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Financial Summary

For the period 1 July 2021 to 30 September 2021

OPERATING EXPENDITURE

YTD Actual

The Operating result for the period ended 30 September 2021 is a deficit of \$3.5M. The actual result is unfavourable to the forecasted deficit of \$2.8M by \$718K primarily due to storm related costs.

The operating result is represented by:

Income: favourable variance to budget of \$671K – mainly due to two operating grants received which were not budgeted for. These include the 4th milestone grant payment of the Working for Victoria program (\$433K) was received from Department of Jobs, Precincts and Regions and, storm and flood assistance grants (\$317K) received from Department of Justice.

Expense: unfavourable variance to budget of \$1.4M – mainly due to significant expenditure on materials and consumables (unfavourable variance of \$1.1M). The storm event 9 June 2021 incurred \$1.6M clean up expenses. The natural disaster expenses were the major factor of unfavourable variance. Additionally, expenditure on employee costs was also higher than budget by \$471K due to the fully funded government incentive program, Working for Victoria. This additional expenditure is offset via grant payments.

CAPITAL

YTD Actual

Capital works expenditure for the period ended 30 September 2021 is \$4.4M, this is \$780K behind the YTD budget of \$5.2M. The variance is mainly due to the COVID-19 construction industry restriction, which caused the delay of several infrastructure and IT network projects. Further details on these variances are provided in the Capital Works Statement.

Forecast

The original budgeted capital works program for 2021/22 is \$44.2M. The projected forecast capital works for the full year is \$49.1M. The increase in forecast is due to the inclusion of carry forward projects from 2020/21.

CASH POSITION

As at 30 September 2021, cash and cash equivalent balance and investments balance were \$34.669M.

FOR SUMMARY

Represented by:

Cash and cash equivalents (\$'000)	5,390
Investments (\$'000)	<u>29,279</u>
	<u>34,669</u>

Financial Statements

Income Statement for the period 1 July 2021 to 30 September 2021.

	Note	YTD ACTUAL \$'000	YTD FORECAST \$'000	YTD VARIANCE \$'000	ANNUAL FORECAST \$'000	ANNUAL ORIGINAL BUDGET \$'000	VARIANCE (Annual Forecast vs Original Budget) \$'000
INCOME							
Rates and charges		11,685	11,757	(72)	46,777	46,777	-
Statutory fees and fines		278	300	(22)	1,006	1,006	-
User fees		729	772	(43)	4,955	4,955	-
Grants - operating	1	2,511	1,625	886	6,947	6,947	-
Grants - capital		32	32	0	12,618	10,883	1,735
Contributions							
- monetary	2	47	124	(77)	535	535	-
Contributions							
- non monetary		0	0	0	413	413	-
Net gain on disposal of PIPE		135	31	104	231	177	54
Other income	3	356	461	(105)	1,694	1,694	-
Total Income		15,773	15,102	671	75,176	73,387	1,789
EXPENSES							
Employee costs	4	7,449	6,978	(471)	28,317	28,317	-
Materials and consumables	5	7,524	6,411	(1,113)	24,769	23,440	1,329
Depreciation		3,435	3,649	214	14,599	14,599	-
Borrowing costs		3	6	3	71	71	-
Other expenses		895	873	(22)	3,088	3,090	2
Total Expenses		19,306	17,917	(1,389)	70,844	69,517	1,327
Net Surplus / (Deficit)		(3,533)	(2,815)	(718)	4,332	3,870	462

Income Statement – Income Variances

(Variances greater than \$100,000 and 5%)

