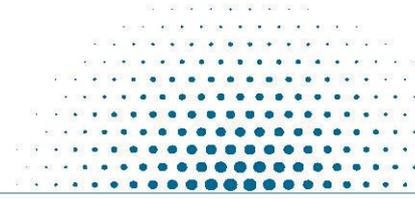


Quarterly Finance Report

For the 3 months ended 30 September 2016



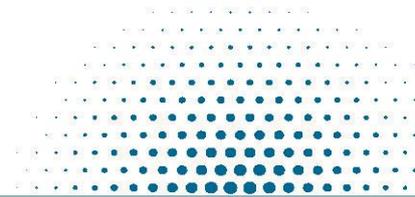
Quarterly Finance Report

For the 3 months ended 30 September 2016



Quarterly Finance Report

For the 3 months ended 30 September 2016



1. Overview

The September Quarterly Financial Report outlines the financial results for the 3 months ended 30 September 2016 along with a comparison to the Q1 forecast and Annual budget. This report includes the following:

- Income Statement;
- Statement of capital works;
- Balance sheet;
- Statement of Cash flows;
- Cash and investments schedules;
- Outstanding debtors; and
- Councillor expenses report.

The current financial position needs to be read in the context of Council's longer term financial plan contained within the 2016/17 Budget and Strategic Resource Plan (SRP).

This report represents 3 months of business in the 2016/17 year. Council's forecast underlying result is now predicting a deficit of \$3.29M compared to the budgeted deficit of \$2.12M. The main reason for this change is due to an increase in expenditure in the Q1 forecast to the value of \$1.06M. This increase relates to spending that was originally planned for in 2015/16 but not spent and therefore carried over to 2016/17. It is important to note that when the 2016/17 budget was set it was based on information available in December 2015 (Q2 forecast). It should also be noted that the 2015/16 underlying deficit was less than predicted due to these funds being carried forward. The final year end results for 2015/16 incorporate the effect of additional grant revenue from successful grant funding applications during the 3rd and 4th quarters, progress of part delivery of grant funded projects and major multi-year projects and a staffing restructure that do not always correlate to a financial year. A break up of these carried over costs, are listed below:

- \$398K in grants from state and commonwealth that were received but not spent during 2015/16;
- \$73K unspent council contribution towards grants received in 2015/16;
- \$272K unspent strategic planning projects budgeted in 2015/16; and
- \$315K final staff costs relating to an organisational restructure implemented at the end of 2015/16.

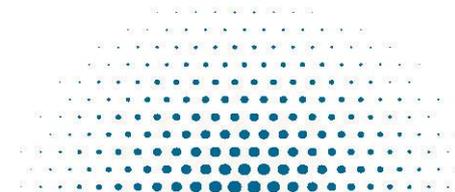
The above costs were identified and reported in the 2015/16 Q4 finance report. The remaining operational savings achieved during 2015/16 have been directed towards rebuilding Council's cash balances to increase reserve coverage.

Overall the Q1 forecast underlying deficit is \$100K worse off than the budget. This will be revisited with a view to improvement in the Q2 forecast.

Council's working capital and unrestricted cash ratios have improved, however are our cash levels still need to be increased to cover all restrictions. These ratios are distorted in the year to date results which show higher cash balances due to incomplete prior year capital works projects which are forecast to be completed in 2016/17 as well as unspent grants and strategic planning projects from 2015/16.

Quarterly Finance Report

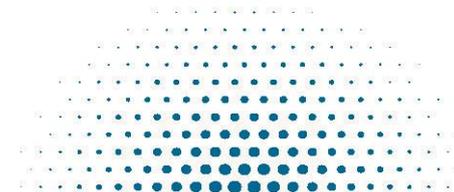
For the 3 months ended 30 September 2016



Council is conscious of the need to provide services and infrastructure to our growing Community as well as needing to renew Council's existing assets. Work is currently underway to incorporate a further \$2M reduction in net operating costs to be implemented in the 2017/18 budget. This will continue to move underlying deficits towards surplus and improve cash holdings to ensure we are able to meet the needs of the Shire in the long term. Further net cost reductions are planned to constrain future rate increases to meet the rate capping framework and this will mean services that Council provides will need to be reconsidered and reprioritised in consultation with our community.

Quarterly Finance Report

For the 3 months ended 30 September 2016



2. Financial Statements

The underlying result seen in the Income Statement is the net surplus for the year adjusted for non-recurrent capital grants, non-monetary asset contributions and capital contributions from other sources. It is a measure of financial sustainability and Council's ability to achieve its service delivery objectives as it is not impacted by non-recurrent capital income items, which can often mask the operating result.

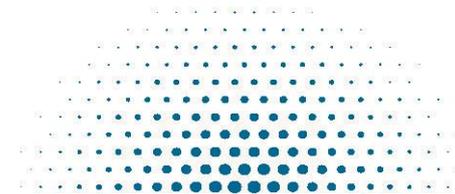
Analysis is detailed in the notes below.

