

FINANCIAL REPORT

Three months ended
30 September 2012



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Financial Report

Three months ended 30 September 2012

1 EXECUTIVE SUMMARY

1.1 Operating performance

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 |
|-----------------------------------|-------------------------|-------------------------|----------------------|-----------------------------|
| Operating | | | | |
| Revenue | 101,167 | 102,134 | 967 | 128,076 |
| Expenditure | (32,266) | (31,271) | 995 | (130,585) |
| | 68,901 | 70,863 | 1,962 | (2,509) |
| Capital & other | | | | |
| Developer and other contributions | 500 | 1,787 | 1,287 | 2,000 |
| Revenue | 282 | 494 | 212 | 8,385 |
| Gain (loss) on disposal of assets | 68 | (28) | (96) | 269 |
| Net surplus (deficit) | 69,751 | 73,116 | 3,365 | 8,145 |

For the three months ended 30 September 2012 Council has recorded an operating surplus before capital revenue and other items of \$70.86 million, which is \$1.96 million ahead of the year to date budget. The main items contributing to this favourable variance are other revenue and material and services, partly offset by unfavourable variances in user fees and other expenses. After capital and other items, the net operating surplus is \$73.12 million, which is \$3.37 million ahead of budget.

1.2 Capital performance

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 | Adjusted Budget \$'000 |
|---------------------|-------------------------|-------------------------|----------------------|-----------------------------|------------------------------|
| Total capital works | 3,785 | 2,999 | 786 | 40,502 | 41,669 |

For the three months ended 30 September 2012 Council has expended \$3.0 million on the capital works program, which is \$0.79 million behind the year to date budget. The variance is due mainly to delays with works on roads and open space projects.

1.3 Financial position

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 |
|-----------------------------|-------------------------|-------------------------|----------------------|-----------------------------|
| Cash and cash equivalents | 48,999 | 41,377 | (7,622) | 36,738 |
| Net current assets | 100,031 | 104,061 | 4,030 | 19,405 |
| Net assets and total equity | 1,010,893 | 1,193,986 | 183,093 | 949,287 |

The Financial Position as at 30 September 2012 shows a cash balance of \$41.38 million which is \$7.6 million behind budget. The variance is due to a number of factors, primarily delays in the receipt of the first quarterly rates installment and reduced creditors balances compared to the year to date budget. The net current asset position of \$104.1 million is \$4.03 million greater than budget. The variance is due to the higher trade and other receivables, lower trade and other payables and a lower cash position compared with budget. The net asset position of \$1.19 billion is \$183.1 million greater than budget and reflects the impact of asset revaluations at 30 June 2012 of \$195.0 million.