YTD Actual to YTD Forecast Variances

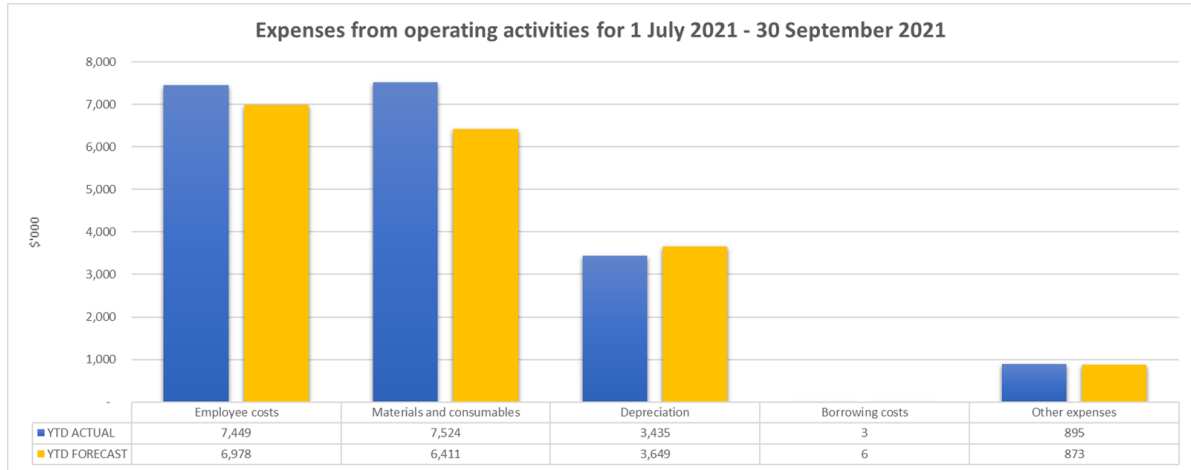


- 1. Favourable (\$886K) - Grants – operating:** The major contributors for the favourable variance were two operating grants received which were not budgeted for. These include the 4th milestone grant payment of the Working for Victoria program (\$433K) received from Department of Jobs, Precincts and Regions and storm and flood assistance grants (\$317K) received from Department of Justice.
- 2. Favourable (\$104K) - Net gain/(loss) on disposal of property, infrastructure, plant and equipment:** The favourable variance is due to the sale of a major plant in this period. The HINO truck was sold with the proceeds of \$90K. In addition, motor vehicles were sold during the pickle’s auctions, which also contributes to the proceeds of \$68K. The above sales of major plant and motor vehicles were not budgeted for in this quarter.
- 3. Unfavourable (\$105K) - Other income:** Other income relates to a range of items such as interest received, reimbursements, rental income, cost recoups and other miscellaneous income items. The unfavourable variance was mainly due to the term deposit investment interest received lower than budget by \$97K. It is likely this variance will continue and the forecast will be adjusted downwards.

Income Statement – Expense Variances

(Variances greater than \$100,000 and 5%)

YTD Actual to YTD Forecast Variances



4. Unfavourable (\$471K) - Employee costs: The government incentive program, "Working for Victoria", was undertaken to employ more part time staff to help the community in COVID-19 pandemic. The expenses were not included in the adopted annual budget and are fully grant funded.

5. Unfavourable (\$1.1M) - Materials and consumables:

- The storm event 9 June 2021 incurred \$1.6M clean up expenses, which was not budgeted for in the adopted original budget. The natural disaster expenses were the major factor of unfavourable variance. These expenses will be offset by additional grant claims against the project.
- The unfavourable variance was offset by several areas of materials and services where the actual expenses are lower than budget expense including Building Operational Works (\$68K), Garbage and Recycling Collections (\$75K), Parks and Gardens (\$281K) and Swimming Pools – Operational (\$68k)

