

COR.2	QUARTERLY FINANCIAL REPORT FOR PERIOD ENDING 31 MARCH 2024
Officer:	Travis Harling, Manager Finance and Reporting
Council Plan relationship:	4. Delivering strong and reliable government
Attachments:	Nil

Summary

The purpose of this report is to provide Council and the community with a report on the financial position of the Macedon Ranges Shire Council to 31 March 2024 for the 2023/2024 financial year (Quarter 3), in accordance with the requirements of the *Local Government Act 2020*.

Recommendation

That Council receives the Quarterly Financial report as at 31 March 2024, in accordance with the requirements of the Local Government Act 2020.

Background

This report on Council's financial performance against budget has been prepared in accordance with Section 97 of the *Local Government Act 2020*, which states "as soon as practicable after the end of each quarter of the financial year, the Chief Executive Officer must ensure that a quarterly budget report is presented to the Council at a Council meeting which is open to the public."

This report has been prepared in the recently adopted new format of reporting to Council and the public, and the Quarterly Financial Report format allows a quick interpretation of key information related to council's financial performance.

Discussion

The Finance and Capital Management Report to 31 March 2024 provides an update on financial performance against the 2023/2024 budget, encompassing adjustments adopted as part of the mid-year budget review captured in the second quarter financial report.

The Income Statement demonstrates an operating surplus of \$54.54M for the nine months to 31 March 2024 compared with the budgeted surplus of \$35.04M. In accordance with accounting standards, all rates income is recognised at the start of the financial year when the rates are struck. This results in Council reporting a large surplus at the start of the year which reduces as the year progresses, as expenditure is incurred evenly throughout the year.

Council's Income Statement at 31 March 2024 is provided below, with analysis of year-to-date material variances.

INCOME STATEMENT

9 months ended 31 March 2024

	2023/24 Mar YTD Adj. Budget* \$'000	2023/24 Mar YTD Actuals \$'000	2023/24 Mar YTD Variance \$'000
Income			
Rates and charges	61,963	61,831	(132)
Statutory fees and fines	2,459	2,098	(361)
User fees	5,504	5,155	(349)
Grants - operating	9,113	10,579	1,466
Grants - capital	19,514	17,887	(1,627)
Contributions - monetary	2,827	1,602	(1,225)
Other income	2,915	11,942	9,027
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Total income	104,295	111,094	6,799
Expenses			
Employee costs	33,012	31,901	1,111
Materials and services	26,546	32,288	(5,742)
Depreciation and amortisation	12,798	13,156	(358)
Borrowing costs	365	175	190
Other expenses	2,560	2,612	(52)
Total expenses	75,281	80,132	(4,851)
Surplus/(deficit) excluding other adjustments	29,014	30,962	11,650
Other adjustments			
Contributions - non monetary	5,940	25,781	19,841
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	450	(103)	(553)
Writing off capital projects	-	(2,095)	(2,095)
Total surplus/(deficit)	35,404	54,545	28,843

The Income Statement includes all sources of Council revenue and expenditure incurred in its day-to-day operations. It should be noted that expenditure listed in the Income Statement does not include the cost of asset purchases or sales, loan repayments, capital works expenditure or reserve funds. It does however, include depreciation as an expense.

Overall the operating surplus of \$54.54m is \$28.8m favourable to budget. The financial summary provides an explanation of key variances to budget.

* This column represents the adjusted budget which is the 2023/24 adopted budget adjusted for the 2022/23 carry forward budgets and any Council approved budget changes during 2023/24.

Income Statement - Year-to-Date (YTD) Key Actual vs Budget VariancesOperational Revenue

Grants operating: Grants have been received for several natural disasters that took place in prior years. Grants received relate to the June 2021 Storm, \$334K, and the October 2022 Floods, \$695K.

Grants capital: The \$1.6 million unfavourable income variance in capital grants mainly stems from differences in the timing of when Council budgeted to receive a grant and when the grant was actually paid. This variance is expected to be corrected by year-end.

Contributions monetary: The \$1.2M unfavourable variance relates to the timing of contributions to several capital works projects, the larger one being Chanters Lane Trentham, where a neighbouring Council will contribute to the project. Developer contributions is also unfavourable to budget at this point of the financial year.

Other income: Actual income is \$11.9M, this is \$9.0M favourable, due to unbudgeted income generated from timber processing arising from the June 2021 storm. Also included in this amount are several insurance claims paid in response to storm damage to Council assets.

Operational Expenditure

Employee costs: Actual expenditure of \$31.91M is \$1.1M favourable to budget. The favourable variance is due to vacancies across the organisation. The favourable variance in employee costs is offset in some areas of Council using short-term contractors to back fill vacant roles. Contractor costs are recorded under materials and services, refer below.

