3.3 2010/11 MANAGEMENT ACCOUNTS REPORT – FIRST QUARTER  
(FIN1: DW:MT)  
Responsible Director: Marilyn Kearney

RECOMMENDATION

That Council notes the Financial Reports for the period ending 30 September 2010.

BACKGROUND

Council adopted its budget for the financial year 1 July 2010 to 30 June 2011 on 22 June 2010. ‘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 2010/11 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 first quarter of the budget.

ANALYSIS

STANDARD STATEMENT OF INCOME

The operating result for year-to-date 30 September 2010 is a favourable variance of $1m, before transfers to reserves due to a favourable revenue variance of $1.8M which includes an unfavourable variance on capital grants & contributions of $1.9M (primarily representing $2.08M related to Batesford Reserve and Princes Highway grant funding received in 09/10 which was budgeted for in the 10/11 year). Details of the key variances are listed below.

INCOME

Interest Revenue

Interest income is $38k higher than budget reflective of a recovery in term deposit rates above forecasts and the close monitoring of investments and transfers to term deposits to maximise the return on investment.
Charges, Fees & Fines

Charges fees and fines are $68k (1.1%) higher than budgeted, and consist of the following major variances.

- Service Charges $12k;
- Membership Fees $16k;
- Town Planning Fees $14k; and
- Domestic Bin Charges $26k.

Capital Grants & Contributions

An unfavourable variance in grants and contributions of $1.9M is predominantly due to the receipt of Grant funding for Batesford Reserve ($1.86M) and RLCIP funding for the Princes Highway Pavillion ($225k) late in the 09/10 financial year. These funds were budgeted to be received in 10/11.

Also, a number of unbudgeted year-to-date capital grants and contributions totalling $156k have been received. This is predominantly represented by:

- Freeway Reserve Lighting Project $22k;
- Resheeting – Mirvac Contribution $78k;
- Bus Shelters – Mirvac Contribution $28k; and
- Batesford Reserve – Melbourne Water Raingarden Project $25k.

These Capital grants and contributions will be expended on these capital works.

EXPENDITURE

Employee Costs

Currently employee costs are $0.5M (3.3%) favourable year-to-date, due to savings made by minimising use of agency staff at Residential Care facilities, other departmental vacancies which are currently being filled and the timing of leave taken.

Materials Services & Contracts

Favourable year to date variance of $387k (0.3%) includes the following major variances:

The following favourable variances are of a timing nature only:

- Materials and Other Costs $106k;
- Cleaning Expense $46k;
- Promotions and Marketing $27k;
- External Printing $16k;
- Telephone Expense $28k;
- Other Administration Costs $108k;
- Contractors $41k; and
- Finance and Legal Costs $61k.

The above favourable variances are partially offset by over expenditure of a timing nature only in:

- Computer Maintenance Costs $11k;
- Utilities $11k; and
- Equipment maintenance $8k.

STANDARD STATEMENT OF CASH FLOWS

The Cash Flow Statement shows Council’s cash position at the end of September 2010 to be $3.1M favourable when compared with the phased cash flow budget. The reasons for this result are outlined below.

Operating Activities

Largely of a timing issue only, an unfavourable cash position from operating activities of $384k primarily represents the following:

- lower than budgeted year-to-date capital grants and contributions ($1.9M), related to Batesford Reserve and Princes Highway funding received in 09/10 year ($2.08M), and unbudgeted amounts received ($156k);
- lower than budgeted operating grants and contributions ($84k);
- higher than forecast year-to-date payments for Materials, Services and Contracts ($406k), primarily reflecting cash payment of 2009/10 accrued invoices; and
- higher than forecast year-to-date borrowing costs ($39k).

These unfavourable variances are offset by:

- unbudgeted year-to-date Capital Grants and Contributions ($605k);
- higher than budgeted interest revenue ($55k);
- higher than forecast cash payment of Charges, Fees and Fines ($433k), predominantly related to income received in advance;
- favourable year-to-date net GST paid position ($914k); and
- lower than forecast employee costs ($491k).

Investing Activities

The unfavourable variance of $0.9M is primarily due to timing of payments for plant and equipment.
Financing Activities

The unfavourable YTD position of $0.2M is due to refundable deposits for residential care 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 2010.

STANDARD STATEMENT OF CAPITAL WORKS

The purpose of this Statement is to show progress against the adopted 2010/11 Capital Budget. As at 30 September 2010, Council had expended 21% of the Base & New Capital Works budget, and 23% 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.