Income Statement for the 3 months ended 30 September 2016

	Notes	Budget \$'000	Year to Date Actual \$'000	YTD %	Q1 Forecast \$'000	Budget v Q1 Forecast \$'000 Fav/(Unfav)
Revenues						
Revenue from ordinary activities						
Rates and charges	1	37,596	37,653	99%	37,854	258
Statutory fees and fines	2	488	152	28%	540	52
User fees	3	6,017	1,281	23%	5,502	(515)
Grants - Operating	4	9,795	2,663	26%	10,267	472
Grants - Capital (Recurrent)		823		0%	823	-
Grants -Capital (Non Recurrent)	5	3,012	138	2%	6,044	3,032
Reimbursements		67	44	31%	144	77
Contributions - Monetary	6	3,380	6	0%	3,322	(58)
Contributions - Non monetary assets	7	10,000	-	0%	10,000	-
Other Income		649	189	27%	695	46
Net profit on disposal of property, infrastructure, plant and equipment	8	-	103	-	-	-
Total Income		71,827	42,228	56%	75,191	3,364
Expenses						
Expenses from ordinary activities						
Employee costs	9	22,820	6,109	27%	22,792	28
Materials and services	10	18,491	3,202	16%	20,200	(1,709)
Bad and doubtful debts		24	1	6%	18	6
Depreciation and amortisation	11	13,514	-	0%	13,514	-
Other expenses		1,630	253	16%	1,617	13
Borrowing Costs	12	1,075	209	21%	976	99
Total Expenses		57,554	9,773	17%	59,117	(1,563)
Net Surplus/(Deficit)		14,273	32,455	202%	16,074	1,801
Underlying Result Adjustment:						
Contributions - Non monetary		10,000	-	0%	10,000	-
Contributions - Cash		3,380	6	0%	3,322	58
Grants & Contributions Capital Non Recurrent		3,012	138	2%	6,044	(3,032)
Total Underlying Adjustment		16,392	144	1%	19,366	(2,974)
Net Underlying Surplus/(Deficit)		(2,119)	32,311		(3,292)	(1,173)

Quarterly Finance Report

For the 3 months ended 30 September 2016



Note 1 – Rates and Charges

Council raised rates of \$37.65M in rates and charges when the annual general rates assessment was processed. This is higher than the adopted budget due to growth in rateable properties processed at the end of last financial year. Supplementary rates are recognised throughout the year and are still forecast to be \$220K for 2016/17 in line with the adopted budget. Amounts not yet paid are included in current assets as rates debtors.

Note 2 – Statutory fees and fines

Statutory fees and fines relate to fees and fines levied in accordance with legislation and include Public Health and Wellbeing Act 2008 registrations, animal control, parking fines as well as town planning permits and subdivision fees. Statutory fees are forecast to be \$540K which is \$52K higher than budgeted. This is primarily the result of the estimated effect on revenue of the recent State Government announced increases to statutory planning fees, effective October 2016.

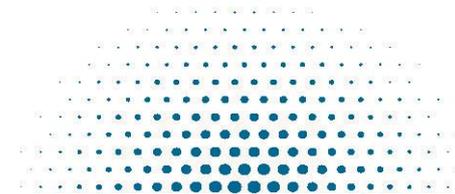
Note 3 – User fees

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include separate rating schemes, use of leisure, entertainment and other facilities and the provision of community services such as kindergartens. User fees are forecast to be \$5.50M which is \$515K less than budgeted. This is primarily due to a reduction in the landfill gate fees forecast of \$450K which is a reflection of current commercial usage of the facility. Other reductions to forecast user fees include \$42K for leisure centres due to programs not running at Wallan and Broadford and \$28K reduction in estimated Community compliance infringements.

Note 4 – Operating Grants

Operating grants include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services. Overall the level of operating grants is forecast to increase by \$472K compared to the budget. This increase is mainly attributed to additional grant funding in relation to:

- \$71K Victorian Grants Commission Financial Assistance Grant allocation;
- \$170K estimate in relation to recent floods (at this stage \$200K expenditure has been estimated in the Q1 forecast);
- \$60K Broadford Living and Learning Centre which Council has recently assumed responsibility for running and upkeep;
- \$47K Kilmore flood mitigation project (representing the final grant payment deferred from 2015/16);
- \$26K Childrens services (based on current enrollments);
- \$15K Heathcote rail trail; and
- \$11K Tallarook farmers market (note a further \$19K has been received in relation to capital improvements and is allocated to non-recurrent capital grants).



Note 5 – Non-recurrent Capital Grants

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. The regular (5 year agreed value) for the Roads to Recovery (R2R) program of \$823Kpa has been included in recurrent capital grants. All other capital grants have been included as non-recurrent capital grants (including R2R funding over the base allocation). Non-recurrent capital grants are removed from the underlying result as they are not regular in nature.

In recent years, Mitchell Shire has been fortunate to have received significant grant funding for capital works projects for the creation, upgrade or expansion of infrastructure assets that benefit our growing community. As a relatively small shire, located in Melbourne's growth corridor, Mitchell is heavily reliant on other levels of government to fund new infrastructure projects.

