

3.4 2008/09 MANAGEMENT ACCOUNTS REPORT – FIRST QUARTER

(FIN1: MK: DM)

Responsible Director: Marilyn Kearney

RECOMMENDATION*That Council notes the Financial Reports for the period ending 30 September 2008.****BACKGROUND***

Council adopted its budget for the financial year 1 July 2008 to 30 June 2009 on 24 June 2008. 'Management Accounts' reports are prepared monthly and distributed to Councillors for information, with quarterly reports prepared at the end of each quarter for formal presentation to the Council. This report contains information regarding actual performance against budget for the operating, cash flow and capital budgets, as well as Council's Statement of Financial Position.

Council's 2008/09 Budget included four financial documents entitled "Standard Statements". These statements were:

- Standard Statement of Income (Attachment A);
- Standard Statement of Cash Flows (Attachment B);
- Standard Balance Sheet (Attachment C); and
- Standard Statement of Capital Projects (Attachment D).

This report compares the actual financial performance against the first quarter of the budget.

ANALYSIS**STANDARD STATEMENT OF INCOME**

The 2008/09 year-to-date operating performance at 30 September 2008 is in summary, a net favourable variance against budget of \$3.0m before transfers to reserves to which operating revenue contributes a favourable \$1.4m (1.7% higher than budget) and expenditure \$0.8m (2.5% lower than budget). In addition there is a favourable variance on capital grants & contributions of \$0.8m (primarily representing unbudgeted amounts received following the adoption of the budget). Details of the significant variances are below.

INCOME**Operating Grants & Contributions**

Better than budgeted income of \$0.9m is predominantly due to:

- Public Open Space contributions are \$862k better than budgeted (timing only);
and
- Car Parking contributions \$79k higher than budgeted.

Interest Income

Interest income is currently \$113k higher than forecast due to the continued close monitoring of investments and transfers to term deposits.

Capital Grants & Contributions

A number of unbudgeted year-to-date capital grants totalling \$756k have been received year to date.

- Roads to Recovery (timing only) of \$478k;
- Tally Ho Reserve Upgrade \$48k; and
- Kingsway Hub Realignment Grant \$224k.

These funds will be expended on these capital works.

Charges, Fees & Fines

This income line item is currently above forecast (\$140k / 2.7% above budget). This is predominantly represented by higher than forecast:

- Commercial tenant big bin charges (\$95k – timing only);
- Fees at Brine St Child Care Centre (\$32k);
- Stadium Fees (\$21k) at Oakleigh Recreation Centre;
- Planning & building permits (\$36k); and
- Membership fees at Clayton Aquatics and Health Centre (CCC) (\$63k).

This is partially offset by lower than forecast:

- Car parking fines (\$35k);
- Animal registration fees (\$31k); and
- Membership fees at Oakleigh Recreation Centre (\$17k) and MARC (\$16k).

Other Revenue

Higher than budgeted income of \$166k / 16.9% represents:

- Resident Ingoing Entitlements (\$85k);
- Internal Depot income (\$28k); and
- Recouped refurbishment costs of an independent living unit at Monash Gardens (\$21K).

EXPENDITURE**Employee Costs**

A favourable year to date variance of \$569k largely due to provision for annual and long service leave which is adjusted quarterly as follows:

- Lower than budgeted direct salaries and wages (\$410k) due to a number of vacancies across the Council partially offset with the quarterly adjustment for provision for Annual Leave (\$298k); and
- Favourable adjustment to Long Service Leave provision (\$460k).

Materials Services & Contracts

A favourable year to date variance of \$576k. Most variances are of a timing nature only and include:

- Contractors other (\$285k);
- Equipment purchases, replacement and repairs (\$75k);
- Consultants (\$90k);
- Contract cleaning (\$86k);
- Contract security (\$31k);
- External printing (\$63k);
- Software purchases (\$34k);
- Payments under the Domestic Animals Act (\$46k);
- Payments to RSPCA for animal control services (\$40k);
- Bank fees and charges (\$45k); and
- Insurance Premiums (\$38k).

These favourable variances are partially offset by:

- Higher than budgeted Contract staff (\$70k);
- Temporary Staff (\$147k); and
- Recruitment costs (\$79k).

STANDARD STATEMENT OF CASH FLOWS

The Cash Flow Statement shows Council's cash position at the end of September 2008 to be \$2.7m favourable when compared with the phased cash flow budget. The main reasons for this result are outlined below.

Operating Activities

A favourable cash position on operating activities of \$0.5m reflects the following:

- An increase in the number of rate payments by instalments (\$2.0m). The number of residential ratepayers has increased by 1007 to 39% of all rate payers;
- Payment in advance of a number of grants and the receipt of higher than budgeted POS and Car Parking Contributions (\$1.2m), partially offset by timing variances for;
- Net GST payments generating an unfavourable \$1.4m variance. This represents the net GST payments for July and August 2008, which will be received in October 2008; and
- Lower than forecast cash receipts for Charges, Fees and Fines (\$1.2m).

Investing Activities

A favourable variance on payments for capital related works of \$1.8m reflects the current progress of the capital program.

Financing Activities

The favourable YTD variance of \$0.8m is reflective of residential care refundable deposits and contract deposits that cannot be forecast reliably for cash flow.

STANDARD BALANCE SHEET

The Balance Sheet shows Council's Financial Position as at 30 September 2008.

STANDARD STATEMENT OF CAPITAL WORKS

The purpose of this Statement is to show progress against the adopted 2008/09 Capital Budget. As at 30 September 2008, Council had expended 17% of the Base & New Capital Works budget, and 14% of its total capital works budget. It is expected that the Business Plan target of 85% will be achieved with close monitoring of the capital works program and completion of a number of projects by 30 June 2009.

CONCLUSION

Council's financial position reflects an overall positive performance against budget made up of a number of variances, both favourable and unfavourable across the breadth of Council services. These variances will continue to be monitored for the remainder of the financial year.

