

# **MITCHELL SHIRE COUNCIL**

## **Council Meeting Attachment**

### **CORPORATE SERVICES**

**16 MAY 2016**

**8.4**

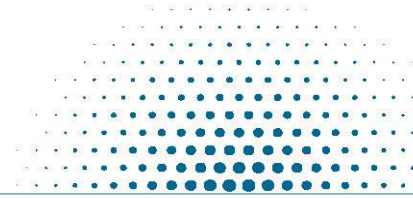
**FINANCIAL REPORT FOR PERIOD ENDING 31  
DECEMBER 2015**

**Attachment No: 1**

**Quarterly Finance Report for 31 March 2016**

# Quarterly Finance Report

*For the 9 months ended 31 March 2016*



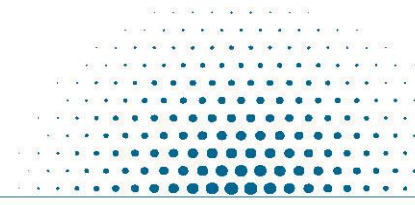
# Quarterly Finance Report

*For the 9 months ended 31 March 2016*



# Quarterly Finance Report

*For the 9 months ended 31 March 2016*



## 1. Overview

The March Quarterly Financial Report outlines the financial results for the 9 months ended 31 March 2016 along with an updated forecast to 30 June 2016 and a comparison to the 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 draft 2016/17 Budget and Strategic Resource Plan (SRP).

Currently Council's working capital and unrestricted cash ratios are lower than industry standards, and cash and investment balances are insufficient to cover all restrictions on cash balances. This is distorted in the forecast due to incomplete capital projects that will be completed in 16/17.

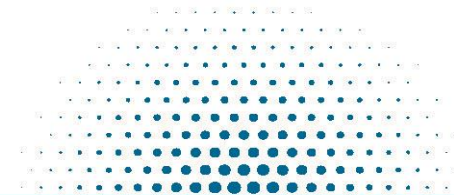
Council is conscious of the need to balance:

- Provision of services and infrastructure to our growing Community;
- The need to renew Council's existing assets;
- The impact of rate increases on ratepayers; and
- Financial sustainability, particularly in relation to moving underlying deficits to surplus and improved cash holdings to ensure we are able to meet the needs of the Shire and deliver the above requirements in the long term.

Council continues to undertake service planning and is continually looking at ways to improve efficiency in the way its operations are conducted. Council has recently undertaken consultation with the community, councillors and staff to provide further information about the services we deliver and to gain feedback concerning community priorities in relation to these services. An ambitious target was set during the year to redirect \$4 million from operating activities to capital works over the next 2 budget cycles. This will go towards improving Council's sustainability ratios and enable Council to better respond to the Challenges of being one of Victoria's fastest growing shires.

# Quarterly Finance Report

*For the 9 months ended 31 March 2016*



In addition to this, further net cost reductions are planned to constrain future rate increases to 2.5% to fit within the state governments rate capping framework. This will mean services that Council provides will need to be reconsidered and reprioritised in consultation with our community.

All of these changes have been incorporated into the Draft 2016/17 Budget and Draft 2017–2020 Strategic Resource Plan (SRP). Copies of these draft documents, along with the Rating Strategy, are available on Council's website and are also on display at our Customer Service Centres. Council invites members of the community to participate in the budget process and make a written submission on any of these documents. Submissions are accepted until 5pm on 24 May 2016.

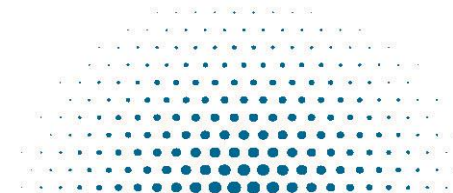
This report represents 9 months of business in the 2015/16 year. Council's forecast underlying result is a deficit of \$6.58M compared to the previous forecast deficit of \$7.44M<sup>1</sup>. This is a significant improvement of \$862K and the variances that contribute to this result are described further in the following sections of this report. It is important to note, that a staff restructure process commenced in April in order to effect savings incorporated in the draft 2016/17 budget. Redundancy costs have not been incorporated into the Q3 forecast as they are yet to be quantified based on final restructure costs offset by redeployment opportunities. It is anticipated that a significant portion of the savings identified between the Q2 & Q3 forecast will be required to finalise implementation and that most of these costs are likely to fall early next financial year.

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<sup>1</sup> Note, in the Q2 report the underlying deficit was reported as \$6.08M. This underlying result reflected the full amount (\$2.36m) of Roads to Recovery (R2R) funding as recurrent capital grant. However, the recurrent portion of the R2R grant is only \$823K per annum with additional non-recurrent funding to be received in 2015/16 and 2016/17 on top of the annual allocation. This has now been reflected in the Q2 & Q3 forecast underlying results so that fair comparison can be made between the two projected results.