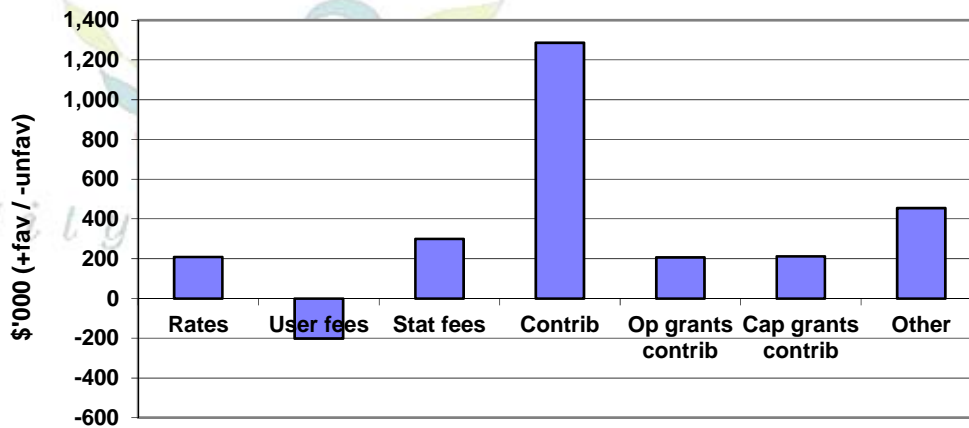
2. FINANCIAL ANALYSIS

2.1 Operating performance

2.1.1 Operating revenue

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 |
|--------------------------------|-------------------------|-------------------------|----------------------|-----------------------------|
| Revenues | | | | |
| Rates | 92,663 | 92,871 | 208 | 94,724 |
| User fees | 2,835 | 2,634 | (201) | 11,741 |
| Statutory fees and fines | 1,041 | 1,341 | 300 | 5,202 |
| Contributions | 500 | 1,787 | 1,287 | 2,000 |
| Operating grants & contrib's | 4,001 | 4,207 | 206 | 13,034 |
| Capital grants & contrib's | 282 | 494 | 212 | 8,385 |
| Other revenue | 627 | 1,081 | 454 | 3,375 |
| Total operating revenue | 101,949 | 104,415 | 2,466 | 138,461 |

Revenue YTD variances



Financial Report

Three months ended 30 September 2012

Major Operating Revenue Variances

| | Var | YTD Ahead of Budget \$'000 | YTD Behind Budget \$'000 |
|---|-----|-------------------------------------|-----------------------------------|
| Rates | | 208 | |
| General / supplementary rates | T | 53 | |
| Rebates and other adjustments | T | 110 | |
| Separate Rates- Northcote | T | 54 | |
| User fees | | | 201 |
| Food Services | T | | 59 |
| Valuation Services | T | | 47 |
| Bundoora Park Golf Course- Green Fee | T | | 40 |
| Darebin Arts and Entertainment Centre | T | 46 | |
| RLC Swim School | P | 45 | |
| Statutory fees | | 300 | |
| Traffic Enforcement | T | 288 | |
| Contributions | | 1,287 | |
| Open Space Contributions | T | 1,236 | |
| Operating grants and contributions | | 206 | |
| Healthy communities | T | | 95 |
| Victorian grants commission | P | | 63 |
| Maternal Child Health | P | 34 | |
| Assessment Alliance Project | T | 35 | |
| Library Management & Operations | T | 40 | |
| Access for All Abilities | T | 60 | |
| School crossing | T | 150 | |
| Capital grants and contributions | | 212 | |
| Reservoir child care redevelopment | P | 300 | |
| Arterial roads strategy | T | | 100 |
| Leisure minor works funding | T | | 60 |
| Aged & disability systems replacement | T | | 50 |
| Other | | 454 | |
| Interest on investments, rates & loans | T | 202 | |
| Motor vehicle Insurance | P | 122 | |
| Workers compensation recoup | P | 116 | |
| | | | |

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

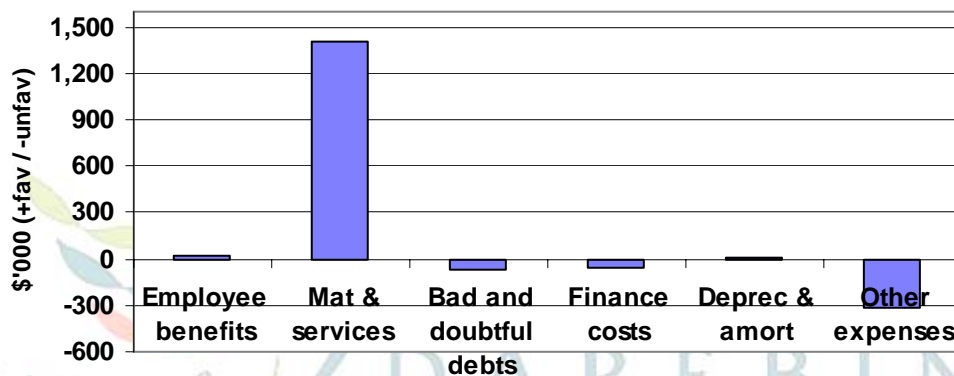
Financial Report

Three months ended 30 September 2012

2.1.2 Operating expenses

| Expense type | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 |
|---------------------------------|----------------------|----------------------|-------------------|--------------------------|
| Expenses | | | | |
| Employee benefits | 15,613 | 15,586 | 27 | 67,600 |
| Materials and services | 8,695 | 7,288 | 1,407 | 34,487 |
| Bad and doubtful debts | 160 | 232 | (72) | 643 |
| Finance costs | 30 | 86 | (56) | 118 |
| Depreciation and amortisation | 4,618 | 4,615 | 3 | 18,471 |
| Other expenses | 3,150 | 3,464 | (314) | 9,266 |
| Total operating expenses | 32,266 | 31,271 | 995 | 130,585 |

