

Mid-Year Financial Review

2020-2021

1. Executive Summary

The Mid-Year Financial Review is a reporting mechanism to provide Council with an update on the projected outcome for the financial year.

Gross income and expenditure items are estimated at budget time and are often subject to changes and offsets, for example; grant funding anticipated to be received during the course of the year may be received in advance or delayed. External factors such as price increases levied by suppliers will also impact the result. These changes are typically not known at the time of adopting the budget.

A Mid-Year Financial Review was conducted in late 2020 to identify major changes that have occurred since the budget adoption. Major changes across the organisation have been identified and are detailed in the tables on page 4-7.

Council is charged with the ongoing delivery of community services and upkeep of public infrastructure. The worldwide pandemic event and ongoing restrictions have presented unprecedented challenges which Council continues to navigate.

During the period 1 March 2020 to 13 September 2020 Council maintained the existing workforce, redeploying staff where remote working was not possible, or standing down staff with pay.

In response to the pandemic Council implemented a Covid-19 Financial Hardship Policy, suspending penalty interest and enabling the option of deferring instalments, in place until 31 March 2021. This has resulted in a loss of penalty interest income on overdue rates and charges.

Council's other auxiliary income streams have also been impacted as a direct result of the pandemic. The biggest driver is the loss of user fees, particularly income from leisure facilities, hall hire, Recycling and Recovery Centre gate fees, Edendale bookings, Living and Learning course fees and registrations and fines.

Council has provided rent relief to tenants of Council-owned properties experiencing financial difficulty, which is reflective of the guidance through State Government. Assistance grants were also developed for local businesses impacted by restrictions and pandemic related closure.

The lowering of cash rates has also had a substantial impact on Council's ability to earn income on cash balances, with a significant reduction on term deposit rates across banking institutions.

In June 2020 Council adopted the 2020-2021 Budget, which projected an operating surplus of \$17.163 million (\$30.865 million after inclusion of income associated with carried forward capital projects). Currently, the Mid-Year Financial Review projects a revised surplus of \$27.771 million. This decrease in the surplus is driven by a reduction in contributions towards capital projects due to timing of income received and significant unfavourable operational impacts which have resulted from the global pandemic (detailed in the tables below). This has been partially offset by one off grant funding towards capital works projects.

Management will continue to monitor the financial impacts of the pandemic and further explore potential savings/measures in the lead up to the financial year end to minimise the unfavorable movements.

2. Income Statement

Financial Report

2020-21 Mid-Year Budget Review

Income Statement

	Annual Budget	Mid-Year Budget Review	Movement from Annual Budget (incl c/fwds)	YTD Actuals & Comm
	\$	\$	\$	\$
Income				
Rates	58,216,951	58,039,786	(177,165)	57,457,330
Waste management charge	9,319,871	9,382,561	62,690	9,382,759
Government grants-recurrent	5,699,309	3,917,405	(1,781,904)	2,299,949
Government grants-non-recurrent	27,741,396	33,909,218	6,167,822	22,314,116
User charges	15,198,661	14,154,344	(1,044,317)	2,430,596
Statutory fees and fines	1,722,704	1,309,540	(413,164)	775,393
Reimbursements	260,000	96,390	(163,610)	129,172
Interest income	750,000	265,000	(485,000)	77,951
Capital contributions	4,809,898	1,600,158	(3,209,740)	123,198
Other revenue-recurrent	675,942	598,744	(77,198)	230,236
Other revenue-non-recurrent	-	185,018	185,018	186,579
Contributions	118,500	876,760	758,260	897,760
Total income	124,513,232	124,334,924	(178,308)	96,305,039
Expenses				
Employee benefits	37,023,538	36,650,217	(373,321)	16,223,955
External contracts	19,521,991	20,061,507	539,516	9,883,601
Materials and related costs	15,611,955	15,935,489	323,534	9,160,765
Other expenditure	7,564,110	8,030,622	466,512	4,565,357
Interest expenditure	586,744	607,958	21,214	138,053
Financial year projects allocation	1,601,055	3,539,279	1,938,224	1,040,703
Total expenses	81,909,393	84,825,072	2,915,679	41,012,434
Earnings before Depreciation	42,603,839	39,509,852	(3,093,987)	55,292,605
Depreciation	11,739,000	11,739,000	-	2,934,750
Net Surplus	30,864,839	27,770,852	(3,093,987)	52,357,855

3. Overview Mid-Year Financial Review

The **major** items driving the unfavourable budget change of (\$3,093,987) are comprised of:

Items	Amount	Movement	Commentary on <i>major</i> drivers
Income			
Rates and waste management charges	(\$114,475)	Unfavourable	Penalty interest (\$250,000) applied to outstanding rates payments has been suspended until 31 March 2021 due to the pandemic. The unfavourable movement has been partially reduced by the additional ratable properties created during the year (\$133,716).
Grant funding	\$4,385,918	Favourable	<p>Approved funding of Capital projects totalling \$4,369,523 including:</p> <ul style="list-style-type: none"> • Diamond Creek netball court surface upgrade \$1,965,483 • SRV sports lighting upgrades \$1,479,040 • Hurstbridge Community multi-use facility upgrade \$705,000 <p>Approved funding of major initiatives totalling \$1,798,299 including:</p> <ul style="list-style-type: none"> • Working for Victoria \$811,523 • Local Councils outdoor eating and entertainment \$500,000 • Environmental grants \$269,761 <p>This was offset by the early receipt of the financial assistance grant in the prior financial year when budgeted to be received in the 2020-2021 – (\$1,724,387).</p>
User charges	(\$1,044,317)	Unfavourable	<p>Impacts associated with the pandemic:</p> <ul style="list-style-type: none"> • Leisure facilities (\$260,000) • Hall rentals (\$157,428) • Edendale fees income (\$174,750) • Living and Learning income (\$162,275) • Recycling and Recovery Centre gate fee income (\$70,000) • Sports field ground rentals (\$105,000)
Statutory Fees	(\$413,164)	Unfavourable	Decrease in fees is driven by a reduction in Parking Infringements (\$400,000) as a result of pandemic.