# Quarterly Finance Report

For the 9 months ended 31 March 2016



## 2. Financial Statements

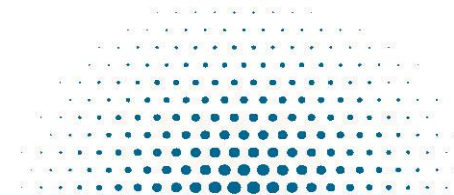
The underlying result seen in the Income Statement is the net surplus for the year adjusted for non-recurrent capital grants, non-monetary asset contributions and capital contributions from other sources. It is a measure of financial sustainability and Council's ability to achieve its service delivery 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 9 months ended 31 March 2016

	Notes	Full Year Adopted Budget \$'000	Year to Date Actual \$'000	YTD %	Full Year Q2 Forecast \$'000	Full Year Q3 Forecast \$'000	Variance Q2 Forecast v Q3 Forecast \$'000 Fav/(Unfav)
<b>Revenues</b>							
<b>Revenue from ordinary activities</b>							
Rates and charges		36,005	36,282	100%	36,378	36,395	17
Statutory fees and fines		530	305	72%	464	423	(41)
User fees	1	5,535	3,806	74%	5,367	5,148	(219)
Grants - Operating	2	9,266	5,021	75%	6,601	6,735	134
Grants - Capital (Recurrent)	3	1,650	592	72%	823	823	-
Grants & Contributions -Capital (Non Recurrent)	4	3,543	3,447	42%	9,237	8,265	(972)
Reimbursements		44	193	128%	84	151	67
Contributions - Monetary	5	478	1,010	100%	511	1,013	502
Contributions - Non monetary assets	6	7,500	5,074	51%	7,500	10,000	2,500
Other Income	7	553	617	77%	606	804	198
<b>Total Income</b>		<b>65,104</b>	<b>56,348</b>	<b>81%</b>	<b>67,571</b>	<b>69,757</b>	<b>2,186</b>
<b>Expenses</b>							
<b>Expenses from ordinary activities</b>							
Employee costs	8	23,349	17,478	78%	22,860	22,408	452
Materials and services		18,221	11,171	57%	19,500	19,568	(68)
Bad and doubtful debts		34	39	71%	42	55	(13)
Depreciation and amortisation		11,988	6,588	53%	12,452	12,452	-
Other expenses	9	1,998	1,139	66%	1,918	1,713	205
Borrowing Costs	10	1,103	654	75%	1,000	870	130
Net loss on disposal of property, infrastructure, plant and equipment	11	-	(279)	2322%	12	(12)	-
<b>Total Expenses</b>		<b>56,693</b>	<b>36,791</b>	<b>64%</b>	<b>57,760</b>	<b>57,054</b>	<b>706</b>
<b>Net Surplus/(Deficit)</b>		<b>8,411</b>	<b>19,557</b>	<b>154%</b>	<b>9,811</b>	<b>12,703</b>	<b>2,892</b>
<b>Underlying Result Adjustment:</b>							
Contributions - Non monetary		7,500	5,074	51%	7,500	10,000	(2,500)
Contributions - Cash		478	1,010	100%	511	1,013	(502)
Grants & Contributions Capital Non Recurrent		3,543	3,447	42%	9,237	8,265	972
<b>Total Underlying Adjustment</b>		<b>11,521</b>	<b>9,531</b>	<b>49%</b>	<b>17,248</b>	<b>19,278</b>	<b>(2,030)</b>
<b>Net Underlying Surplus/(Deficit)</b>		<b>(3,110)</b>	<b>10,026</b>	<b>-152%</b>	<b>(7,437)</b>	<b>(6,575)</b>	<b>862</b>

# Quarterly Finance Report

For the 9 months ended 31 March 2016



## Note 1 - User Fees

Council is forecasting a reduction in User fees of \$219K for the year ended 30 June 2016. This is primarily due to a further reduction in the Landfill Operations income of \$212K. This reduction is based on current commercial usage of the landfill site which is lower than prior years (the full year forecast includes a period of revenue loss as a result of cell 4 nearing capacity prior to the completion of cell 5 during which time acceptance of waste from commercial customers was limited).

## Note 2 - Grants - operating

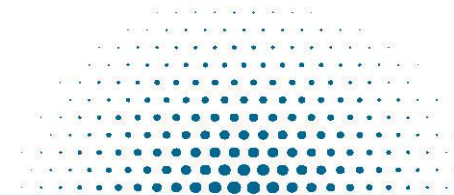
Operating grants are forecast to increase by \$134K over Q2 projections, which is mainly as a result of \$96K increase to the forecast kindergarten grant revenue based on current enrollments and an additional grant of \$45K for the "5 for our Families grant" for which Council is the Auspicing body.

## Note 3 - Grants and contributions - capital recurrent

Recurrent capital grants represent the annual portion of the regular Roads to Recovery grant which is \$823K per annum. In 2015/16 and 2016/17 Council will receive additional Roads to recovery funding in addition to its annual allocation. In the 2015/16 Budget and Q2 Finance report the full amount of Roads to Recovery grant for the year was included as recurrent. In the Income statement above, the Q2 (adjusted) and Q3 figures have more accurately reflected only the annual portion of \$823K as recurrent. It is important to note that recurrent capital grants are included in the underlying result, whereas non-recurrent capital grants are not, hence the comparative underlying result for Q2 has also been adjusted to ensure comparative explanation reflects the true change from Q2 to Q3.

## Note 4 - Grants and contributions - capital non-recurrent

Non recurrent capital grants and contributions are forecast to be \$8.27M for the year, which is lower than the previous forecast by \$0.97M. This is primarily due to the change to expected timing of \$1.07M in relation to the Seymour Flood Levy which is now projected to be received in 2016/17 and has been incorporated in the draft 2016/17 budget.