Expenses YTD variances



Financial Report
Three months ended 30 September 2012

Major Operating Expense Variances

| | Var | YTD Ahead of Budget \$'000 | YTD Behind Budget \$'000 |
|-----------------------------------|-----|-------------------------------------|-----------------------------------|
| Employee benefits | | | 27 |
| Home support service delivery | T | | 291 |
| Environmental operations | T | | 107 |
| Parks and gardens | T | | 106 |
| Workers compensation insurance | P | 180 | |
| | | | |
| Materials and services | | | 1,407 |
| Community Wellbeing | T | | 53 |
| Home Support Service Delivery | T | | 63 |
| Council administration- elections | T | | 198 |
| Open Space MGT- Arboriculture | T | | 141 |
| Operation Projects and Fleet | T | | 334 |
| Environmental Operations | T | | 285 |
| I.T Application Systems | T | 105 | |
| Utilities- Street Lighting | T | 50 | |
| | | | |
| Finance Costs | | 56 | |
| Interest- Borrowing Costs | T | 56 | |
| | | | |
| Other | | 314 | |
| Insurances various | T | 841 | |
| Operational projects and fleet | T | | 45 |
| Community Wellbeing | T | | 66 |
| Corporate Initiatives | T | | 90 |
| Darebin parklands | T | | 158 |

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

Financial Report

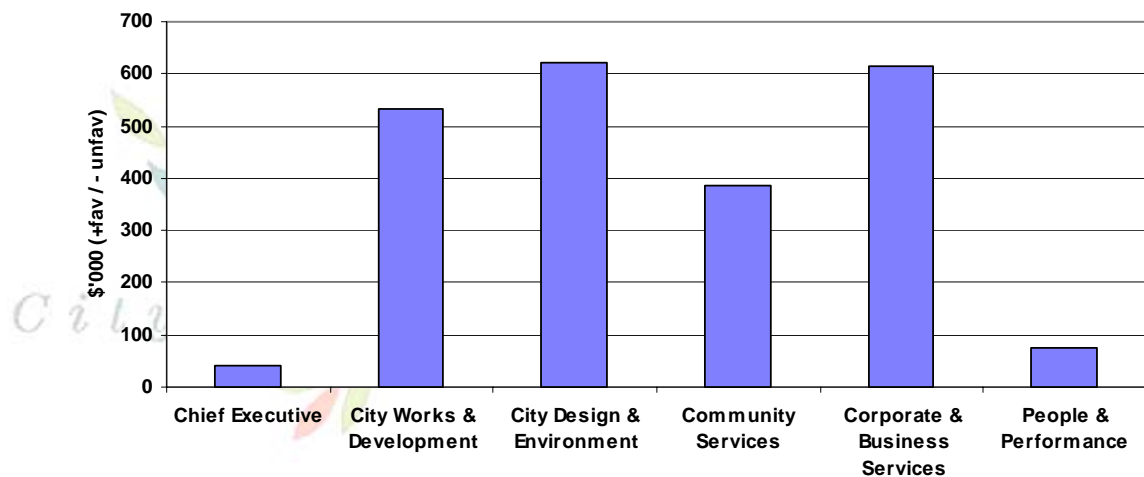
Three months ended 30 September 2012

2.1.3 Department analysis

| | YTD Budget Net cost \$'000 | YTD Actual Net cost \$'000 | YTD Var Net cost \$'000 | Adopted Budget Net cost \$'000 |
|-------------------------------------|-------------------------------------|-------------------------------------|----------------------------------|---|
| Department | | | | |
| Chief Executive | 194 | 153 | 41 | 819 |
| City Works & Development | 5,089 | 4,556 | 533 | 25,424 |
| City Design & Environment | 3,813 | 3,194 | 621 | 15,064 |
| Community Services | 2,218 | 1,832 | 387 | 14,667 |
| Corporate & Business Services | 3,477 | 2,862 | 615 | 11,861 |
| People & Performance | 2,318 | 2,241 | 76 | 8,126 |
| | 17,110 | 14,837 | 2,272 | 75,961 |
| Other non-attributable ¹ | (86,860) | (87,953) | 1,092 | (84,106) |
| Net (surplus) deficit | (69,751) | (73,116) | 3,365 | (8,145) |

