3.5 2011/12 MANAGEMENT ACCOUNTS REPORT – THIRD QUARTER
(FIN1: MK: DW: MT)
Responsible Director: Marilyn Kearney

RECOMMENDATION
That Council notes the Financial Reports for the period ending 31 March 2012.

BACKGROUND
Council adopted its budget for the financial year 1 July 2011 to 30 June 2012 on 28 June 2011. ‘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 2011/12 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

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

ANALYSIS

STANDARD STATEMENT OF INCOME

The operating result for year-to-date 31 March 2012 is a favourable variance of $1.2m (5.9%), before transfers to reserves. This variance encompasses some favourable fluctuations in income, predominantly related to grants and contributions, which will offset higher expenditure related to those grants and contributions, and car parking fines and recreation centre fees, which will be utilised to offset other revenue shortfalls and additional expenditure associated with increases in service costs and charges for garbage collection and disposal.

Details of the key variances are listed below.
INCOME

Interest

Interest income shows an unfavourable variance of $54k predominantly due to lower than anticipated investment rates.

Council’s investments are managed in accordance with the restrictions placed on investments within the Accounting Standards and the Local Government Act 1989 S143 and as outlined in Council’s Investment Policy. At 31 March 2012 Council had $48 million invested in term deposits with average interest rate earnings of 5.76% (budgeted at 6.25%).

Rates

Rates income shows an unfavourable variance of $30k which predominantly relates to lower than budgeted supplementary rate income.

Operating Grants & Contributions

Operating grants and contributions are $348k (1.9%) higher than budget predominantly due to higher than budgeted operational subsidy, grant funding, child care benefit and public open space amounts, which are offset by lower than anticipated car parking and drainage contributions.

Charges, Fees & Fines

Charges fees and fines are $455k (2.3%) higher than budgeted, and consist of the following favourable variances.

- Bin Charges $66k;
- Car Parking fines $128k;
- Lease Income $28k;
- Recreation Centre Fees $580k (predominantly Membership $221k and Learn to Swim $156k); and
- Town Planning Fees $102k.

Which are offset by unfavourable variances:

- Recycling Income $46k;
- Building Services Income $129k (predominantly Building Permit fees $66k);
- Library Fees $43k;
- Service Charges $82k;
- Green Fees $105k; and
- Miscellaneous Other $43k.
Capital Grants & Contributions

The favourable variance relates to a number of unbudgeted year-to-date capital grants and contributions totalling $783k which have been received for expenditure on:

- Syndal Pre-School Refurbishment $144k;
- Playgrounds Upgrading $36k;
- Drainage Contribution $41k;
- Irrigation $34k;
- Meals on Wheels Cool Room $37k;
- David Crawford Reserve $71k;
- Pole relocation Glen Waverley Station $21k;
- Batesford Reserve Soccer Project $73k;
- Lighting for Sportsgrounds $41k;
- Monash Bicycle Network $113k;
- Nara Pre School Upgrade $30k;
- Notting Hill/Pinewood Tennis Resurface $71k; and
- Other miscellaneous $71k.

Other Revenue

Higher than budgeted other revenue of $697k (27%) predominantly relates to reimbursement of storm damage costs ($336k) that were incurred in the 10/11 financial year, as well as the following favourable variances:

- Recycling funds received from State and VISY $59k;
- Additional funds received for 15 hours of Pre School project $52k;
- Insurance Claim reimbursements $78k;
- Chargeable Works income $110k; and
- Other miscellaneous amounts $77k.

EXPENDITURE

Employee Costs

Currently employee costs are $610k (1.5%) unfavourable year-to-date due to increased workcover premium ($70k) which partially relates to prior year and higher than budgeted staffing costs in the Home and Community Care ($148k), Children and Family Services ($71k) and Recreation Centre ($124k) areas which are offset by additional income received. This variance also includes higher than budgeted Residential Care expenditure ($98k) predominantly due to unbudgeted public holiday loading.
**Materials Services & Contracts**

An unfavourable year to date variance of $570k (1%) includes the following variances:

Unfavourable variances $1.15m include:

- Contractors $662k (timing issue only);
- Insurances $98k;
- Garbage Collection & Disposal costs $244k; and
- Utilities $50k.

and are offset by the following favourable variances $565k:

- Materials $250k (timing issue only);
- Promotions & Marketing $27k;
- RSPCA payments $89k, due to contract being taken in-house;
- Meals expenditure $179k; and
- Finance & Legal $20k.

**STANDARD STATEMENT OF CASH FLOWS**

The Cash Flow Statement shows Council’s cash position at the end of March 2012 to be $4M favourable when compared with the phased cash flow budget. The reasons for this result are outlined below.

**Operating Activities**

An unfavourable cash position from operating activities of $2M primarily represents the following favourable variances:

- Operating Grants & Contributions $170k;
- Capital Grants & Contributions $203k; and
- Charges, Fees & Fines $625k.

These favourable variances are offset by the following unfavourable variances:

- Rates income $152k;
- Interest income $41k;
- Other Revenue $643k;
- Net GST paid position $521k;
- Employee costs $346k; and
- Materials, Services & Contracts $1,394k.
Investing Activities
The favourable variance of $3.3M is primarily due to timing of payments for capital works and net proceeds from sale of 1 Sadie Street, Mt Waverley (rear of 2 Stanley St.) which was budgeted for in the 10/11 financial year.

Financing Activities
The favourable YTD position of $1M is due to refundable deposits for residential care ($957k) and contract deposits ($75k) that cannot be forecast reliably for cash flow.

STANDARD BALANCE SHEET

The Balance Sheet shows Council’s Financial Position as at 31 March 2012.

STANDARD STATEMENT OF CAPITAL WORKS

The purpose of this Statement is to show progress against the adopted 2011/12 Capital Budget. As at 31 March 2012, Council had expended 55% of the Base & New Capital Works budget, and 57% 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.

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.