## Note 5 - Contributions - Monetary

Contributions relate to monies paid by developers in regard to public recreation, drainage, 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 in line with developer contribution plan (DCP) or section 173 agreements) 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. Monetary contributions have been forecast up from Q2 by \$502K based on year to date receipts.

## Note 6 - Contributions - Non Monetary

Developer Contributions (non-cash) are those assets that form part of the 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. The forecast has been increased by \$2.5M from the Q2 forecast based on estimated timing and quantum of assets to be transferred to Council by 30 June 2016.

## Note 7 - Other Income

Other income includes, income from interest on bank deposits, interest on unpaid rates, rent and facility hire. The forecast for other income has increased by \$198K from Q3 estimates based on increased expectations on interest on unpaid rates \$140K and bank interest \$50K.

## Note 8 - Employee Costs

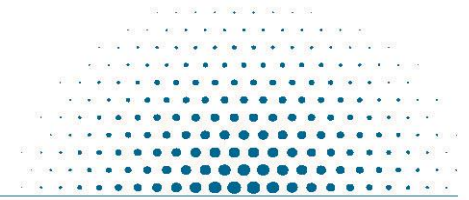
Employee costs are forecast to be \$22.41M for the year, which is \$452K less than the Q2 Forecast. These savings have been offset by an increase in labour hire of \$156K. It is important to note that there has been a significant staff restructure commenced in recent weeks. The employee cost line has incorporated savings as a result of staff vacancies during the year, however does not yet include an estimate for any redundancy costs to implement the restructure. The savings listed above are likely to be required in full to implement this restructure, which is likely to occur after 30 June 2016.

## Note 9 - Other Expenses

Other expenses relate to a range of unclassified items including contributions to community groups, councillor allowances, EPA landfill levy and other miscellaneous expenditure items. Other expenses forecast has decreased by \$205K from Q2 projections mainly due to a reduction of \$125K for landfill levy (in line with reduced revenue projections due to less waste being taken to landfill) and \$63K reduction to the environmental grants program due to lower than budgeted uptake of the program.

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*For the 9 months ended 31 March 2016*



## **Note 10 - Borrowing Costs**

Borrowing costs relate to interest charged by financial institutions on funds borrowed. The further reduction of \$130K reflects borrowings of \$5M for the Strategic Land purchase in the South of the Shire and \$200K for Seymour Flood Levee being deferred to the 2016/17 year. Note, adjustments to reflect these changes were made to the Q2 forecast shown in the 2016/17 draft budget document.

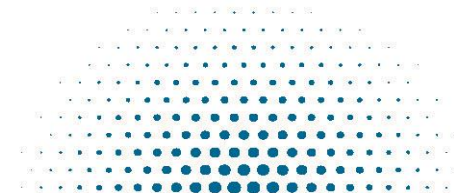
## **Note 11 - Profit / Loss on sale of Assets**

Profit or loss on sale of assets is an accounting reflection which recognises the difference between accounting book value (written down value) and sale proceeds in relation to sold 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. It should be noted that the year to date reflects proceeds from sale on plant and vehicles sold and adjustments have yet to be made to account for the written down value. Final profit or loss for plant as well as the sale of property which is currently under negotiation will be reflected in the final year end results.



# Quarterly Finance Report

For the 9 months ended 31 March 2016



## Statement of Capital Works for the 9 months ended 31 March 2016

Asset Class	Notes	Full year adopted Budget \$'000	Year to Date Actual \$'000	YTD %	Full Year Q2 Forecast \$ '000	Full Year Q3 Forecast \$ '000	Variance Q2 Forecast v Q3 Forecast \$ '000 Under/(Over)
Land		4,500	-	-	-	-	-
Land under roads		-	-	-	-	-	-
Buildings		185	217	16%	644	1,374	(730)
Bridges		741	210	21%	1,285	990	295
Drainage		393	48	27%	370	178	192
Footpaths & Kerb & Channel		385	94	38%	378	248	130
Roads		2,755	1,020	31%	3,744	3,270	474
Waste		1,272	1,089	56%	1,869	1,944	(75)
Recreational Reserves and Parks		3,782	319	15%	3,000	2,137	863
Plant, Furniture & Equipment		574	38	7%	574	574	-
Motor Vehicles		776	90	11%	825	825	-
IT Equipment & Software		348	157	27%	555	581	(26)
Library Books		150	101	67%	150	150	-
Other Capital		35	-	0%	-	21	(21)
<b>Sub Total</b>	<b>12</b>	<b>15,896</b>	<b>3,382</b>	<b>28%</b>	<b>13,394</b>	<b>12,292</b>	<b>1,102</b>
Renewal		6,814	1,833	25%	7,948	7,226	722
Upgrade		1,292	258	25%	1,012	1,034	(22)
Expansion		75	6	19%	30	30	-
New Assets		7,715	1,286	32%	4,403	4,001	402
<b>Sub Total</b>		<b>15,896</b>	<b>3,382</b>	<b>28%</b>	<b>13,393</b>	<b>12,292</b>	<b>1,102</b>
Carry Forward Projects		5,345	1,390	38%	3,954	3,621	333
New Projects		10,551	1,993	23%	9,439	8,670	769
<b>Net Capital Works</b>		<b>15,896</b>	<b>3,382</b>	<b>28%</b>	<b>13,393</b>	<b>12,292</b>	<b>1,102</b>

### Note 12 – Capital works Expenditure

The capital works expenditure to 31 March 2016 is \$3.38M which represents 28% of the total annual forecast of \$12.29M. A number of significant projects have commenced, or are about to commence, construction phase and expenditure is expected to increase dramatically toward year end as projects are completed.