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

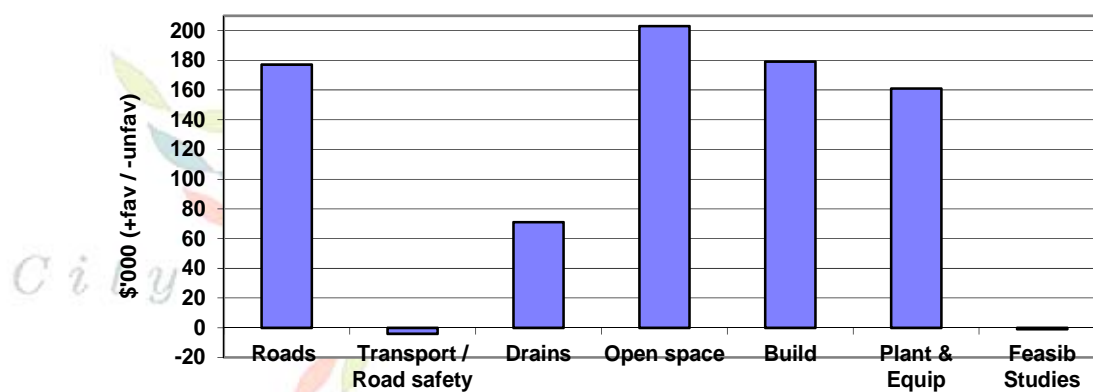
Department net cost YTD variances



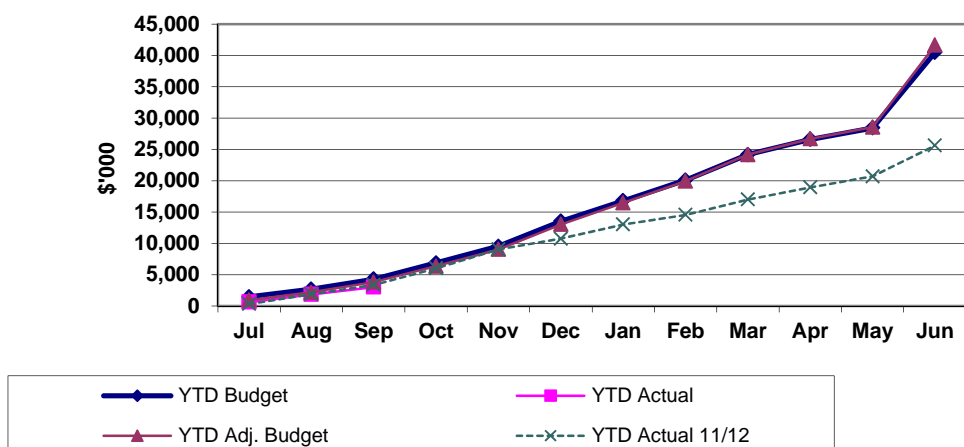
2.2 Capital performance

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 | Adjusted Budget \$'000 |
|----------------------------|-------------------------|-------------------------|----------------------|-----------------------------|------------------------------|
| Capital works class | | | | | |
| Roads | 928 | 751 | 177 | 6,044 | 6,222 |
| Transport / Road safety | 72 | 76 | (4) | 1,274 | 1,275 |
| Drains | 75 | 4 | 71 | 589 | 649 |
| Open space | 775 | 572 | 203 | 6,156 | 6,469 |
| Buildings | 1,027 | 848 | 179 | 20,162 | 20,794 |
| Plant & equipment | 908 | 747 | 161 | 6,277 | 6,260 |
| Feasibility studies | 0 | 1 | (1) | 0 | 0 |
| Total capital works | 3,785 | 2,999 | 786 | 40,502 | 41,669 |
| Represented by: | | | | | |
| Capital expenditure | 2,765 | 1,984 | 781 | 35,686 | 36,880 |
| Major maintenance | 1,020 | 1,015 | 5 | 4,816 | 4,789 |
| Total capital works | 3,785 | 2,999 | 786 | 40,502 | 41,669 |

