

<b>COR.2</b>	<b>QUARTERLY REPORT INCLUDING CARRY FORWARDS FOR PERIOD ENDING 30 JUNE 2024</b>
<b>Officer:</b>	<b>Travis Harling, Manager Finance and Reporting</b>
<b>Council Plan relationship:</b>	<b>4. Delivering strong and reliable government</b>
<b>Attachments:</b>	<b>Nil</b>

### 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 30 June 2024 for the 2023/2024 financial year (Quarter 4), in accordance with the requirements of the *Local Government Act 2020*.

This report also includes information regarding Carry Forwards for the period ending 30 June 2024.

### Recommendation

#### That Council:

- 1. Receives the Quarterly Financial report as at 30 June 2024, in accordance with the requirements of the Local Government Act 2020.**
- 2. Approves the net budget carry forward from the 2023/24 financial year to the 2024/25 financial year of \$7,742,477.**
- 3. Notes that after carry forwards, the net cash result for the 2023/24 financial year is a surplus of \$209,010.**

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### 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 30 June 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 \$38.0 M for the twelve months ending 30 June 2024 compared with the budgeted surplus of \$34.43M.

The financial statements in this report are subject to an external audit by the Victorian Auditor-General's Office, Council's appointed auditor. It is anticipated that adjustments to

non-monetary assets will be necessary, similar to those made as of June 30, 2023. The adjustment will see both the contributions non-monetary and total surplus / (deficit) decrease.

Council's Income Statement at 30 June 2024 is provided below, with analysis of year-to-date material variances.

**INCOME STATEMENT**  
12 months ended 30 June 2024

	2023/24 June YTD Adj. Budget* \$'000	2023/24 June YTD Actuals \$'000	2023/24 June YTD Variance \$'000
<b>Income</b>			
Rates and charges	62,287	61,941	(346)
Statutory fees and fines	3,710	3,399	(311)
User fees	7,411	6,837	(574)
Grants - operating	11,388	13,487	2,099
Grants - capital	32,783	15,507	(17,276)
Contributions - monetary	4,588	2,344	(2,244)
Other income	4,668	13,418	8,750
Library income	-	29	29
Assets held for sale revaluation	-	(171)	(171)
Investment properties revaluation	-	52	52
<b>Total income</b>	<b>126,835</b>	<b>116,843</b>	<b>(9,992)</b>
<b>Expenses</b>			
Employee costs	44,598	43,263	1,335
Materials and services	35,288	43,590	(8,302)
Depreciation and amortisation	17,063	17,551	(488)
Borrowing costs	597	272	325
Other expenses	3,377	3,077	300
Landfill provision change	-	(51)	51
<b>Total expenses</b>	<b>100,923</b>	<b>107,702</b>	<b>(6,779)</b>
<b>Surplus/(deficit) excluding other adjustments</b>	<b>25,912</b>	<b>9,141</b>	<b>(16,771)</b>
<b>Other adjustments</b>			
Contributions - non monetary	7,920	32,083	24,163
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	600	(1,119)	(1,719)
Writing off capital projects	-	(2,095)	(2,095)
<b>Total surplus/(deficit)</b>	<b>34,432</b>	<b>38,010</b>	<b>3,578</b>

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.

**Income Statement - Year-to-Date (YTD) Key Actual vs Budget Variances**

Operational Revenue

*Operating Grants:* The increase in actual grant revenue compared to the budget is due to \$2.0M in emergency grants received by the Council. These grants are not included in the budget because they are unpredictable at the time of budget preparation.

*Grants capital:* The \$17.2 million unfavourable variance to budget is due to the accounting treatment of the \$6.0M grant for the Shared Trail project. Although the grant has been received, it is recognised as income only as the project progresses. The portion not yet recognised as income is recorded as a liability on the balance sheet under Contract and Other Liabilities. Additionally, Council has received only one-third of its Local Roads Community Infrastructure Fund grant.