Materials and services: Actual expenditure of \$32.28M is unfavourable to budget by \$5.7m for the nine months to 31 March 2024 mainly due to timber processing from the June 2021 storm. These costs are reimbursed by the contractor and offset as other income, outlined above. Also contributing to the overspend is the cost of back filling vacant positions with short term contractors, this overspend offsets part of the favourable employee cost variance noted.

Capital Works Statement - Year-to-Date (YTD) Key Actual vs Budget VariancesCapital Works

The YTD Capital Works Statement reports \$30.2M of works delivered to 31 March 2021 where the total budget including carry forwards for the 12-month period is \$71.99M. Infrastructure expenditure of \$14.95M is lower than budget of \$45.16M due to delayed construction for a variety of reasons. The Macedon Ranges Shared Trail Project, Roads Reseal program, Kettlewells Road rehabilitation, Chanters Lane, Trentham, Hamilton Road in New Gisborne, and the Macedon Ranges Regional Sports Precinct are among the significant projects contributing substantially to this variance.

CAPITAL WORKS STATEMENT

As at 31 March 2024

	2023/24 Annual	2023/24 March	2023/24 March	2023/24 March
	Budget \$'000	Budget \$'000	Actuals \$'000	Variance \$'000
Property				
Land and land improvements	1,060	-	-	-
Buildings and building improvements	7,324	4,926	2,674	2,251
Total property	8,384	4,926	2,674	2,251
Plant and equipment				
Plant, machinery and equipment	2,528	1,306	1,114	192
Computers and telecommunications	334	213	176	37
Total plant and equipment	2,862	1,519	1,290	229
Infrastructure				
Roads	16,884	13,282	7,767	5,515
Bridges	1,954	1,441	810	631
Footpaths and Cycleways	12,061	4,399	1,038	3,361
Drainage	789	674	358	317
Recreational, leisure and community facilities	26,154	17,632	15,379	2,253
Parks, open space and streetscapes	790	624	445	179
Other infrastructure	2,119	667	457	210
Total infrastructure	60,752	38,719	26,253	12,466
Total capital works expenditure	71,998	45,164	30,218	14,946

Other – Year-to-Date (YTD) Key Actual vs Budget Financial Variances

Investments

Investments held at 31 March 2024 total \$30.41M. Investments are earning adequate interest, with 72% of investments held with institutions that do not lend to organisations linked with fossil fuel, compliant with the Investment policy requirement for at least 20%. Interest rates are expected to remain steady for the remainder of the financial year.

Storm Reports

The cost to Council for the June 2021 Storm is forecast to be \$5.3M. All costs have now been recorded and finalised relating to this storm.

Timber processing at the Kettlewell's site ceased during the month of February. Financial arrangements for this site contributed considerably to reducing the cost to Council for storm clean up and recovery works. After considering the Kettlewell's site result, cost to Council is reduced to \$1.7M. These calculations have been made at 31 March and will continue to change until all claims are finalised by the State Government.

Loans

Budgeted loans have not yet been drawn down. As part of the mid-year budget review process, it was decided to extend the draw down period to April/May 2024. The timing of project delivery and current cash holdings has permitted the extension to the draw down date of the budgeted loan.

Consultation and engagement

Officers from across Council have contributed to the preparation of the Quarterly Financial Report.

Collaboration

Collaboration with other councils, governments and/or statutory bodies was not required.

Innovation and continuous improvement

The Quarterly Financial Report forms part of a legislative requirement, which assists Council to deliver on its priority of strong and reliable government, whilst achieving its vision by following good governance processes and providing transparency to the community. The Quarterly Financial Report is reviewed by the Executive and incorporates feedback from various levels of management to enhance readability and allow for continuous improvement.

This includes streamlining the content of the report, and providing updates on performance against the Council Plan at half-yearly intervals, consistent with the Local Government Act 2020 and transparency principles.

Relevant law

This report has been prepared in accordance with Section 97 of the *Local Government Act 2020* (Vic) and is compliant with the requirements. The financial statements have been prepared in accordance with Australian Accounting Standards.

There are no human rights implications resulting from the completion of the Quarterly Report.

In accordance with the *Gender Equality Act 2020*, a Gender Impact Assessment was not required in relation to the subject matter of this report.

Relevant regional, state and national plans and policies

There are no regional, state or national plans or policies to be considered in relation to the subject matter of this report.

Relevant Council plans and policies

Macedon Ranges Shire Council Financial Plan 2021-31

Macedon Ranges Council Budget 2023-24

Macedon Ranges Investment Policy

Financial viability

The Quarterly Report provides information on Council's operating and financial performance for the quarter ending 31 March 2024. The financial statements within the report indicate that Council remains in a sound financial position.

Sustainability implications

As per Council's Investment Policy, 72% of investments are currently held with institutions that do not lend to organisations linked with fossil fuel, compliant with the Investment policy.

Officer declaration of conflicts of interest

All officers involved in the preparation of this report have declared that they do not have a conflict of interest in relation to the subject matter.