Capital works YTD variances by asset class



Capital works YTD expenditure cumulative



Financial Report

Three months ended 30 September 2012

Major Capital Works Variances

| | Var | YTD Ahead of Budget \$'000 | YTD Behind Budget \$'000 |
|-------------------------------------|-----|-------------------------------------|-----------------------------------|
| Roads | | | 177 |
| Local Roads | T | | 53 |
| Heritage Crt - footpath | T | | 65 |
| Footpath replacement program | T | | 20 |
| Major Road patching | T | | 22 |
| | | | |
| Drains | | | 71 |
| Drainage Renewal- St Georges | T | | 25 |
| Reactive Drainage Upgrades | T | | 25 |
| Improvement Works- Renewal Drainage | T | | 23 |
| | | | |
| Open space | | | 203 |
| Leamington St – open space | T | | 150 |
| Leisure minor works funding | T | | 60 |
| Batman Park Playspace | T | | 69 |
| Street Tree planting | T | | 102 |
| Sir Doug Nicholls oval | CF | 178 | |
| | | | |
| Buildings | | | 179 |
| Modernising neighbourhood houses | T | | 55 |
| Lancaster Gate Community Centre | T | | 64 |
| Reservoir Depot redevelopment | T | | 50 |
| | | | |
| Plant and Equipment | | | 161 |
| Darebin Food Bank | T | | 20 |
| CALD Communication Strategy Implem | T | | 20 |
| Plant Replacement- Light Vehicle | T | | 38 |
| Plant Replacement- Heavy Vehicle | T | | 84 |
| | | | |
| | | | |

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

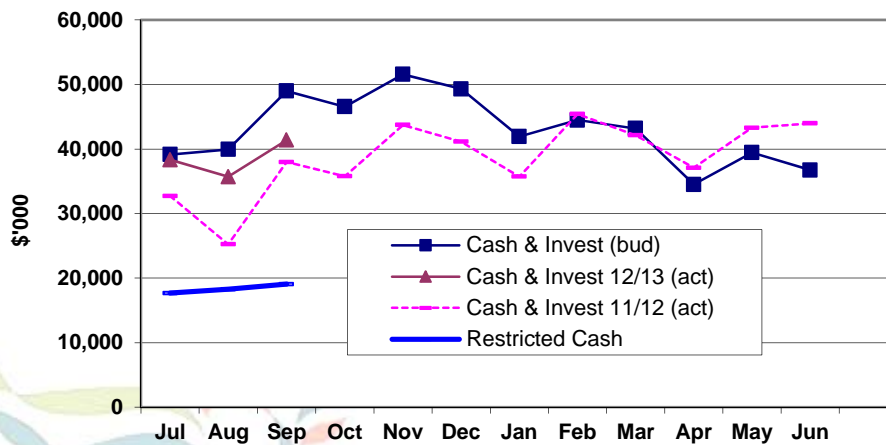
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Three months ended 30 September 2012