Balance Sheet as at 30 September 2021

	Notes	YTD Actual September 2021 \$'000	YTD Actual September 2020 \$'000	Year over Year Variance \$'000	%	Original Budget June 2022 \$'000
Current Assets						
Cash and cash equivalents	1	5,390	8,638	(3,248)	-37.6%	2,088
Trade and other receivables	2	48,019	46,888	1,131	2.4%	7,155
Other financial assets	3	29,279	26,279	3,000	11.4%	12,000
Inventories		185	210	(25)	-11.9%	208
Other assets		40	10	30	100.0%	218
Total Current Assets		82,913	82,025	888	1.1%	21,669
Non-Current Assets						
Investments in associates and joint ventures		1,691	1,542	149	9.7%	1,541
Property, infrastructure, plant and Right-of-use-assets	4	588,639	560,503	28,136	5.0%	606,328
Investment property		615	619	(4)	-0.6%	620
Total Non-Current Assets		591,007	562,820	28,187	5.0%	608,574
TOTAL ASSETS		673,920	644,845	29,075	4.5%	630,243
Current Liabilities						
Trade and other payables	5	11,706	10,285	(1,421)	-13.8%	5,347
Trust funds and deposits		764	732	(32)	-4.4%	1,332
Provisions		6,938	6,063	(875)	-14.4%	5,999
Interest-bearing loans and borrowings	6	347	0	(347)	100.0%	1,333
Lease liabilities		71	5	(66)	-1320%	85
Unearned rates revenue		34,723	33,586	(1,137)	-3.4%	0
Total Current Liabilities		54,549	50,671	(3,878)	-7.7%	14,096
Non-Current Liabilities						
Provisions	7	4,766	4,582	(184)	-4%	4,411
Interest-bearing loans and borrowings	8	2,991	2,612	(379)	-15%	6,759
Lease liabilities		0	156	156	100%	0
Total Non-Current Liabilities		7,757	7,350	(407)	-5.5%	11,170
TOTAL LIABILITIES		62,306	58,021	(4,285)	-7.4%	25,266
NET ASSETS		611,614	586,825	24,792	4.2%	604,977
Equity						
Accumulated Surplus		239,941	228,574	11,367	5.0%	247,562
Asset Revaluation Reserve	9	371,184	357,976	13,208	3.7%	357,105
Other Reserves		489	273	216	79.1%	310
TOTAL EQUITY		611,614	586,825	24,792	4.2%	604,977

YTD Actual September 2021 to YTD Actual September 2020 Variances

1. **Unfavourable – Cash and cash equivalents (\$3.2M):** The cash and cash equivalents are invested as term deposit according to Council's investment policy. This variance is offset by Other financial assets, as more investments have terms over 90 days.
2. **Favourable – Trade and other payables (\$1.1M):** due to the higher rate receivable in this quarter.
3. **Favourable – Other financial asset (\$3M):** The level of investments with a maturity of greater than 90 days held at the end of September 2021 was higher than September 2020 by \$3M.
4. **Favourable – Property, Infrastructure, Plant and Equipment (\$28.1M):** due to the infrastructure and Plant & Equipment capitalisation of \$28.1M as at 30 June 2021.
5. **Unfavourable – Trade and other payables (\$1.4M):** Made up of higher unearned grant revenue by \$2.8M. The unearned grant revenue should correct itself during the year as the various capital projects are completed.
6. **Unfavourable – Current Interest-bearing loans and borrowings (\$347K):** Made up of the current portion of the Mirboo North Pool loan. No current liability for loans in September 2020.
7. **Unfavourable – Non-Current Provisions (\$184K):** due to a reclassification between current and non-current long service leave provision at 30 June 2021. Overall both current and non-current provisions have increased as a result of more leave being accrued than taken during COVID - 19.
8. **Unfavourable – Non-Current Interest-bearing loans and borrowings (\$379K):** Long-term portion of the Mirboo North Pool loan, construction drawings were converted to a loan in November 2020.
9. **Favourable – Asset Revaluation Reserve(\$13M):** The asset revaluation reserve increased by \$13M due to the value increase in building and property assessed by Council's internal valuer.

Statement of Cash flows for the period 1 July 2021 to 30 September 2021

	Notes	YTD Actual \$'000	Annual Forecast \$'000	Annual Original Budget \$'000	Full Year Forecast Variance \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Rates and charges		7,973	46,777	46,777	-
Statutory fees and fines		278	1,006	1,006	-
User fees		328	4,955	4,955	-
Grants - operating		2,511	6,947	6,947	-
Grants - capital	1	32	12,618	10,883	1,735
Contributions - monetary		47	535	535	-
Interest received		28	550	550	-
Other receipts		315	1,144	1,144	-
Employee costs		(7,008)	(28,207)	(28,207)	-
Materials and services	2	(7,585)	(24,770)	(23,441)	(1,329)
Other payments		(765)	(3,088)	(3,090)	2
Net cash provided by (used in) operating activities		(3,846)	18,467	18,059	408
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, infrastructure, plant & equipment	3	(4,423)	(49,165)	(44,283)	(4,882)
Proceeds from sale of property, infrastructure, plant & equipment		175	722	668	54
Payments for / from Other Financial Assets		3,000	17,000	4,000	13,000
Net cash provided by (used in) investing activities		(1,248)	(31,443)	(39,615)	8,172
CASHFLOWS FROM FINANCING ACTIVITIES					
Finance costs		(2)	(71)	(71)	-
Proceeds from borrowings		0	6,000	6,000	-
Repayment of borrowings		(58)	(1,245)	(1,245)	-
Repayment of leases		(23)	(83)	(83)	-
Net cash provided by (used in) financing activities		(83)	4,601	4,601	-
Net increase (decrease) in cash and cash equivalents		(5,177)	(8,375)	(16,955)	8,580
Cash and cash equivalents at the beginning of the financial year		10,567	10,567	19,043	(8,476)
Cash and cash equivalents at the end of the period		5,390	2,192	2,088	104