Non-recurrent capital grant income for the year is forecast to be \$6.04M which is \$3.03M higher than budget. This is a result of:

- A higher than forecast deferral of capital works projects from 2015/16 to 2016/17, which effects the timing of grant income. As a result, \$2M in grant income (including additional \$275K funding for bridges which was not included in the Q3 forecast) is now forecast to be received in 2016/17 for the 2015/16 capital works program; which is offset by
 - grants received in advance in 2015/16 for the 2016/17 program of \$512K;
- Additional grant funding of \$1.55M:
 - \$1.08M Blackspot program;
 - \$350K Mt Piper Kindergarten Maternal and Child Health Centre;
 - \$90K Wallan Bowling Club synthetic green;
 - \$19K Tallarook Farmers market (capital portion); and
 - \$10K Premiers reading challenge.

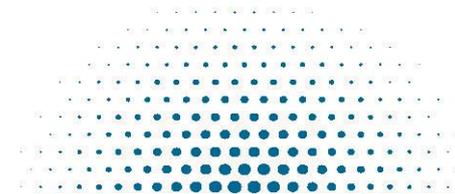
Note 6 – Contributions – Monetary

Contributions relate to monies paid by developers in regard to public recreation, drainage and car parking and other infrastructure in accordance with planning permits issued for property development. These contributions can only be used for specific purposes and monies collected are to be directed towards new capital in the townships (or inline with a developer contribution plan (DCP) or section 173 agreement) in which the contributions were collected. These contributions are tracked via statutory reserves. Any unspent contributions are transferred into reserves for the township or DCP to which they relate.

Although minimal cash contributions have been received in the 1st quarter, current forecast estimates remain in line with the budget.

Note 7 – Contributions – Non Monetary

Developer Contributions (non-cash) are those assets that form part new developments that are given to Council at handover for ongoing maintenance (e.g. roads, drainage and open space). Accounting Standards require non-cash developer contributions to be shown as income. Although the value of these assets is counted as income and adds to the surplus shown on the income statement, this income cannot be used to perform the services Council provides to the Community. As such this income is removed from



the adjusted underlying result, to show a truer reflection of Council's ability to fund the services it provides and assets it must maintain.

The timing of the transfer of assets is difficult to estimate, however at this stage forecast estimates remain in line with budget although no transfers have been effected in the 1st quarter.

Note 8 – Profit / Loss on disposal of infrastructure, property, plant and equipment

Profit or loss on disposal of assets is an accounting reflection which recognises the difference between accounting book value (written down value) and sale proceeds in relation to disposed assets. The budget and forecast estimate that assets will be sold at roughly their book value and therefore shows no profit or loss on assets sold. The year to date result of \$103K reflects only sale proceeds and not the final adjustments for sale of plant and equipment.

Note 9 - Employee Costs

Employee costs are currently forecast to be \$22.79M which is \$28K less than budget. A significant staff restructure was undertaken in the last quarter of the financial year in order to implement a reduction in operating costs into the future, in line with the savings targets highlighted in this year's Budget. The current forecast incorporates redundancy costs of \$315K (funds were set aside to include these increased costs in 2016/17 from savings realised in 2015/16). The forecast remains less than budget despite these costs due to vacancies during the 1st quarter, note however that contract labour of \$199K for the backfill of some positions is included in materials and services below.

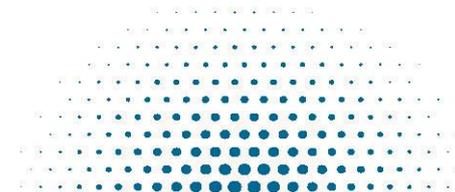
Note 10 – Materials and Services

Materials and Services expenditure is forecast to be \$20.2M for the year, which is \$1.71M higher than budget. The major variances include:

- \$743K relates to expenditure to be carried over to 2016/17 from 2015/16 being:
 - \$398K unspent government grants at year end;
 - \$73K unspent Council contributions in relation to grant funded projects; and
 - \$272K in relation to Strategic planning projects (structure plans / growth area planning);
- \$200K estimated expenditure in relation to repair work required following recent flood events (note \$170K grant funding has also been forecast which will offset this increase);
- \$77K Expenditure associated with new operational grant funded programs;
- \$199K Contract labour to backfill vacancies; and
- \$240K for legal costs for a historical claim (currently investigating recovery options).

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Note 11 – Depreciation and Amortisation

Depreciation is an accounting measure which attempts to allocate the value of an asset over its useful life for Council's property, plant and equipment including infrastructure assets such as roads and drains. The depreciation expense for the year ended 30 June 2016 was \$14.73M.

An initial external review of asset depreciation and renewal modelling was undertaken in the second half of 2015/16. Both short and medium term recommendations for improvement to the asset management system were identified and are currently being actioned.

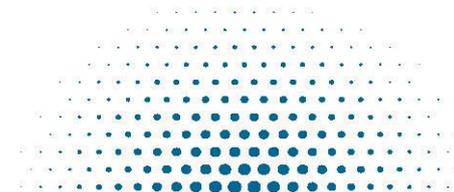
No depreciation has been processed for the quarter and forecasts have been held constant with the budgeted projections as further review of the asset management processes, systems and database are undertaken.