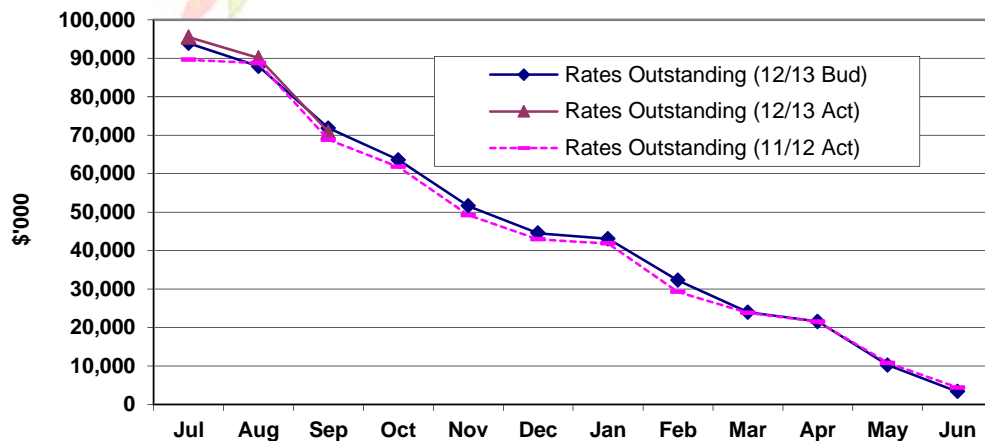
2.3 Financial position

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Var \$'000 | Adopted Budget \$'000 |
|-----------------------------|-------------------------|-------------------------|----------------------|-----------------------------|
| Cash and investments | 48,999 | 41,377 | (7,622) | 36,738 |
| Net current assets | 100,031 | 104,061 | 4,030 | 19,405 |
| Net assets and total equity | 1,010,893 | 1,193,986 | 183,093 | 949,287 |

Actual & Budget cash & investments balance by month



Actual & Budget rates outstanding balances by month



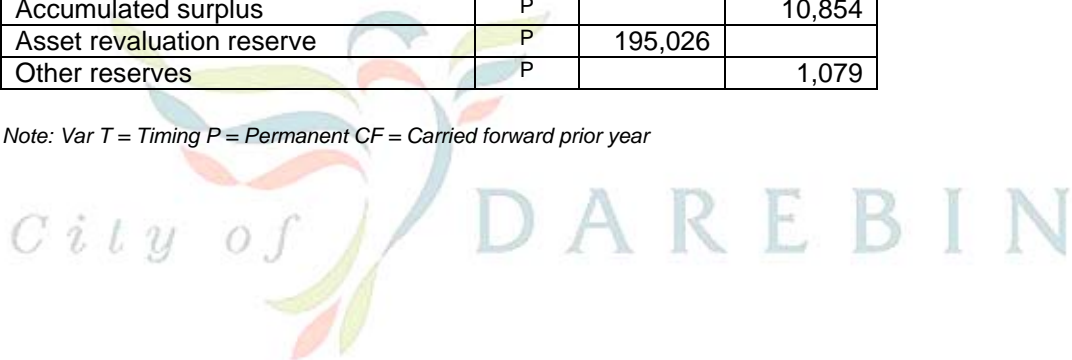
Financial Report

Three months ended 30 September 2012

Major Balance Sheet YTD variances

| | Var | YTD Budget Increase \$'000 | YTD Budget Decrease \$'000 |
|---------------------------------------|-----|-------------------------------------|-------------------------------------|
| Current assets | | 1,564 | |
| Cash and investments | T | | 7,622 |
| Receivables | T | 8,319 | |
| Other financial assets | T | 867 | |
| Current liabilities | | | 2,466 |
| Trade creditors & other payables | T | | 3,369 |
| Employee provisions | P | 1,026 | |
| Non current assets | | 191,074 | |
| Property, Infra. plant & equipment | P | 191,272 | |
| Intangible assets | P | | 262 |
| Trade & other receivables | T | 113 | |
| Investment property | P | | 49 |
| Non current liabilities | | 12,011 | |
| Trade creditors & other payables | P | 14,000 | |
| Interest bearing loans and borrowings | P | | 759 |
| Employee provisions | P | | 1,230 |
| Equity | | 183,093 | |
| Accumulated surplus | P | | 10,854 |
| Asset revaluation reserve | P | 195,026 | |
| Other reserves | P | | 1,079 |

