

3.2 2007/08 MANAGEMENT ACCOUNTS REPORT – SECOND QUARTER

(FIN1: MK: ST)

Responsible Director: Marilyn Kearney

RECOMMENDATION*That Council notes the Financial Reports for the period ending 31 December 2007.***BACKGROUND**

Council adopted its budget for the financial year 1 July 2007 to 30 June 2008 on 26 June 2007. '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 2007/08 Budget included four financial documents entitled "Standard Statements". These statements were:

- Standard Statement of Income;
- Standard Statement of Cash Flows;
- Standard Balance Sheet; and
- Standard Statement of Capital Projects.

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

ANALYSIS**STANDARD STATEMENT OF INCOME**

The 2007/08 year-to-date operating performance at 31 December 2007 is in summary, a net favourable variance against budget of \$1.5M before transfers to reserves to which operating revenue contributes a favourable \$456K (0.5%) and expenditure \$884K (or 1.5%). In addition there is a favourable variance on capital grants & contributions of \$401K (all unbudgeted amounts received following the budget adoption).

Details of the significant \$ variances are:

INCOME**Operating Grants & Contributions**

Better than budgeted income of \$195K is the result of :

- Public Open Space contributions \$280K better than budgeted (largely from Hilltop Ave & Ferntree Gully Rds Clayton, Lexia Place, Mulgrave and Poath Rd Hughesdale)

Partially offset by:

- Family Day Care benefit \$41K less than budgeted (in line with lower expenditure)
- Car Parking developer contributions \$35K less than budgeted

Capital Grants & Contributions

The significant favourable variance is attributed to a number of unbudgeted capital grants totalling \$401K that have been received year to date. These include:

Windsor Ave Golf Course Entry	\$112K
Warm Season Grasses	\$50K
Local Priorities Libraries	\$42K
Bus Shelters	\$51K
Jack Edwards Grandstand	\$35K (claimed post 06/07 project completion)
Batesford Reserve – Neighbourhood Renewal	\$31K
MOW Office fitout	\$27K
Warrawee Oval irrigation	\$20K
Tennis Court Resurfacing	\$12K
Other minor grants/contributions	\$20K

These funds will be expended on capital works for these projects

(An unbudgeted amount of \$224K for the Kingsway Hub development previously reported as received has been transferred from the Income Statement to the Balance Sheet to fund future years capital works)

Charges, Fees & Fines

Higher than budgeted income of \$272K as at 31st December is largely the result of:

- Better than budgeted income for HACC Food Services of \$28K in line the delivery of a higher than budgeted number of meals
- Better than budgeted Income at MARC from the Learn to Swim program (\$66K) and Facility and Room hire (\$18K)
- Additional fees at Brine St Childcare Centre of \$45K with a significant proportion of this relating to the receipt of prior year income.
- Higher than budgeted income from the issue of Permits for Asset Protection, Vehicle Crossing & Road Openings - \$57K
- Additional Town Planning Application Fees - \$66K
- Unbudgeted Oakleigh Stadium fees - \$71K
- Partially offset by:
 - Golf Courses green fees income \$42K less than budgeted

Interest Revenue

Interest income is under budget YTD due to a reduced return on investments. A revised interest strategy with a lower risk profile has been implemented and it is expected that the annual budget will be met.

Other Revenue

Higher than budgeted income of \$76K is the result of:

- Higher than expected chargeable works for Service Authorities (\$31K) and Utility Companies (\$28K)

- Better than budgeted court fee recoveries (\$49K) associated with costs incurred in the Health Inspection area

Partially offset by:

- Less income brought to account in the areas of Inclusion Support and the Innovation Cluster project in line with lower costs incurred YTD

EXPENDITURE

Employee Costs

An unfavourable year to date variance of \$333K largely relates to

- \$276K of accrued leave expense that will reduce by the end of January as employees take annual leave
- Unbudgeted salaries & wages at Oakleigh Recreation Centre - \$(125K)
- Salary savings with vacant positions in HR Executive (\$25K) and Risk Management (\$33K)

Materials Services & Contracts

A year to date favourable variance of \$1.3M relates to the following:

- Lower than budgeted fleet management costs - \$66K
- A saving on insurance premiums of \$95K
- Savings in water usage of \$100K
- Underspend in contractor payments in School Crossing Supervision of \$38K
- Underspends of a timing nature only in:
 - Temp staff costs in the home care area - \$148K
 - Childcare Assistance Payments -\$43K
 - Staff training -\$85K
 - Materials in Asset Services -\$99K
 - External printing -\$80K
 - Contractors in Line marking -\$56K and Trees -\$51K
 - Software -\$51K
 - Consultancies -\$49K
 - Advertising -\$28K

Plus a range of other minor amounts across several activities

STANDARD STATEMENT OF CASH FLOWS

The Cash Flow Statement shows Council's cash position at end December 2007 to be \$4.9M favourable when compared with the phased cash flow budget. The main reasons for this result follow:

Operating Activities

A favourable cash position on operating activities of \$3.6M with explanations of significant variances as follows:

- A favourable variance in rate receipts of \$590K which is of a timing nature only
- A favourable variance in Operating Grants & Contributions of \$349K reflecting the receipt of additional POS Contributions (\$280K) as well as the receipt of government funds for services not yet delivered eg Inclusion Support program.

- Partial receipt of the unbudgeted capital grants & contributions of \$526K
- A favourable variance on Materials, Services and Contracts of \$2,492K reflects the 1st quarter prepayment of the MMFB contribution in June (\$515K favourable), plus lower temp staff, insurance premium, fleet maintenance & other costs
- Actual GST reimbursement is based on the lower than budgeted Materials, Services and Contracts expenditure as well as reflecting 5 months of reimbursements (budget reflects 6 months) resulting in a net unfavourable variance of \$(1,005K)

Investing Activities

An unfavourable variance on payments for property, plant & equipment of \$660K reflects a higher than budgeted cash outflow in July '07 relating to prior year capital expenditure.

Financing Activities

The favourable YTD variance of \$3.4M reflects a higher than budgeted inflow of hostel bonds (\$1.3M) and ILU sales revenue (\$1.9M). Of the ILU revenue \$1.6M is timing only (it was forecast for receipt by June '07)

STANDARD BALANCE SHEET

The Balance Sheet shows Council's Financial Position as at 31 December 2007. The major reason for the higher level of Non-Current Assets and Total Equity than that budgeted for at year end relates to the June '07 Revaluation of Roads owned by Council, recognised subsequent to the budget being adopted by Council.

STANDARD STATEMENT OF CAPITAL PROJECTS

The purpose of this Statement is to show progress against the adopted 2007/08 Capital Budget. As at 31 December 2007, Council had expended 36% of its gross Base & New Capital Works budget. However obtaining adequate resources will challenge Council in meeting the Business Plan target of 85%.

CONCLUSION

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