Full Year Forecast to Full Year Original 2021/22 Budget Variances:

- Favourable cash flows from Grants – Capital \$1.7M:** The favourable variance of capital grants comprises of the grant revenue increase from the Local Government Infrastructure Program (LGIP) (favourable variance of \$1.2M), Roads – Clancy's Road, Korumburra (favourable variance of \$228K) and Great Southern Rail Trail (favourable variance of \$202K).
- Unfavourable cash flows from materials and services (\$1.3M):** Due to additional projected materials and services of \$853K.
- Unfavourable cash flows from payments for property, infrastructure and plant & equipment \$4.8M:** Mainly due to the inclusion of carry forward projects from 2020/21. Projects IT capital work by \$1.2M, Leongatha Business Precinct Project - Bair Street by \$434K, Venus Bay Activity Centre Projects by \$273K and Port Welshpool Boat Ramp Car Park Enhancement Project – Local Road Community Infrastructure phase 2 by \$443K.

Capital Works

Capital Works Statement for the period 1 July 2021 to 30 September 2021

	YTD ACTUAL	YTD FORECAST	YTD Variance	ANNUAL FORECAST	ANNUAL ORIGINAL BUDGET
Note	\$'000	\$'000	\$'000	\$'000	\$'000
Property					
Buildings	1,171	1,236	65	15,781	15,108
Total Property	1,171	1,236	65	15,781	15,108
Plant and equipment					
Plant, machinery and equipment	203	206	3	2,919	2,919
Computers and telecommunications	1	187	785	2,077	956
Total Plant and Equipment	390	991	601	4,996	3,875
Infrastructure					
Roads	1,067	1,022	(45)	12,668	12,189
Bridges	(5)	0	5	0	0
Major culverts	4	4	0	615	256
Footpaths and cycleways	715	702	(13)	5,914	5,530
Drainage	0	0	0	462	475
Car parks	0	0	0	215	215
Land stabilisation	1	0	(1)	0	0
Waste	89	115	26	545	109
Other infrastructure	2	991	1,133	7,969	6,526
Total Infrastructure	2,862	2,976	114	28,388	25,300
Total Capital Works Expenditure	4,423	5,203	780	49,165	44,283

Capital Works Statement – Variances

YTD Actual to YTD Forecast Variances

- 1. Under budget – Computers and telecommunications (\$598K):** Due to the COVID-19 construction industry restriction, IT capital works were delayed, which includes GIS-public facing (\$83K), network infrastructure (\$85K), IT innovation (\$157K) and staff ecosystem (\$66K).
- 2. Under budget – Other infrastructure (\$142K):** Yanakie Caravan Park Capital works (\$105k) was behind schedule.

Financial Ratios

Underlying Result

Measures strength of financial result and compares recurrent income and expenditure. The underlying result does not include developer contributions, special rates income or recurring capital grants.

	Original Budget 2021/22
Underlying Result (\$'000)	(8,096)
Underlying Result %	-8.60%

The target for this financial indicator is > 0%. The underlying result % calculation excludes the capital grants revenue, which results in the deficit of \$8,096. This does not present any strategic concerns for future years, and all of the future years of the LFTP are currently in the green zone.

Underlying Working Capital Ratio

Measures ability to pay existing liabilities. It is calculated as current assets over current liabilities

	Original Budget 2021/22
Working Capital Ratio	1.43

The target for this financial indicator is > 1.25. Council has low risk of not being able to meet obligations when they are due.

Sustainability Index

Measures level of spending on assets. It is calculated as property and infrastructure renewal and upgrade spending over related depreciation.

	Original Budget 2021/22
Sustainability Index	2.23

The target for this financial indicator is > 1. Council has low risk that they are not spending enough on capital asset renewals and upgrades.