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



APPENDIX A

Income Statement
Balance Sheet
Cash Flow Statement
Statement of Capital Works



Financial Report
Three months ended 30 September 2012

DAREBIN CITY COUNCIL

Income Statement

For the 3 months ended 30 September, 2012

| | YTD Budget | YTD Actual | YTD Variance | Annual Budget |
|--|----------------------|----------------------|---------------------|-----------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenues from ordinary activities | | | | |
| Rates | 92,663 | 92,871 | 208 | 94,724 |
| User fees | 2,835 | 2,634 | (201) | 11,741 |
| Statutory fees and fines | 1,041 | 1,341 | 300 | 5,202 |
| Contributions | 500 | 1,787 | 1,287 | 2,000 |
| Operating grants and contributions | 4,001 | 4,207 | 206 | 13,034 |
| Capital grants and contributions | 282 | 494 | 212 | 8,385 |
| Other | 627 | 1,081 | 454 | 3,375 |
| Total revenues | <u>101,949</u> | <u>104,415</u> | <u>2,466</u> | <u>138,461</u> |
| Expenses from ordinary activities | | | | |
| Employee benefits | 15,613 | 15,586 | 27 | 67,600 |
| Materials and services | 8,695 | 7,288 | 1,407 | 34,487 |
| Bad and doubtful debts | 160 | 232 | (72) | 643 |
| Finance costs | 30 | 86 | (56) | 118 |
| Depreciation and amortisation | 4,618 | 4,615 | 3 | 18,471 |
| Other | 3,150 | 3,464 | (314) | 9,266 |
| Total expenses | <u>32,266</u> | <u>31,271</u> | <u>995</u> | <u>130,585</u> |
| Net gain (loss) on disposal of property infrastructure, plant and equipment | 68 | (28) | (96) | 269 |
| Surplus for the year | <u>69,751</u> | <u>73,116</u> | <u>3,365</u> | <u>8,145</u> |

Financial Report
Three months ended 30 September 2012

DAREBIN CITY COUNCIL

Balance Sheet

As at 30 September, 2012

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Variance \$'000 | Annual Budget \$'000 |
|---|-------------------------|-------------------------|---------------------------|----------------------------|
| Current assets | | | | |
| Cash and cash equivalents | 48,999 | 41,377 | (7,622) | 36,738 |
| Trade and other receivables | 74,318 | 82,637 | 8,319 | 8,774 |
| Other financial assets | 342 | 1,209 | 867 | 73 |
| Total current assets | <u>123,659</u> | <u>125,223</u> | <u>1,564</u> | <u>45,585</u> |
| Non-current assets | | | | |
| Trade and other receivables | 150 | 263 | 113 | 104 |
| Property, infrastructure, plant & equipment | 909,925 | 1,101,197 | 191,272 | 928,042 |
| Investment property | 3,664 | 3,615 | (49) | 3,664 |
| Intangible assets | 500 | 238 | (262) | 500 |
| Other financial assets | 206 | 206 | 0 | 206 |
| Total non-current assets | <u>914,445</u> | <u>1,105,519</u> | <u>191,074</u> | <u>932,516</u> |
| Total assets | <u>1,038,104</u> | <u>1,230,742</u> | <u>192,638</u> | <u>978,101</u> |
| Current liabilities | | | | |
| Trade and other payables | 9,691 | 6,322 | 3,369 | 11,970 |
| Interest bearing loans and borrowings | 637 | 514 | 123 | 320 |
| Provisions | 13,300 | 14,326 | (1,026) | 13,890 |
| Total current liabilities | <u>23,628</u> | <u>21,162</u> | <u>2,466</u> | <u>26,180</u> |
| Non-current liabilities | | | | |
| Trade and other payables | 0 | 14,000 | (14,000) | 0 |
| Interest bearing loans and borrowings | 1,249 | 490 | 759 | 300 |
| Provisions | 2,334 | 1,104 | 1,230 | 2,334 |
| Total non-current liabilities | <u>3,583</u> | <u>15,594</u> | <u>(12,011)</u> | <u>2,634</u> |
| Total liabilities | <u>27,211</u> | <u>36,756</u> | <u>(9,545)</u> | <u>28,814</u> |
| Net assets | <u>1,010,893</u> | <u>1,193,986</u> | <u>183,093</u> | <u>949,287</u> |
| Equity | | | | |
| Accumulated surplus | 551,357 | 540,503 | (10,854) | 489,750 |
| Asset revaluation reserve | 451,900 | 646,926 | 195,026 | 451,900 |
| Other reserves | 7,636 | 6,557 | (1,079) | 7,637 |
| Total equity | <u>1,010,893</u> | <u>1,193,986</u> | <u>183,093</u> | <u>949,287</u> |