Note 12 – Borrowing Costs

Borrowing costs relate to interest charged by financial institutions on funds borrowed. The 2016/17 budget includes new borrowings of \$7.41M to fund the strategic land purchase in the South of the shire (\$5M), Council's contribution towards stage 2 and 3 of the Seymour flood levee project (\$910K) and Council's contribution towards Mandalay Community Centre stage 1 (\$1.5M). As these projects have yet to occur, part of the interest costs associated with planned new borrowings has forecast down by \$99K. This will be revised each quarter to reflect the timing of borrowing requirements.

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For the 3 months ended 30 September 2016



Statement of Capital Works for the 3 months ended 30 September 2016

Asset Class	Notes	Budget \$'000	Year to Date Actual \$'000	YTD %	Q1 Forecast \$'000	Budget v Q1 Forecast \$'000 Under/(Over)
Land		7,480	0	0%	7,480	-
Land under roads		-	-	-	-	-
Buildings		7,200	1,490	18%	8,326	(1,126)
Bridges		368	65	6%	1,038	(670)
Drainage		295	15	5%	312	(17)
Footpaths & Kerb & Channel		520	7	1%	642	(122)
Roads		2,715	244	6%	4,205	(1,490)
Waste		2,000	84	4%	2,389	(389)
Recreational Reserves and Parks		2,465	532	17%	3,154	(689)
Plant and Machinery		435	7	1%	829	(394)
Motor Vehicles		775	328	26%	1,263	(488)
Furniture & Equipment		150	-		150	
IT Equipment & Software		580	7	1%	775	(195)
Library Books		150	60	37%	160	(10)
Other Capital		50	13	15%	85	(35)
Sub Total	13	25,183	2,850	9%	30,808	(5,625)
Renewal		7,158	752	9%	8,669	(1,511)
Upgrade		1,120	216	6%	3,331	(2,211)
Expansion		20	26	6%	419	(399)
New Assets		16,885	1,856	10%	18,389	(1,504)
Sub Total		25,183	2,850	9%	30,808	(5,625)

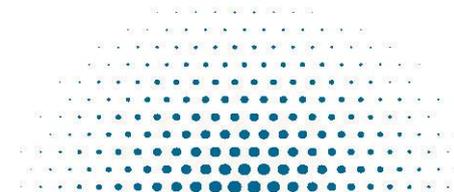
Note 13 - Capital Works Expenditure

The capital works expenditure for the year 3 months ended 30 September 2016 was \$2.85M. This represents 9% of the total works program (including new projects that have recently been added to the program as a result of successful funding applications). The total capital works expenditure forecast for the year is \$30.81M, this is higher than forecast by \$5.63M. The main increase to the program for the year results from:

- \$3.87M - The final capital works carry forward was \$12.97M which is \$3.87M higher than the Q3 estimate of \$9.10M. The final listing of carried forward projects was included in the June 2016 quarterly finance report. It should be noted that Council's capital works program was increased by \$5.1M during the 2015/16 financial year as a result of successful grant applications which has contributed to the high year end capital works carry forward.
- \$1.64M Additional grant funding for:
 - \$90K Wallan Bowling Club synthetic green (Council as auspicing party);
 - \$90K Greenhill netball court development (Council as auspicing party);
 - \$19K Tallarook Farmers Market (capital portion);
 - \$350K Mt Piper Kindergarten Maternal and child health centre;
 - \$1.08M Blackspot funding (\$166K Rutledge St Kilmore, \$280K Darraweit Rd Wallan, \$445K Sugar Loaf Creek Rd Broadford and \$188K Broadford-Glenaroua Rd Broadford); and
 - \$9.6K Premier's reading challenge 2016/17; and
- \$50K Tennis and netball club surface renewal (club contribution).