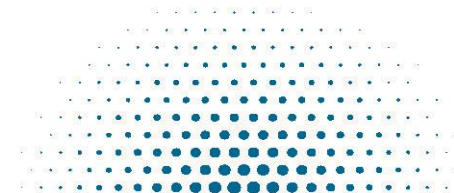
It is not expected that Council will meet the 80% project completion target, as indicated in the Q2 finance report the two main reasons being the delay in the \$5M land purchase and successful grant funding that has increased the scope and delivery of various projects.

Total capital works expenditure is now forecast to be \$12.29M for the financial year. This is a reduction of \$1.10M from the previous quarter mainly due to increased carryforward projects. The additional deferrals include:

- Highlands Road Bridge replacement \$302K;
- Seymour Flood Levee \$200K;

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For the 9 months ended 31 March 2016



- Kilmore Lancefield Road Footpath Construction \$130K;
- Kings Lane pavement improvement \$335K;
- Queen Street / Wyndham Street Intersection – Pavement Renewal \$72K;
- Hadfield Park, increased by \$262K (total estimated carry forward of \$936K);
- Whitburgh Cottage Remedial Works \$40K.
- Offset by reduction in estimated carry forwards for:
  - Broadford sports pavilion \$71K (now total carry forward of \$59K); and
  - Kilmore Playspace, Hudson park \$17K (now total carry forward estimate \$182K).

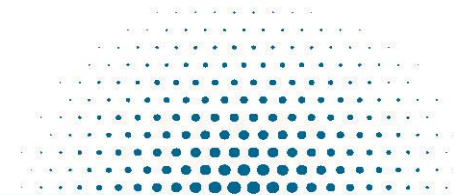
Final carry forwards will be determined once the year end results have been signed off and will be reflected in the Q1 Forecast for 2016/17.

## Balance Sheet as at 31 March 2016

Notes	Full year adopted Budget \$'000	Actual March \$'000	YTD %	Full Year Q2 Forecast \$'000	Full Year Q3 Forecast \$'000	Variance Q2 Forecast v Q3 Forecast \$'000
<b>Assets</b>						
<b>Current assets</b>						
Cash Assets	10,285	22,063	136%	14,679	16,186	1,507
Receivables	4,653	15,260	254%	6,014	6,014	-
Inventories	76	130	100%	130	130	-
Prepayments	148	(0)	0%	222	222	-
Financial Assets	-	-	-	-	-	-
<b>Total current assets</b>	<b>15,162</b>	<b>37,454</b>	<b>166%</b>	<b>21,045</b>	<b>22,552</b>	<b>1,507</b>
<b>Non-current assets</b>						
Receivables	23	23	100%	23	23	-
Investments	5	5	101%	5	5	-
Fixed Assets	430,879	446,240	99%	449,921	451,424	1,503
<b>Total non-current assets</b>	<b>430,907</b>	<b>446,268</b>	<b>99%</b>	<b>449,949</b>	<b>451,452</b>	<b>1,503</b>
<b>Total Assets</b>	<b>446,069</b>	<b>483,722</b>	<b>102%</b>	<b>470,994</b>	<b>474,004</b>	<b>3,010</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Payables	5,941	2,058	57%	3,633	3,633	-
Trust Funds	2,209	4,318	195%	2,209	2,209	-
Provisions	5,413	5,457	99%	5,381	5,536	(155)
Interest bearing liabilities	1,685	406	24%	1,685	1,698	(13)
<b>Total current liabilities</b>	<b>15,248</b>	<b>12,239</b>	<b>94%</b>	<b>12,908</b>	<b>13,076</b>	<b>(168)</b>
<b>Non-current liabilities</b>						
Provisions	5,179	7,159	139%	5,209	5,159	50
Payables	-	-	-	-	-	-
Interest bearing liabilities	16,654	13,494	114%	11,794	11,794	-
<b>Total Non-current liabilities</b>	<b>21,833</b>	<b>20,653</b>	<b>122%</b>	<b>17,003</b>	<b>16,953</b>	<b>50</b>
<b>Total Liabilities</b>	<b>37,081</b>	<b>32,892</b>	<b>110%</b>	<b>29,911</b>	<b>30,029</b>	<b>(118)</b>
<b>NET ASSETS</b>	<b>408,988</b>	<b>450,829</b>	<b>102%</b>	<b>441,083</b>	<b>443,975</b>	<b>2,892</b>
<b>Represented by:</b>						
Accumulated Surplus	200,315	222,658	103%	211,558	216,252	4,694
Reserves	208,673	228,171	100%	229,525	227,723	(1,802)
<b>Equity</b>	<b>408,988</b>	<b>450,829</b>	<b>102%</b>	<b>441,083</b>	<b>443,975</b>	<b>2,892</b>

# Quarterly Finance Report

For the 9 months ended 31 March 2016



The balance sheet forecast has been adjusted for known changes in assumptions. The balance sheet shows a net assets forecast of \$444.0M at 30 June 2016. This is greater than the previous forecast by \$2.9M. This primarily due to an increase in projected cash of \$1.5M (increased carried forward works and projected reductions to net operating costs) and an increase to the fixed assets forecast of \$1.5M (due to a projected increase in non-cash contributions and increased capital works carry forward estimates).