Contributions	\$758,260	Favourable	Higher than anticipated developer contributions received for open space and developer planning overlay (DPO) schemes.
Other income items (reimbursements, interest income, capital contributions, other, revenue, contributions)	(\$3,750,530)	Unfavourable	Driven by timing of capital contributions received for DPO related capital projects (\$3,244,740) and a significant decrease in interest on investments (\$485,000) due to significantly lower market investment rates.
Expenditure			
Employee benefits	\$373,321	Favourable	Reflective of delays in recruitment of budgeted positions across the organisation.
External contracts	(\$539,516)	Unfavourable	Variance includes agency staff engaged across the organisation to temporarily fill vacant positions (\$165,603). The below items will be accommodated through the waste reserve: <ul style="list-style-type: none"> • increase in mobile garbage bins as a result of a larger uptake of bins under the new options provided by Council (\$150,000), • increase in charges imposed by external contractor for contamination charges of recyclables disposals (\$95,035); and an • increase in organics disposal costs due to higher than anticipated tonnage collected (\$71,003).
Materials and related costs	(\$323,534)	Unfavourable	Increase in costs relating to <ul style="list-style-type: none"> • legal fees (\$162,000), • insurance premiums (\$95,000), and • contractors engaged to deliver amenity mowing services (\$112,000).
Financial year priority projects	(\$1,938,224)	Unfavourable	Additional grant funding received has resulted in corresponding expenditure being incurred for projects including <ul style="list-style-type: none"> • Working for Victoria \$811,253, • Outdoor Dining \$500,000, • Environmental related projects \$202,500, and Learner Driver Mentor Program \$96,862.

Other expenditure items (Interest expenditure, other expenditure)	(\$487,726)	Unfavourable	Additional costs relating to <ul style="list-style-type: none"> • lease costs incurred for waste vehicles (\$188,778), • planning scheme amendments (\$113,200), • pandemic related expenditure (\$140,332) including grants provided to the local business and arts communities.
Net change	(\$3,093,987)	Unfavourable	

4. 2020-21 Capital works program update

The below table details projects whereby grant funding, contributions or other funding have resulted in an increase to the original project budget. (No additional cost imposed to council)

Item	Adopted budget	Mid-Year Review	Movement Additional Funding Received	Commentary
Solar Panels	517,448	787,448	270,000	Department of Jobs, Precincts and Regions funding announced 2020-21
Hurstbridge Community multi-use facility upgrade	357,699	1,704,000	1,346,301	GSF funding announced 2020-21 \$705,000, Council Contribution \$641,301
Diamond Creek Trail Construction Stage 2	5,000,000	5,100,000	100,000	Confirmed total grant funding
Diamond Creek Netball Court Surface Upgrade	-	2,162,031	2,162,031	SRV grant funding announced 2020-21 \$1,965,483, Council Contribution \$196,548
Sports Lighting Upgrades	-	1,626,944	1,626,944	SRV grant funding announced 2020-21 \$1,479,040, Council Contribution \$147,904
Yarrambat Streetscape Upgrades	-	280,000	280,000	Department of Jobs, Precincts and Regions funding announced 2020-21 \$100,000, Council Contribution \$180,000
Purchase of Artworks	-	25,500	25,500	Purchases funded from Council's Public Art Reserve

The below table details projects whereby grant funding was unsuccessful.

Item	Adopted budget	Mid-Year Review	Movement	Commentary
Hurstbridge Outdoor Netball	600,000	-	(600,000)	Grant application unsuccessful

The below table details projects where there has been a change to the original project budget. (No additional cost imposed to council)

Item	Adopted budget	Mid-Year Review	Movement	Commentary
Roads and carpark renewal	1,480,000	1,450,000	30,000	Funds reallocated to Diamond Creek Regional playground.
Diamond Creek Regional playground	407,798	437,798	(30,000)	Reallocation of funds from Roads and carpark renewal.
Playground upgrade & fencing works	28,600	2,860	25,140	Funds reallocated to Playground renewal.
Playground renewal	227,000	252,140	(25,140)	Reallocation of funds from Playground upgrade & fencing works.
Townships & streetscapes	429,602	395,102	34,500	Reallocation to Eltham Trader E-Permit Parking project.
Eltham Trader E-Permit Parking	-	34,500	(34,500)	Funds reallocated from Townships & streetscapes
Eltham Early Childhood Centre	45,000	-	45,000	Funds reallocated to Diamond Hills Childcare Implementation.
Diamond Hills Childcare Implementation	-	45,000	(45,000)	Reallocation of funds from Eltham Early Childhood Centre.

Ongoing monitoring will be maintained for the remainder of the financial year.