*Contributions monetary:* The \$2.3M 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 \$13.4M, this is \$8.7M favourable, due to unbudgeted income generated from timber processing arising from the June 2021 storm at Council's Gravel Pit site. 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 \$43.26M is \$1.3M 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 \$43.6M is unfavourable to budget by \$8.3M for the twelve-month period mainly due to timber processing from the June 2021 storm at Council's Gravel Pit site. 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 Variances**

#### Capital Works

The Capital Works Statement at 30 June 2024 reports \$45.9M of works delivered by year end. The total budget including carry forwards for the 12-month period is \$72.62M. Infrastructure expenditure of \$39.42M is lower than budget of \$61.70 due to delayed construction for a variety of reasons. The Macedon Ranges Shared Trail Project, Roads Reseal program, Kettlewells Road rehabilitation, Chanters Lane, Trentham and Hamilton Road in New Gisborne are among the significant projects contributing substantially to this variance.

## CAPITAL WORKS STATEMENT

### As at 30 June 2024

	2023/24 Annual	2023/24 June	2023/24 June	2023/24 June
	Budget \$'000	Budget \$'000	Actuals \$'000	Variance \$'000
<b>Property</b>				
Land and land improvements	1,060	1,060	1,060	-
Buildings and building improvements	7,068	7,068	3,597	3,471
<b>Total property</b>	<b>8,128</b>	<b>8,128</b>	<b>4,657</b>	<b>3,471</b>
<b>Plant and equipment</b>				
Plant, machinery and equipment	2,463	2,463	1,539	924
Computers and telecommunications	334	334	297	37
<b>Total plant and equipment</b>	<b>2,797</b>	<b>2,797</b>	<b>1,836</b>	<b>961</b>
<b>Infrastructure</b>				
Roads	16,859	16,859	13,087	3,772
Bridges	2,395	2,395	1,524	872
Footpaths and Cycleways	12,511	12,511	2,015	10,495
Drainage	789	789	499	291
Recreational, leisure and community facilities	26,342	26,342	21,090	5,252
Parks, open space and streetscapes	759	759	609	149
Other infrastructure	2,041	2,041	596	1,446
<b>Total infrastructure</b>	<b>61,697</b>	<b>61,697</b>	<b>39,419</b>	<b>22,278</b>
<b>Total capital works expenditure</b>	<b>72,621</b>	<b>72,621</b>	<b>45,912</b>	<b>26,709</b>

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

#### Investments

Investments held on 30 June 2024 total \$28.0M. Investments are earning adequate interest, with 64% 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%.

#### Storm Reports

Cost to Council for the June 2021 Storm is \$5,668,046. All amounts have now been paid and the claim process is considered complete and finalised. After considering the Kettlewell's site financial result, the net cost to Council is reduced to \$2,904,244.

Three claims remain active, being for the October 2022 flooding, December 2023 and January 2024 poor weather periods and 13 February 2024 storms.

#### Loans

The budgeted loan was drawn down in June. A loan of \$12,300,000 was entered into with Treasury Corporation Victoria. The loan is fixed for 10 years, monthly principal and interest repayments with an interest rate of 4.895%.

Carry Forwards

As a general principle, budgeted money should be spent within the financial year and funding should not be requested if the budget cannot be spent within the financial year. However, there are cases where large projects are completed over multiple years, grants are received later in the year, and/or there are unavoidable delays in completing projects.