Quarterly Finance Report

For the 3 months ended 30 September 2016



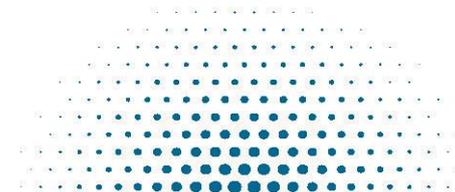
Balance Sheet as at 30 September 2016

Notes	Budget	Actual	YTD	Q1	Budget v
	\$'000	September		Forecast	Q1 Forecast
		\$'000	%	\$'000	\$'000
Assets					
Current assets					
Cash Assets	12,704	19,292	115%	16,825	4,121
Receivables	6,014	38,096	575%	6,626	612
Inventories	130	151	101%	150	20
Prepayments	222	-	0%	661	439
Financial Assets	-	-	-	-	-
Total current assets	19,070	57,539	237%	24,262	5,192
Non-current assets					
Receivables	23	23	100%	23	-
Investments	5	5	101%	5	-
Fixed Assets	469,135	446,214	95%	467,248	(1,887)
Total non-current assets	469,163	446,242	95%	467,276	(1,887)
Total Assets	488,233	503,781	102%	491,538	3,305
Liabilities					
Current liabilities					
Payables	3,647	1,963	35%	5,623	(1,976)
Trust Funds	2,209	6,194	197%	3,140	(931)
Provisions	5,736	5,374	100%	5,384	352
Interest bearing liabilities	1,908	952	50%	1,908	-
Total current liabilities	13,500	14,483	90%	16,055	(2,555)
Non-current liabilities					
Provisions	2,959	5,460	178%	3,060	(101)
Payables	-	-	-	-	-
Interest bearing liabilities	17,296	12,246	71%	17,318	(22)
Total Non-current liabilities	20,255	17,705	87%	20,378	(123)
Total Liabilities	33,755	32,188	88%	36,433	(2,678)
NET ASSETS	454,478	471,592	104%	455,105	627
Represented by:					
Accumulated Surplus	227,025	244,792	107%	229,633	2,608
Reserves	227,453	226,699	101%	225,472	(1,981)
Equity	454,478	471,592	104%	455,105	627

The balance sheet has been reviewed based on the final results for 30 June 2016, and adjusted for known changes in assumptions. The adopted budget was established using the 2014/15 end of year results as a basis. The balance sheet shows a net assets forecast of \$455.1M at 30 June 2017, which is greater than budget by \$627K. This positive variance is due mainly to an improvement to the cash position compared to budget, offset by a reduction to fixed assets (due to \$1.8M less than budgeted non-cash contribution of assets from developers by way of roads and drainage infrastructure in 2015/16).

Quarterly Finance Report

For the 3 months ended 30 September 2016



Interest bearing liabilities (Debt)

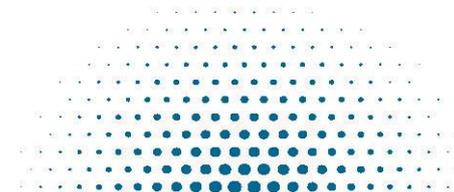
The adopted 2016/17 budget and 2017-20 SRP outline borrowings for capital projects that have long term intergenerational benefits that would otherwise be unable to be funded by Council. The future proposed borrowings relate to strategic land purchases in the South of the Shire, Seymour flood levee project and Developer Contribution Plan obligations.

The forecast for Council's loan balances and indebtedness ratios are in line with budget. The lower September indicator reflects that although borrowings are budgeted for in 2016/17, they have yet to be called upon due to the timing of the associated capital projects. Proposed borrowings in the future will impact this ratio.

Key Performance Indicators - Indebtedness ratio:	September Actual	Budget 2016/17	Q1 Forecast	SRP 2017/18	SRP 2018/19	SRP 2019/20
Loans and Borrowings Indicator (Borrowings / Rate Revenue)	 35%	 51%	 51%	 51%	 49%	 46%
Indebtedness Ratio (Non Current Liabilities / Own Source Revenue)	 45%	 45%	 45%	 40%	 38%	 35%

Quarterly Finance Report

For the 3 months ended 30 September 2016



Statement of Cash Flows for the 3 month period ended 30 September 2016

	Budget	Year to Date Actual	YTD %	Q1 Forecast	Budget v Q1 Forecast
	\$ '000	\$'000		\$'000	Fav/(Unfav) \$'000
Cash from operating activities					
Rates	37,596	6,785	18%	37,854	258
Statutory fees and fines	488	152	28%	540	52
User Fees and other fines	6,017	1,453	26%	5,502	(515)
Grants	13,630	4,350	23%	18,587	4,957
Contributions	3,380	106	3%	3,322	(58)
Reimbursements	67	46	32%	144	77
Other receipts	649	48	7%	695	46
Payments to employees	(22,807)	(6,119)	27%	(22,779)	28
Supplier payments (Inc of GST)	(18,491)	(5,881)	29%	(20,200)	(1,709)
Other payments	(1,655)	(253)	15%	(1,635)	20
Net Cash from Operating Activities	18,874	828	4%	22,030	3,156
Cash flows from investing activities					
Payments for Property, Plant and Equipment	(25,183)	(4,024)	13%	(30,807)	(5,624)
Proceeds From Sale of Property, Plant and equipment	360	103	10%	1,012	652
Net Cash (Used In) Investing	(24,823)	(3,921)	13%	(29,795)	(4,972)
Cash flows from financing activities					
Finance Costs	(1,075)	(209)	21%	(976)	99
Trust funds and Deposits	-	3,054	-	-	-
Proceeds of borrowings	7,410	-	0%	7,410	-
Repayment of Borrowings	(1,698)	(315)	19%	(1,698)	-
Net Cash (Used In) Financing	4,637	2,530	53%	4,736	99
Change in cash held	(1,312)	(563)	19%	(3,029)	(1,717)
Cash and Term Deposits at the start of the year	14,016	19,855	100%	19,855	5,839
Cash and Term Deposits at the End of the Period	12,704	19,292	115%	16,826	4,122

Cash and Investments

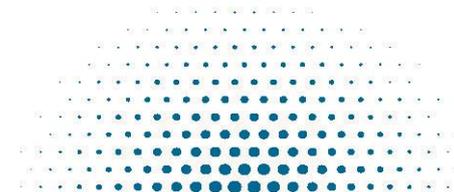
The cash and investments forecast for 30 June 2017 is \$16.8M, which is \$4.1M higher than the Budget mainly as a result of improved financial position from 2015/16 year end results, however the restrictions section below should be noted.