Indebtedness

Measures the ability to cover long term liabilities from own revenue. Calculated as non-current liabilities over own sourced revenue (not including grants or contributions).

	Original Budget 2021/22
Indebtedness	20.5%

The target for this financial indicator is < 60%. Council has low risk over the ability to repay debt from its own sourced revenue.

Debt as a % of Rate Revenue

Measures level of debt relative to rate income. Calculated as interest bearing loans and borrowings over rate income.

	Original Budget 2021/22
Debt as a % of Rate Revenue	17.3%

The target for this financial indicator is < 60%. Council has a reasonable reliance on rate revenue to fund debt.

Debt servicing costs as a % of Total Revenue

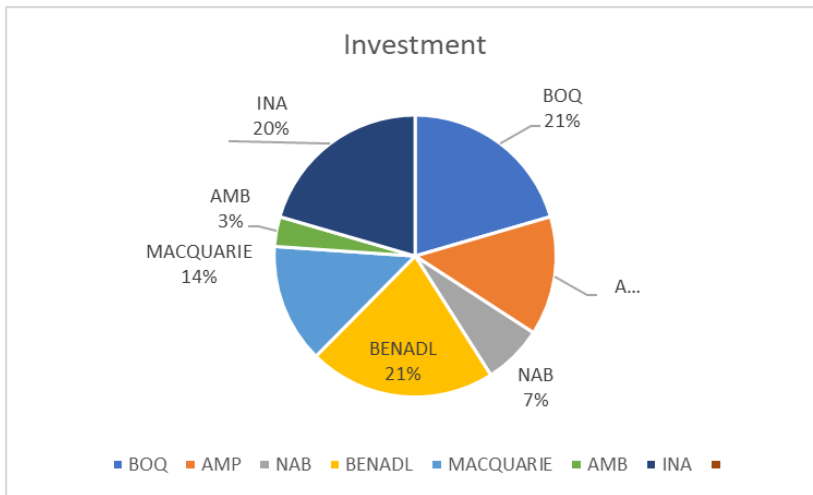
Measures portion of revenue committed to fund debt finance costs.

	Original Budget 2021/22
Debt servicing costs as a % of Total Revenue	0.09%

The target for this financial indicator is <5%. Council has an appropriate proportion of total revenue to fund debt finance costs.

Cash and Investments

		\$'000
Cash	General Bank Accounts	4,093
	Call Accounts and term deposits	1,295
	Petty Cash / Floats	4
		5,390
Investments	BOQ	6,000
	AMP	4,000
	NAB	2,000
	BENADL	6,278
	MACQUARIE	4,000
	AMB	1,000
	INA	6,000
		29,279



Average current interest rate on the term-deposits held is 0.45%.

Appendix 1 – Income Statements by Directorate

Income Statement – Performance & Innovation

	YTD Actual \$'000	YTD Forecast \$'000	YTD Variance \$'000	Forecast to 30 June 2022 \$'000	Original Budget 2021/22 \$'000
INCOME					
Rates and charges	10,708	10,790	(82)	42,882	42,882
Statutory fees and fines	13	19	(6)	76	76
Grants - operating	1 1,296	849	447	3,608	3,608
Contributions - non-monetary	-	-	-	413	413
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2 (28)	(123)	95	(491)	(491)
Other income	3 86	188	(102)	981	981
Total Income	12,075	11,723 ✓	352	47,469	47,469
EXPENSES					
Employee costs	3,076	3,048	(28)	11,250	11,250
Materials and consumables	2,096	1,947	(149)	3,732	3,732
Depreciation	3,220	3,422	202	13,687	13,687
Borrowing costs	3	6	3	71	71
Other expenses	400	435	35	2,091	2,091
Total Expenses	8,795	8,858 ✓	63	30,831	30,831
Surplus / (Deficit)	3,280	2,865 ✓	415	16,638	16,638

YTD Actual to YTD Forecast Variances

- 1. Unfavourable – Rates and Charges:** The rates revenue is aligned with the budget in this quarter, which generates \$10.6M rates and charges and \$983K waste services. The major contributor to the unfavourable variance is the interest on rates & charges, which is lower than budget by \$81K.
- 2. Favourable – Grants – operating:** The favourable variance is mainly due to the 4th Milestone of Working for Victoria Grant (\$433K) received from Department of Jobs, Precincts and Regions which is fully offset by employee costs in Sustainable Infrastructure and Economic and Community Development.
- 3. Unfavourable – other income:** Other income relates to a range of items such as interest received, reimbursements, rental income, cost recoups and other miscellaneous income items. The unfavourable variance was mainly due to the term deposit investment interest received lower than budget by \$97K.

