987	41,378	4,391	10,107	9,889
Financial assets	0	13,024	13,024	0	10,878
Other assets	447	1,041	594	1,360	862
Total current assets	73,427	89,524	16,097	37,345	45,497
Non-current assets					
Trade and other receivables	178	186	8	159	218
Property, infrastructure, plant & equipment	1,117,426	1,107,069	(10,357)	1,124,381	1,117,999
Investment property	3,615	3,625	10	3,615	3,625
Intangible assets	154	719	565	154	455
Other financial assets	206	236	30	206	206
Total non-current assets	1,121,579	1,111,835	(9,744)	1,128,515	1,122,504
Total assets	1,195,006	1,201,359	6,353	1,165,860	1,168,001
Current liabilities					
Trade and other payables	9,987	7,917	2,070	8,884	8,885
Trust funds and deposits	2,577	3,598	(1,021)	2,755	2,755
Interest bearing loans and borrowings	120	124	(4)	128	128
Provisions	14,352	14,767	(415)	14,942	16,392
Total current liabilities	27,036	26,406	630	26,709	28,160
Non-current liabilities					
Trade and other payables	0	0	0	0	0
Interest bearing loans and borrowings	228	237	(9)	172	172
Provisions	1,104	996	108	1,104	996
Total non-current liabilities	1,332	1,233	99	1,276	1,168
Total liabilities	28,368	27,639	729	27,985	29,328
Net assets	1,166,638	1,173,720	7,082	1,137,875	1,138,673
Equity					
Accumulated surplus	510,730	517,681	6,951	482,783	480,262
Asset revaluation reserve	646,926	646,925	(1)	646,926	646,926
Other reserves	8,982	9,114	132	8,166	11,485
Total equity	1,166,638	1,173,720	7,082	1,137,875	1,138,673

Financial Report

Eight months ended 28 February 2014

DAREBIN CITY COUNCIL

Cash Flow Statement

For the 8 months ended 28 February, 2014

	YTD Budget \$'000	YTD Actual \$'000	YTD Variance \$'000	Annual Budget \$'000	Forecast Actual \$'000
	Inflows (Outflows)	Inflows (Outflows)		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Receipts from customers (incl GST)	84,715	86,465	1,750	125,012	129,722
Payments to suppliers and employees (incl GST)	(83,057)	(79,178)	3,879	(126,934)	(127,917)
	1,658	7,287	5,628	(1,922)	1,805
Interest	920	1,151	231	1,461	1,525
Government receipts	15,935	10,332	(5,603)	21,658	19,490
Net GST refund / payment	4,330	4,023	(307)	7,004	7,003
Net cash provided by operating activities	<u>22,843</u>	<u>22,792</u>	<u>(51)</u>	<u>28,201</u>	<u>29,822</u>
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment	696	456	(240)	1,008	1,067
Payment for property, infrastr, plant & equipment	(18,517)	(16,600)	1,917	(32,653)	(32,746)
Trust funds and deposits	0	428	428	0	(415)
Repayment of loans and advances	44	29	(15)	59	(0)
Proceeds from sale of other financial assets	1,593	2,907	1,314	0	
Net cash used in investing activities	<u>(16,184)</u>	<u>(12,780)</u>	<u>3,404</u>	<u>(31,586)</u>	<u>(32,094)</u>
Cash flows from financing activities					
Finance costs	(18)	(19)	(1)	(28)	(33)
Repayment of interest bearing loans and borrowings	(259)	(257)	2	(320)	(318)
Net cash used in financing activities	<u>(277)</u>	<u>(276)</u>	<u>1</u>	<u>(348)</u>	<u>(351)</u>
Net increase / (decrease) in cash & cash equivalents					
	6,382	9,736	3,354	(3,733)	(2,623)
Cash & cash equivalents at the beginning of the year	29,611	37,369	7,758	29,611	37,369
Cash & cash equivalents at the end of the year	<u>35,993</u>	<u>47,105</u>	<u>11,112</u>	<u>25,878</u>	<u>34,746</u>

Note: Cash and cash equivalents at the beginning of the year includes term deposits with a maturity date exceeding 90 days which are classified as financial assets in the Balance Sheet (\$10.9M).

Reconciliation of cash flows from operating activities to surplus

	YTD Budget \$'000	YTD Actual \$'000	YTD Variance \$'000	Annual Budget \$'000	Forecast Actual \$'000
Surplus for the year	36,961	40,379	3,419	8,200	5,335
Items not involving cash or non operating in nature					
Depreciation and amortisation	12,560	12,663	103	19,503	20,046
Interest expense	21	21	0	29	30
Bad & doubtful debts	543	310	(233)	815	845
Net (gain) / loss on sale of assets	(226)	32	258	(302)	(144)
	<u>49,859</u>	<u>53,405</u>	<u>3,546</u>	<u>28,245</u>	<u>26,112</u>
Change in operating assets and liabilities					
Decrease / (Increase) in rate debtors	(29,245)	(32,655)	(3,410)	(100)	943
Decrease / (Increase) in other operating assets	794	3,849	3,056	(1,276)	1,976
(Decrease) / Increase in Trade creditors	(158)	(2,271)	(2,113)	332	891
(Decrease) / Increase in other operating liabilities	1,593	266	(1,327)	590	(1,925)
(Decrease) / Increase in provisions	0	198	198	410	1,824
	<u>(27,016)</u>	<u>(30,613)</u>	<u>(3,597)</u>	<u>(44)</u>	<u>3,710</u>
Net cash provided by operating activities	<u>22,843</u>	<u>22,792</u>	<u>(51)</u>	<u>28,201</u>	<u>29,822</u>

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Eight months ended 28 February 2014

DAREBIN CITY COUNCIL

Statement of Capital Works

For the 8 months ended 28 February, 2014

	YTD Budget \$'000	YTD Actual \$'000	YTD Variance \$'000	Annual Budget \$'000	Adjusted Budget \$'000	Forecast Actual \$'000
Roads	2,801	2,768	33	6,410	6,468	6,468
Transport / Road safety	654	352	302	920	920	1,568
Drains	259	180	79	644	687	687
Open space	5,795	3,520	2,275	8,483	9,309	9,076
Buildings	7,264	4,804	2,460	15,888	16,733	14,005
Plant & equipment	4,840	3,702	1,138	6,385	6,843	6,435
Total capital works	21,613	15,326	6,287	38,730	40,960	38,239

Represented by:

Capital expenditure	18,162	12,936	5,226	32,653	34,818	31,450
Major maintenance	3,451	2,390	1,061	6,077	6,142	6,789
Total capital works	21,613	15,326	6,287	38,730	40,960	38,239