Restrictions on Cash and Investments

Council's working capital (current assets / current liabilities) and unrestricted cash to current liabilities are measures of Council's liquidity. Council's cash balances are currently at levels lower than recommended

Quarterly Finance Report

For the 3 months ended 30 September 2016



industry standards. Council will need to remain diligent in its planning and financial management to ensure cash balances can be improved in line with the longer term projections included in the Strategic Resource plan which returns cash holdings to more reasonable levels. The table below now shows future year projections included in the 2016/17 Budget and 2017-2020 SRP.

Restrictions on Cash and Investments	Actuals	Actuals	Q1 Forecast	Budget 2016/17 and SRP 2017-2020			
	30/06/2016 \$'000	30-Sep-2016 \$'000	30-Jun-2017 \$'000	30/06/2017 \$'000	30/06/2018 \$'000	30/06/2019 \$'000	30/6/2020
Cash & Investments							
Cash at bank	4,355	7,292	6,825	12,707	14,637	16,628	17,283
Term Deposits	15,500	12,000	10,000				
Total Cash & Investments	19,855	19,292	16,825	12,707	14,637	16,628	17,283
Restrictions on Cash & investments							
Trust funds and deposits	3,140	6,194	3,140	2,209	2,209	2,209	2,209
Statutory Reserves	4,331	4,331	4,711	4,344	4,823	5,304	5,784
Unspent Grants	398	-	-				
Unspent Council contributions	73	-	-				
Unspent Strategic Planning project budget allocation	272	-	-				
Cash held to fund remaining restructure costs to be expended in 2016/17	250	-	-				
2016/17 Capital grants received in advance	512	-	-				
Cash held to fund Capital Carry Forwards	5,447	-	-				
Total Restricted Cash & Investments	14,423	10,525	7,851	6,553	7,032	7,513	7,993
Total Unrestricted Cash & Investments	5,432	8,767	8,974	6,154	7,605	9,115	9,290
Discretionary Reserves *	5,719	5,719	4,119	7,153	5,513	4,290	4,144
Unrestricted Cash after discretionary reserves	(287)	3,048	4,855	(999)	2,092	4,825	5,146

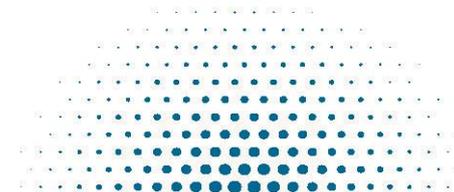
Key Performance Indicators - Liquidity ratios:														
Working Capital (current assets/current liabilities) Target band 120% to 200% ***	🟢	190%	🟢	397%	🟢	151%	🟢	142%	🟢	153%	🟢	195%	🟢	184%
Total Cash & investments / current liabilities	🟢	129%	🟢	133%	🟢	105%	🟢	94%	🟢	106%	🟢	141%	🟢	134%
Unrestricted cash / current liabilities Target band 50% to 100% (including restrictions from discretionary reserves) ***	🔴	-2%	🔴	21%	🔴	30%	🔴	9%	🟡	32%	🟢	60%	🟢	57%

The revised unrestricted cash balance forecast takes into account the difference from 2015/16 forecast and year end results.

The 2015/16 ratios would have been lower had the capital works program and strategic planning projects been completed and not carried forward.

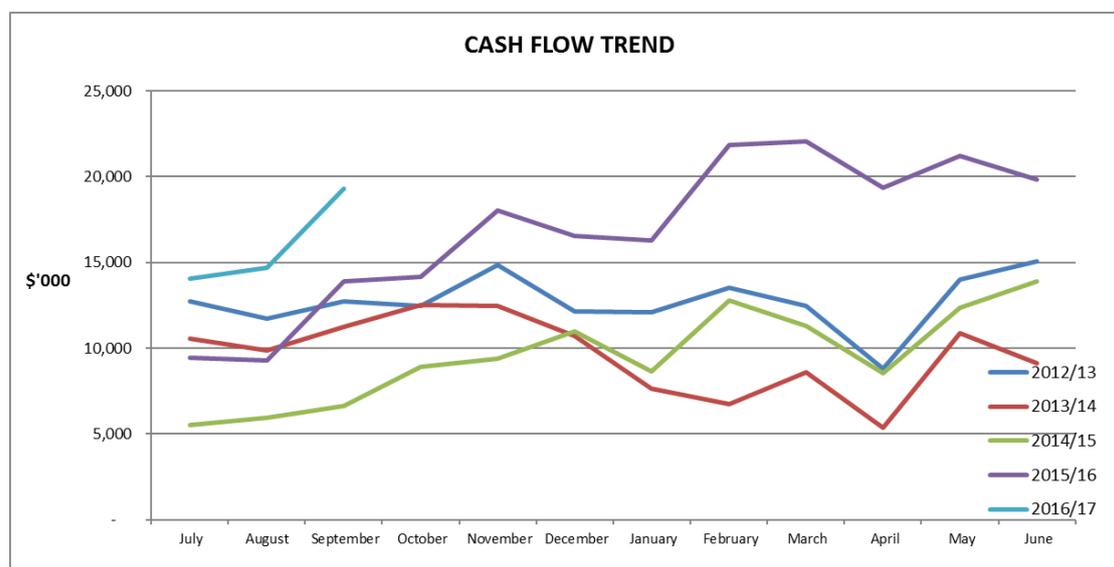
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Cash Flow Trend