Financial Report
Three months ended 30 September 2012

DAREBIN CITY COUNCIL

Cash Flow Statement

For the 3 months ended 30 September, 2012

| | YTD Budget \$'000 Inflows (Outflows) | YTD Actual \$'000 Inflows (Outflows) | YTD Variance \$'000 | Annual Budget \$'000 Inflows (Outflows) |
|---|--|--|---------------------------|---|
| Cash flows from operating activities | | | | |
| Receipts from customers (incl GST) | 31,273 | 25,786 | (5,487) | 116,262 |
| Payments to suppliers and employees (incl GST) | (28,721) | (29,665) | (944) | (118,319) |
| | 2,552 | (3,879) | (6,431) | (2,057) |
| Interest | 257 | 557 | 300 | 1,291 |
| Government receipts | 4,515 | 5,300 | 784 | 21,419 |
| Net GST refund / payment | 1,382 | 1,300 | (82) | 6,575 |
| Net cash provided by operating activities | 8,707 | 3,278 | (5,429) | 27,228 |
| Cash flows from investing activities | | | | |
| Proceeds from sale of property, plant & equipment | 225 | 251 | 26 | 896 |
| loans and advances | 13 | 13 | 0 | 55 |
| Payment for property, infrastr, plant & equipment | (5,546) | (5,123) | 422 | (35,686) |
| Net cash used in investing activities | (5,308) | (4,860) | 448 | (34,735) |
| Cash flows from financing activities | | | | |
| Finance costs | (30) | (89) | (58) | (118) |
| Trust funds and deposits | 0 | 135 | 135 | 0 |
| Repayment of interest bearing loans and borrowings | (166) | (1,049) | (883) | (1,433) |
| Net cash used in financing activities | (197) | (1,003) | (807) | (1,551) |
| Net increase / (decrease) in cash & cash equivalents | | | | |
| | 3,203 | (2,585) | (5,788) | (9,058) |
| Cash & cash equivalents at the beginning of the year | 45,796 | 43,961 | (1,835) | 45,796 |
| Cash & cash equivalents at the end of the year | 48,999 | 41,376 | (7,623) | 36,738 |

Reconciliation of cash flows from operating activities to surplus

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Variance \$'000 | Annual Budget \$'000 |
|--|-------------------------|-------------------------|---------------------------|----------------------------|
| Surplus for the year | 69,751 | 73,116 | 3,365 | 8,145 |
| Items not involving cash or non operating in nature | | | | |
| Depreciation and amortisation | 4,618 | 4,615 | (3) | 18,471 |
| Interest expense | 30 | 86 | 56 | 118 |
| Bad & doubtful debts | 160 | 232 | 72 | 643 |
| Net gain on sale of assets | (68) | 28 | 96 | (269) |
| | 74,491 | 78,077 | 3,586 | 27,108 |
| Change in operating assets and liabilities | | | | |
| Decrease / (Increase) in rate debtors | (68,510) | (73,973) | (5,464) | (100) |
| Decrease / (Increase) in other operating assets | 4,683 | 1,410 | (3,273) | (54) |
| (Decrease) / Increase in Trade creditors | (1,844) | (2,688) | (844) | 322 |
| (Decrease) / Increase in other operating liabilities | (113) | 453 | 566 | (48) |
| | (65,784) | (74,799) | (9,015) | 120 |
| Net cash provided by operating activities | 8,707 | 3,278 | (5,429) | 27,228 |

DAREBIN CITY COUNCIL
Statement of Capital Works

For the 3 months ended 30 September, 2012

| | YTD Budget \$'000 | YTD Actual \$'000 | YTD Variance \$'000 | Annual Budget \$'000 |
|----------------------------|-------------------------|-------------------------|---------------------------|----------------------------|
| Roads | 928 | 751 | 177 | 6,044 |
| Transport / Road safety | 72 | 76 | (4) | 1,274 |
| Drains | 75 | 4 | 71 | 589 |
| Open space | 775 | 572 | 203 | 6,156 |
| Buildings | 1,027 | 848 | 179 | 20,162 |
| Plant & equipment | 908 | 747 | 161 | 6,277 |
| Feasibility studies | 0 | 1 | (1) | 0 |
| Total capital works | 3,785 | 2,999 | 786 | 40,502 |

Represented by:

| | | | | |
|----------------------------|--------------|--------------|------------|---------------|
| Capital expenditure | 2,764 | 1,984 | 782 | 35,686 |
| Major maintenance | 1,019 | 1,015 | 5 | 4,816 |
| Total capital works | 3,785 | 2,999 | 786 | 40,502 |