## Debt

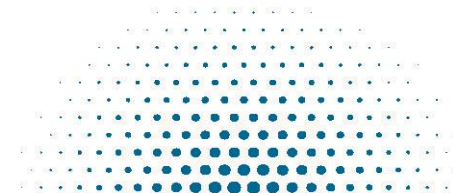
Council's indebtedness ratios are in line with Q2 forecast levels and are improved compared to budget as a result of the deferral of borrowings for the land acquisition project to 2016/17. Proposed borrowings in the future will impact this ratio. The draft 2016/17 budget and 2017-20 SRP (currently on display for public submission) 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.

Key Performance Indicators - Indebtedness ratio:	December Actual	Budget 2015/16	Q2 Forecast	Q3 Forecast	Draft Budget 2016/17	Draft SRP 2017/18	Draft SRP 2018/19	Draft SRP 2019/20
Loans and Borrowings Indicator (Borrowings / Rate Revenue)	38%	51%	37%	37%	51%	51%	49%	46%
Indebtedness Ratio (Non Current Liabilities / Own Source Revenue)	50%	51%	40%	39%	45%	40%	38%	35%

The current draft budget and SRP show a slight improvement to the above ratios despite a reduced annual rate increase of 2.5%pa compared to a 4.5% increase included in the 2016-2019 adopted SRP.

# Quarterly Finance Report

For the 9 months ended 31 March 2016



## Statement of Cash Flows for the 9 month period ended 31 March 2016

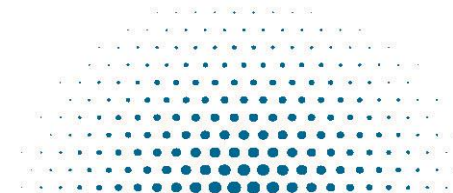
	Full Year Adopted Budget	Year to Date Actual	YTD %	Full Year Q2 Forecast	Full Year Q3 Forecast	Variance Q2 Forecast v Q3 Forecast Fav/(Unfav) \$'000	
	\$'000	\$'000		\$'000	\$'000	\$'000	
<b>Cash from operating activities</b>							
Rates	18	35,833	27,104	74%	36,378	36,395	17
Statutory fees and fines		530	305	72%	464	423	(41)
User Fees and other fines		5,535	3,938	76%	5,367	5,148	(219)
Grants	19	14,459	10,570	63%	17,588	16,749	(839)
Contributions	20	478	1,010	100%	511	1,013	502
Reimbursements		-	244	162%	84	151	67
Other receipts		597	176	22%	606	804	198
Payments to employees		(23,334)	(17,426)	78%	(22,847)	(22,395)	452
Supplier payments (Inc of GST)		(18,060)	(12,210)	62%	(19,500)	(19,568)	(68)
Other payments		(2,032)	(1,139)	64%	(1,960)	(1,767)	193
<b>Net Cash from Operating Activities</b>		<b>14,006</b>	<b>13,013</b>	<b>77%</b>	<b>16,691</b>	<b>16,953</b>	<b>262</b>
<b>Cash flows from investing activities</b>							
Payments for Property, Plant and Equipment		(15,896)	(4,572)	37%	(13,393)	(12,291)	1,102
Proceeds From Sale of Property, Plant and equipment		872	295	32%	930	930	-
<b>Net Cash (Used In) Investing</b>		<b>(15,024)</b>	<b>(4,277)</b>	<b>38%</b>	<b>(12,463)</b>	<b>(11,361)</b>	<b>1,102</b>
<b>Cash flows from financing activities</b>							
Finance Costs		(1,103)	(654)	75%	(1,000)	(870)	130
Trust funds and Deposits		-	1,144	-119%	(965)	(965)	-
Proceeds of borrowings		4,750	-	-	250	-	(250)
Repayment of Borrowings		(1,842)	(1,047)	72%	(1,718)	(1,455)	263
<b>Net Cash (Used In) Financing</b>		<b>1,805</b>	<b>(557)</b>	<b>17%</b>	<b>(3,433)</b>	<b>(3,290)</b>	<b>143</b>
Change in cash held		787	8,179	355%	795	2,302	1,507
Cash and Term Deposits at the start of the year		9,498	13,884	100%	13,884	13,884	-
<b>Cash and Term Deposits at the End of the Period</b>		<b>10,285</b>	<b>22,063</b>	<b>136%</b>	<b>14,679</b>	<b>16,186</b>	<b>1,507</b>

## Cash and Investments

The cash and investments balance as at 31 March 2016 was \$22.06M. The forecast cash position at 30 June 2016 is \$16.19M, which is \$1.51M higher than the Quarter 2 Forecast. This is primarily due to expected deferral of Seymour Flood levee grant to 2016/17 of \$1.07M, increased operating grants forecast of \$134K, reduction to user and statutory fees and fines of \$240K, increased cash contributions

# Quarterly Finance Report

For the 9 months ended 31 March 2016



of \$502K, increased other income of \$198K, reduced operating costs of \$706K and reduced capital works forecast of \$1.1M due to increased works carried forward into 2016/17.