Income Statement – Economic and Community Development

	YTD Actual \$'000	YTD Forecast \$'000	YTD Variance \$'000	Forecast to 30 June 2022 \$'000	Original Budget 2021/22 \$'000
INCOME					
Statutory fees and fines	267	262	5	853	853
User fees	282	316	(34)	1,857	1,857
Grants - operating	1 678	278	400	1,236	1,236
Contributions - monetary	47	123	(76)	491	491
Other income	11	17	(6)	128	128
Total Income	1,285	996	289	4,565	4,565
EXPENSES					
Employee costs	2 1,914	1,675	(239)	7,195	7,195
Materials and consumables	3 1,969	355	(1,614)	2,527	1,692
Depreciation	1	0	(1)	3	3
Other expenses	90	55	(35)	456	456
Total Expenses	3,974	2,085	(1,889)	10,181	9,346
Surplus / (Deficit)	(2,689)	(1,089)	(1,600)	(5,616)	(4,781)

YTD Actual to YTD Forecast Variances

- Favourable – Grants – operating:** Due to receiving a number of grants that were not budgeted for, including storm and flood assistance grants (\$317K) received from Department of Justice.
- Unfavourable – Employee Costs:** It is due to a new government incentive program, "Working for Victoria" was undertaken. Council employed more part time staff and this employee cost was not included in the adopted annual budget. These expenses are offset by grant funding.
- Unfavourable – Materials and Consumables:** The storm event 9 June 2021 incurred \$1.6M clean up expenses, which was not budgeted for in the adopted original budget. The natural disaster expenses were the major factor of unfavourable variance. Council can claim these costs to be reimbursed through future grant claims.

Income Statement – Chief Executive Office

	YTD Actual \$'000	YTD Forecast \$'000	YTD Variance \$'000	Forecast to 30 June 2022 \$'000	Original Budget 2021/22 \$'000
INCOME					
Grants - operating	0	0	0	0	0
Other income	0	0	0	0	0
Total Income	0	0	0	0	0
EXPENSES					
Employee costs	267	254	(13)	1,117	1,117
Materials and consumables	60	78	18	410	410
Other expenses	5	0	(5)	36	36
Total Expenses	332	332	0	1,563	1,563
Surplus / (Deficit)	(332)	(332)	0	(1,563)	(1,563)

Income Statement – Sustainable Infrastructure

	YTD Actual \$'000	YTD forecast \$'000	YTD Variance \$'000	Forecast to 30 June 2022 \$'000	Original Budget 2021/22 \$'000
INCOME					
Rates and charges	976	967	9	3,896	3,896
Statutory fees and fines	(3)	19	(22)	77	77
User fees	447	456	(9)	3,099	3,099
Grants - operating	537	498	39	2,103	2,103
Grants - capital	32	32	0	12,618	10,883
Contributions - monetary	0	1	(1)	45	45
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	163	154	9	722	668
Other income	258	253	5	586	586
Total Income	2,410	2,380	30	23,146	21,357
EXPENSES					
Employee costs	1	2,192	2,000	(192)	8,755
Materials and consumables	2	3,399	4,031	632	18,100
Depreciation		214	227	13	909
Other expenses		400	382	(18)	507
Total Expenses	6,205	6,640	435	28,271	27,778
Surplus / (Deficit)	(3,795)	(4,260)	465	(5,125)	(6,421)

YTD Actual to YTD Forecast Variances

- 1. Unfavourable – Employee Costs:** It is due to a new government incentive program, "Working for Victoria" was undertaken. Council employed more part time staff and this employee cost was not included in the adopted annual budget, however is fully grant funded.
- 2. Favourable – Materials and consumables:** The area where the materials and consumables expenses were lower than budget includes Garbage and Recycling collections (\$75K favourable variance), Swimming Pool – Operational (\$68K favourable variance), Park and Garden (\$281K favourable variance) and Building Operational Works (\$68K favourable variance).