The following graph shows the monthly balances of cash and investments combined over time. Cash and term deposits held at 30 September 2016 were \$19.29M. The increasing trend is the result of unspent capital works as well as increased cash holdings to cover restrictions (including reserves).



Investment mix

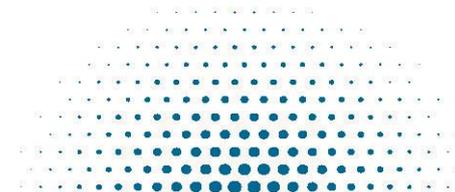
Council invests funds held in Trust and Reserves in short to medium term investments such as term deposits. All investments are made in accordance with the Local Government Act 1989 and are made with APRA (Australian Prudential Regulation Authority) approved financial institutions.

As at 30 September 2016 investments consisted of the following term deposits:

Institution	Maturity Date	Amount \$
Commonwealth Bank	20/10/2016	2,000,000
Commonwealth Bank	21/11/2016	2,000,000
National Australia Bank	19/12/2016	2,000,000
National Australia Bank	25/12/2016	2,000,000
Bendigo and Adelaide Bank	22/03/2017	2,000,000
Bendigo and Adelaide Bank	28/06/2017	2,000,000
Total		12,000,000

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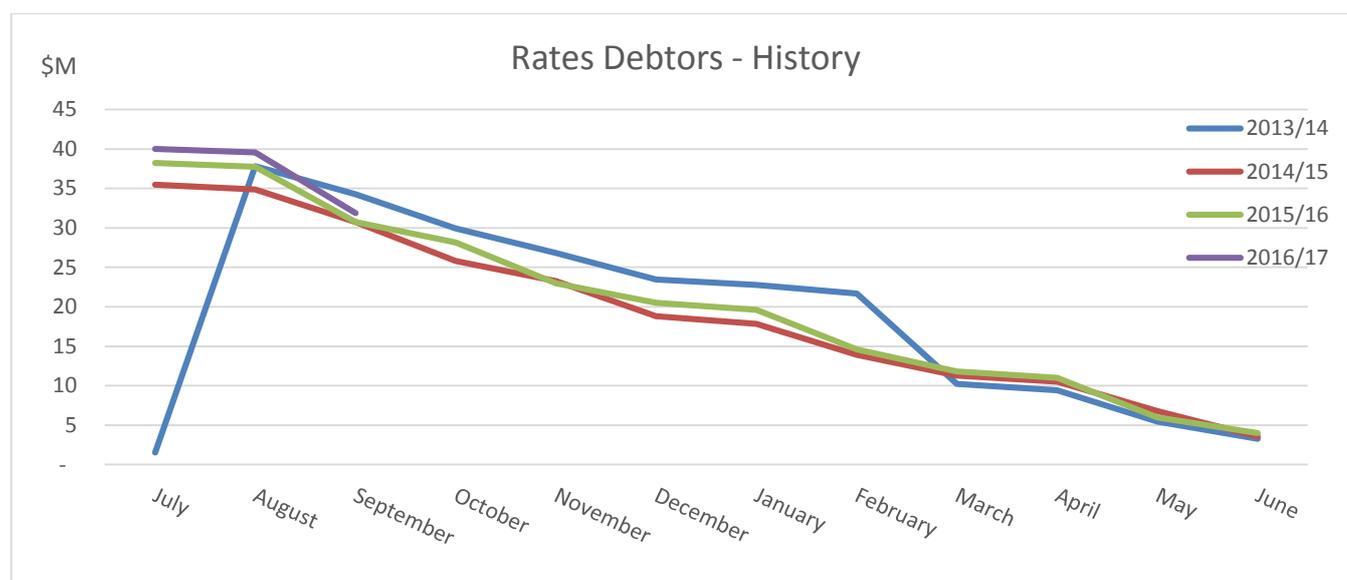
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Rates and other debtors

As at 30 September 2016, Council's outstanding rates debtors were \$34.97M (including Fire Services Levy collected on behalf of the State Government). Of this, \$30.15M is not yet due, \$2.9M represents overdue rates from prior years (\$1.49M currently with Council's debt collection agency), and \$2M overdue in relation to current year rates.

Reducing outstanding rates debtors will remain a continued focus with a view to drive down the outstanding balances to more acceptable levels.