## Restrictions on Cash and Investments

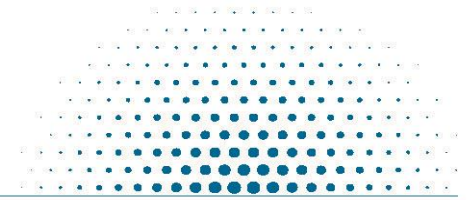
Council's working capital (current assets / current liabilities) and unrestricted cash to current liabilities are measures of Council's liquidity. Council's cash balances are currently at levels lower than recommended industry standards. Council will need to remain diligent in its planning and financial management to ensure cash balances can be improved in line with the longer term projections included in the draft Strategic Resource plan which returns cash holdings to more reasonable levels. The table below now shows future year projections included in the Draft 2016/17 Budget and draft 2017-2020 SRP which show considerable improvement from the current adopted 2015/16 budget and 2016-2019 SRP.

Restrictions on Cash and Investments	Actuals	Actuals	Q3 Forecast	Budget	Draft Budget 2016/17 and SRP 2017-2020			
	30/06/2015 \$'000	31-Mar-2016 \$'000	30-Jun-2016 \$'000	30/06/2016 \$'000	30/06/2017 \$'000	30/06/2018 \$'000	30/06/2019 \$'000	30/6/2020
<b>Cash &amp; Investments</b>								
Cash at bank	6,884	5,025	5,186	10,285	12,744	14,674	16,665	17,320
Term Deposits	7,000	17,038	11,000	-				
<b>Total Cash &amp; Investments</b>	<b>13,884</b>	<b>22,063</b>	<b>16,186</b>	<b>10,285</b>	<b>12,744</b>	<b>14,674</b>	<b>16,665</b>	<b>17,320</b>
<b>Restrictions on Cash &amp; investments</b>								
Trust funds and deposits	3,174	4,318	2,209	2,209	2,209	2,209	2,209	2,209
Statutory Reserves	3,453	3,552	3,964	5,453	4,344	4,823	5,304	5,784
Unspent Grants	3,427	-	-	-				
Cash held to fund Capital Carry Forwards	2,162	5,160	5,160	-				
<b>Total Restricted Cash &amp; Investments</b>	<b>12,216</b>	<b>13,030</b>	<b>11,333</b>	<b>7,662</b>	<b>6,553</b>	<b>7,032</b>	<b>7,513</b>	<b>7,993</b>
<b>Total Unrestricted Cash &amp; Investments</b>	<b>1,668</b>	<b>9,033</b>	<b>4,853</b>	<b>2,623</b>	<b>6,191</b>	<b>7,642</b>	<b>9,152</b>	<b>9,327</b>
Discretionary Reserves	8,760	8,661	7,802	9,222	7,153	5,513	4,290	4,144
<b>Unrestricted Cash after discretionary reserves</b>	<b>(7,092)</b>	<b>372</b>	<b>(2,949)</b>	<b>(6,599)</b>	<b>(962)</b>	<b>2,129</b>	<b>4,862</b>	<b>5,183</b>
<b>Key Performance Indicators - Liquidity ratios:</b>								
Working Capital (current assets/current liabilities) Target band 120% to 200% ***	155%	306%	172%	99%	142%	153%	195%	184%
Total Cash & investments / current liabilities	102%	180%	124%	67%	94%	107%	141%	135%
Unrestricted cash / current liabilities Target band 50% to 100% (including restrictions from discretionary reserves) ***	-52%	3%	-23%	-43%	9%	32%	60%	57%

- Working capital at 30/6/15 includes \$3.4M in relation to unspent operating grants including \$3.2M of Victorian Grants Commission relating to the 2015/16 allocation.
- Cash held to fund Capital Carry Forwards equal carried forward expenditure less carried forward income less carried forward borrowings.
- Working capital at 30/6/15 would have been 111% & cash & investments / current liabilities 58%, if the cash balance is adjusted for unspent operating grants, cash held to fund capital carry forwards and structure planning expenditure to be carried forward into 2015/16. The Q3

# Quarterly Finance Report

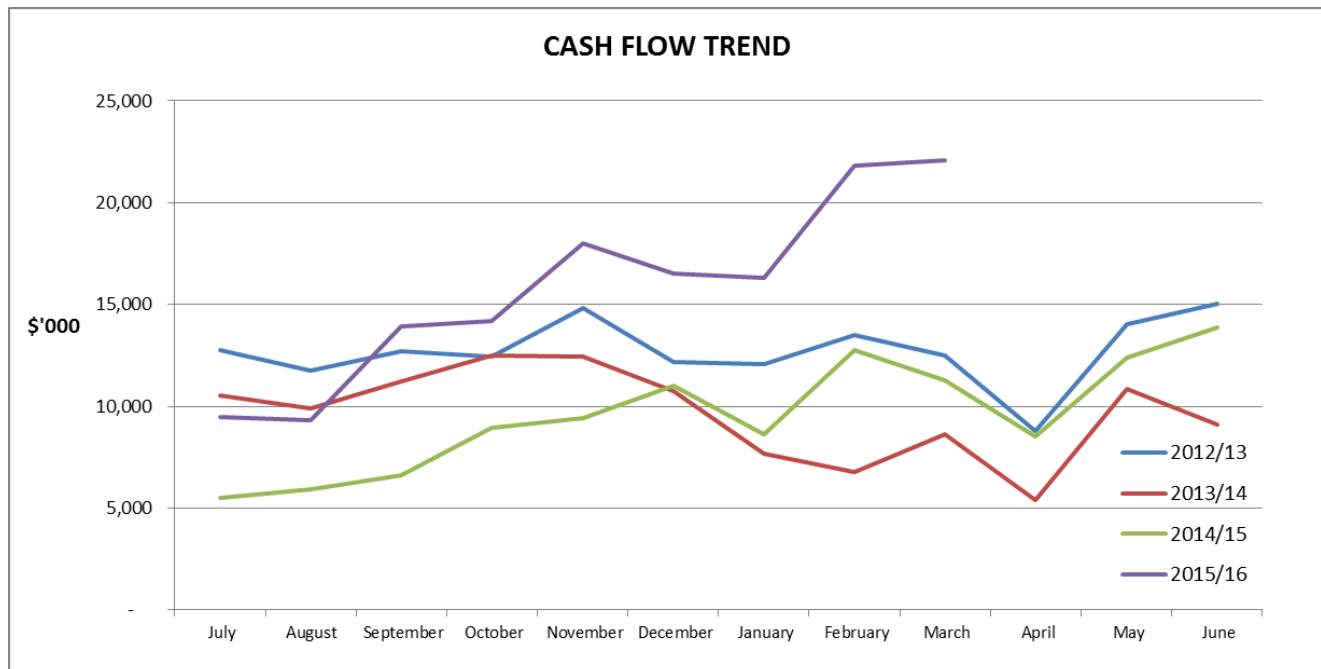
For the 9 months ended 31 March 2016



forecast working capital ratio would be 133% at 30 June 2016 when adjusted for capital works to be spent in 2016/17.

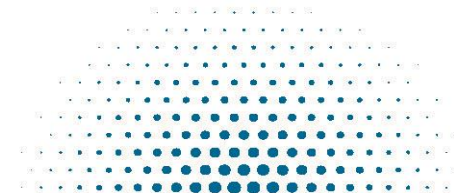
- Current Assets as at 31 March 2016 reflects high cash balances (reasons described below).

The following graph shows the monthly balances of cash and investments combined over time. Note the high cash balances for this time of year reflect a capital works program that has spent \$3.4M as at 31 March 2016 of a total \$17.45M cash and grant funded program (\$12.29M forecast to be spent by 30 June 2016 and cash and grant funded carry forward projects of \$5.16M, the remaining \$5M carry forward projects are funded by borrowings and therefore do not have an impact on cash balances).



# Quarterly Finance Report

For the 9 months ended 31 March 2016



## 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.

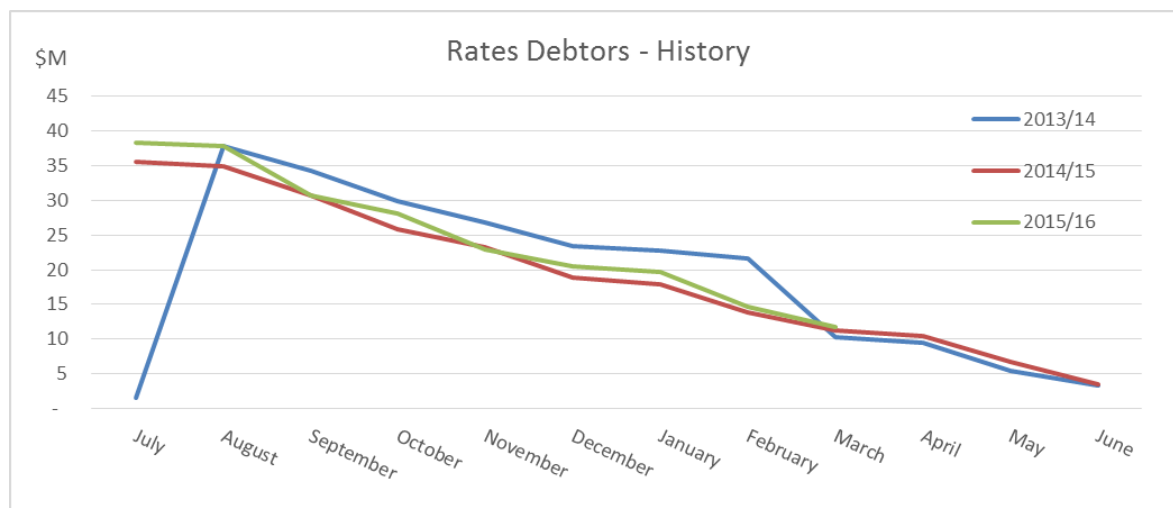
As at 31 March 2016 investments consisted of the following term deposits:

Institution	Maturity Date	Amount \$
Commonwealth Bank of Australia	18/04/2016	2,000,000
National Australia Bank	8/05/2016	1,000,000
Commonwealth Bank of Australia	9/05/2016	1,500,000
National Australia Bank	15/05/2016	1,500,000
Australia and New Zealand Banking Corporation	2/06/2016	3,000,000
Australia and New Zealand Banking Corporation	14/06/2016	2,014,959
National Australia Bank	15/06/2016	2,000,000
Bendigo and Adelaide Bank	9/08/2016	2,022,921
Bendigo and Adelaide Bank	22/03/2017	2,000,000
<b>Total</b>		<b>17,037,880</b>

## Rates and other debtors

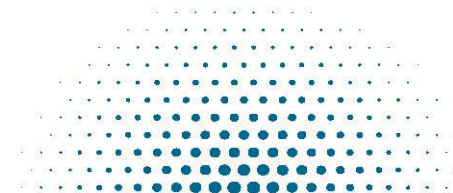
As at 31 March 2016, Council's outstanding rates debtors were \$13.38M (including Fire Services Levy collected on behalf of the State Government). Of that \$8.77M relates 2015/16 rates and charges raised and not yet due for payment and \$4.61M relates to overdue rates (of which \$2.19M is currently under a payment arrangement with Council).