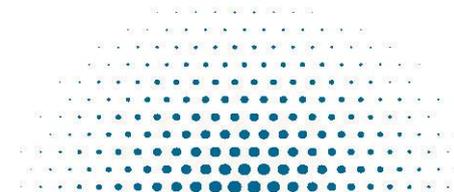
Council's debtors outstanding are summarised below:

Debtor	September 2015 \$'000	September 2016 \$'000	Current \$'000	> 30 Days \$'000
Rates (including FSL debtors)	33,996	34,971	30,150	4,821
Sundry	1,750	2,142	253	1,889
<i>Other Debtors *</i>				
-Special Charges Schemes	2	2	2	-
-GST	352	561	561	-
-Pension Remission	562	580	580	-
Less: provision for doubtful debts	(242)	(213)		(213)
TOTAL	36,420	38,043	31,546	6,497

* Council's other debtors are not aged but monitored regularly to ensure payments are received in a timely fashion and have been treated as current.

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Sundry Debtors outstanding greater than 30 days are sent a reminder notice and a follow-up telephone call is made. A final notice is sent at 60 days and at 90 days the debt is sent to the Debt Collector if no arrangements are in place.

Debts greater than 30 days include the following:

Debtor Details	September	September
	2015	2016
	\$'000	\$'000
Wallan Ealy Learning Centre Stage 1 grant	-	1,000
Vietnam Veterans Walk Stage 3 grant	-	165
Planning	237	233
Infringements *	207	126
Building	17	19
Fire Hazards	29	31
Preschool Fees	60	86
Waste	99	55
CFA - Mt Hickey fires	-	22
Broadford sports pavillion contribution	-	30
School crossing supervisor payment	-	11
Leisure groups	8	14

* Infringement debtors follow different court processes that exceed general debt collection timeframes. They are still reported above as being payable within 30 days however statutory processes can take up to 12 to 18 months.

3. Councillor Expenses

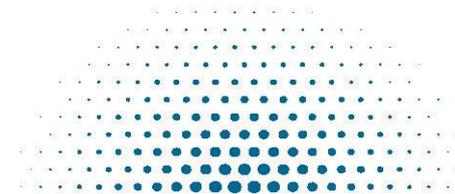
Councillor Expenses for the 3 months ended 30 September 2016:

Councillor	Councillor Allowance	Councillor Super	Telephone /Internet	Mobile Phone	Ipad Expense	Councillor Education	Accom & Travel	Total
Cr Lee R	7,420	702	0	52	40	1,086	292	9,593
Cr Parker R	7,394	702	0	40	35	0	0	8,172
Cr Melbourne B	7,394	702	-11	44	-32	0	179	8,275
Cr Sanderson R	7,394	702	0	74	43	55	0	8,268
Cr Chisholm B	7,394	702	38	65	0	0	0	8,200
Cr Mulrone K	7,394	702	0	20	36	0	0	8,152
Cr Marstaeller S	22,878	2,173	0	59	36	55	283	25,483
Cr Cornish B	7,394	702	0	24	35	0	0	8,155
Cr Callaghan D	7,394	702	0	115	36	0	0	8,247
Subtotal Total	82,056	7,793	27	492	228	1,196	753	92,544

During the 1st quarter Council entered a new plan for telephone and internet expenses which has resulted in adjustments occurring in September and will flow through to October 2016.

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Councillor Education

This category covers registration fees associated with attendance by Councillors within Victoria at one-off or short-term training, conferences and/or functions held by local government related organisations, professional bodies or institutions.

Accommodation and Travel

This category covers expenses associated with attendance by Councillors within Victoria at approved short-term training, conferences and/or functions. Council's Councillor Expense and Support Policy provides for the reimbursement of car parking fees, e-tags and use of private vehicle while conducting Council business.

Councillor Allowances and Superannuation

The Victorian Government sets upper and lower limits for all allowances paid to Councilors and Mayors. Mitchell Shire Council is classified as a category two Council and allowances are paid in accordance with section 74 of the *Local Government Act 1989*.

Communication

Councillors are supplied with an iPhone, iPad and/or laptop and a dedicated ADSL telephone service and/or 4GB wireless service to their primary residence. The provision of these telecommunications services are paid by Council. Any expenses associated above the monthly call and data service is covered by the Councillor.

4. Conclusion

Council's most significant financial challenges are moving to an underlying operational surplus and rebuilding cash holdings to enable increased capital works into the future, to fund renewal of existing assets and provide new assets/services for our growing community. Council's 2016/17 budget and 2017-2020 Strategic Resource Plan (SRP) continue to show steady progress towards improved long term Financial Sustainability.

The 2016/17 budget redirects \$2M from Council's operations towards capital works as well as making cost reductions of \$633K in order to increase average general rates and municipal charge by 2.5% (compared to planned 4.5%). The SRP indicates that further savings of \$2M in 2017/18 and \$750K in 2018/19 and 2019/20 will be required. Council will continue to seek wide and diverse community input into the service priorities for Council in order to meet these targets.