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



# Quarterly Finance Report

For the 9 months ended 31 March 2016



Council's debtors outstanding are summarised below:

Debtor	March 2015 \$'000	March 2016 \$'000	Current \$'000	> 30 Days \$'000
Rates (including FSL debtors)	12,596	13,379	8,766	4,613
Sundry	2,357	1,499	349	1,150
<i>Other Debtors *</i>				
-Special Charges Schemes	4	3	3	-
-GST	470	307	307	-
-Pension Remission	295	313	313	-
Less: provision for doubtful debts	(417)	(242)		(242)
<b>TOTAL</b>	<b>15,305</b>	<b>15,259</b>	<b>9,738</b>	<b>5,521</b>

\* 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.

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	March 2015 \$'000	March 2016 \$'000
Planning	242	522
Building	16	12
Infringements *	254	231
Fire Hazards	45	31
Preschool Fees	33	65
Waste	100	12
Rates Concessions	182	150
Bushfire claim	767	22
Other	116	105
<b>Total</b>	<b>1,755</b>	<b>1,150</b>

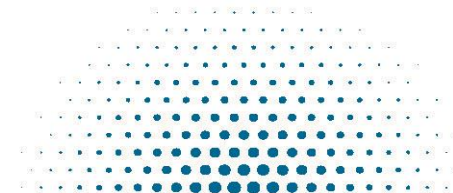
\* Infringement debtors follow different court processes that exceed general debt collection timeframes. They are still reported above as being 30 days above however statutory processes can take up to 12 to 18 months. In April, following a review of these debtors \$87K in debtors has been reversed as a result of fines being sent to the infringements court for judgement. Any receipts in relation to amounts sent to the infringements court will be recognised as income when received.

Bushfire relief funding outstanding at 31 March 2015 represented claim 1, received in June 2015.



# Quarterly Finance Report

For the 9 months ended 31 March 2016



## 3. Councillor Expenses

Councillor Expenses for the period 1 July 2015 to 31 March 2016:

Councillor	Councillor Allowance	Councillor Super	Telephone /Internet	Mobile Phone Expenses	Ipad Expenses	Councillor Education	Accom & Travel	Total
<b>Natural Account</b>	<b>1850</b>	<b>1877</b>	<b>1603/1815</b>	<b>1604</b>	<b>1608</b>	<b>1810</b>	<b>1867</b>	
1216 Lee R	19,861	1,887	-	157	291	-	-	<b>22,196</b>
1216 Parker Rodney	35,882	3,409	-	366	291	391	323	<b>40,662</b>
1216 Melbourne B	19,861	1,887	251	267	291	-	-	<b>22,557</b>
1216 Sanderson R	19,861	1,887	-	277	291	290	285	<b>22,892</b>
1216 Chisholm B	19,861	1,887	-	327	291	-	1,374	<b>23,740</b>
1216 Mulrone K	19,861	1,887	-	301	291	-	2,227	<b>24,567</b>
1216 Marstaeller S	45,629	4,335	-	930	291	2,518	1,836	<b>55,539</b>
1216 Cornish B	19,861	1,887	-	122	291	55	-	<b>22,215</b>
1216 Callaghan D	19,861	1,887	-	798	291	-	-	<b>22,836</b>
<b>Subtotal Total</b>	<b>220,539</b>	<b>20,951</b>	<b>251</b>	<b>3,545</b>	<b>2,620</b>	<b>3,253</b>	<b>6,044</b>	<b>257,203</b>

### 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

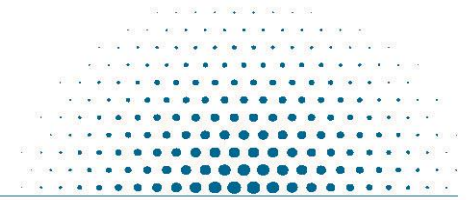
The Victorian Government sets upper and lower limits for all allowances paid to Councilors and Mayors. Mitchell Shire Council is classified as a category two Council and allowances are paid in accordance with section 74 of the *Local Government Act 1989*.

### 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.

# Quarterly Finance Report

*For the 9 months ended 31 March 2016*



## 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 draft 2016/17 budget and draft 2017-2020 Strategic Resource Plan (SRP) continue to show steady progress towards improved long term Financial Sustainability.

The draft 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 draft 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.

Council's draft 2016/17 Budget and Draft 2017-2020 SRP are currently on display on Council's website and customer service centres. Community members are invited to make a budget submission. Submissions close at 5pm on Tuesday 24<sup>th</sup> May 2016.