Budget carry forwards from 2023/2024 to 2024/2025						
No.	Projects In progress at the end of the year :	Remaining Budget		Net Carry		
		Income	Expense	Forward		
1	Gilbert Gordon Netball Court	(\$1,299,197)	\$1,282,642	(\$16,555)		
2	Gisborne Botanic Gardens Footbridge	\$0	\$295,668	\$295,668		
3	Gisborne Fields landscape plan stage 5	(\$254,675)	\$254,675	\$0		
4	Kerrie School and Hall	\$0	\$303,488	\$303,488		
5	Kettlewells Road Romsey	(\$408,327)	\$408,327	\$0		
6	Kyneton Bluestone Kerb Renewal	\$0	\$244,561	\$244,561		
7	Kyneton landfill biofilter	(\$800,000)	\$791,029	(\$8,971)		
8	Kyneton Mechanics Institute renewal	(\$153,390)	\$407,509	\$254,119		
9	Kyneton Showgrounds Netball Facilities	\$0	\$259,000	\$259,000		
10	Kyneton Windmill Bridge	\$0	\$400,444	\$400,444		
11	Macedon Kinder toilet upgrade	(\$487,012)	\$519,012	\$32,000		
12	Macedon Ranges Shared Trail	(\$6,426,645)	\$8,331,191	\$1,904,546		
13	MRRSP Stage 1	(\$1,423,431)	\$647,750	(\$775,681)		
14	MRRSP Stage 2	(\$941,071)	\$941,071	\$0		
15	New Gisborne Tennis Courts new lighting	(\$137,600)	\$258,000	\$120,400		
16	Plant replacement - Tipper Truck	(\$240,375)	\$240,375	\$0		
17	Rail Trail Daylesford to Hanging Rock	(\$1,500,000)	\$1,467,500	(\$32,500)		
18	Resource Recovery Behaviour Change	(\$423,095)	\$501,000	\$77,905		
19	Riddells Creek Rec Reserve oval lighting	(\$244,152)	\$548,748	\$304,596		
20	Roads - Chanters Lane	(\$688,506)	\$1,346,956	\$658,450		
21	Romsey Skate Park	(\$550,000)	\$569,330	\$19,330		
22	Sheedy Road Gisborne	(\$288,243)	\$203,636	(\$84,607)		
23	Woodend Community Centre	(\$500,000)	\$499,475	(\$525)		
24	Net of other minor projects < \$200k	(\$1,348,343)	\$5,135,152	\$3,786,809		
	- Negative Income, means grants to be received in 24/25					
	+ Positive income means grant received in prior year and budgeted in 24/25					
	<b>Net budget carry forwards</b>	<b>-\$18,114,062</b>	<b>\$25,856,539</b>	<b>\$7,742,477</b>		

*Budget carry forwards represent unspent expenditure or unbudgeted income that needs to be made available to fund the completion of in-progress projects during the following financial year. Often, these in progress projects are intended to be undertaken over two or more years and are identified as in progress projects which require budget carry forwards in the Budget Reports adopted by Council in June each year. Budget Carry forwards are used to manage internal budgeting and project management, they do not form part of the Financial Statements.*

According to Council’s Budget Management Policy, carry forward requests will only be considered for carry forwards where one of the following criteria has been met:

- The project/program has external funding in the form of government grants and/or other contributions that need to be acquitted.

- The project/program is associated with a Council Plan Action (that is incomplete).
- There is a written agreement or contract in place for the delivery of services/goods.

As a general principal only amounts of more than \$5,000 are considered for carry forward to the next year. Smaller amounts must be funded from existing budgets in the following year.

The policy states that Managers must aim to complete minor carry forward budgeted items by the end of October within the following financial year, and that they will not be carried forward more than once unless they are major projects/grants or there are delays caused by external parties.

The table above, of identified operating carry forwards, has been included with this report for transparency. Total carry forward expenditure for both operating and capital expenditure projects totals \$25.9M, offset by \$18.1M of income.

**Budget Management Position**

As of June 30, 2024, Council's budget management position stands at a surplus of \$209,010, this is an improvement on the deficit reported as at 30 June 2023 of (\$194,569). This improvement comes despite the significant financial impact of finalising claims from the June 2021 storm that impacted the shire.

The balance will continue to be monitored as claims from the \$1.84M of outstanding emergency claims are finalised in the coming months.

<b>Budget Management Position Summary - 30 June 2024</b>			
Carried forward deficit from 2022/23 due to storm costs			(\$194,568)
Net operating budget variance *			\$4,039,750
Net capital budget variance *			\$5,941,656
Net oncosts			\$ 11,927
Less net budget carry forwards (see above)			(\$7,742,477)
<b>Net Budget Management Position (#1)</b>			<b>\$ 2,056,289</b>
Estimated emergency claims outstanding for 2023/24 events			-\$ 1,847,279
<b>Net Surplus (Deficit)</b>			<b>\$ 209,010</b>

\* Includes loans and reserve transfers, excludes depreciation and provision movements.

**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 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 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 Council Investment Policy

Macedon Ranges Council Borrowing Policy

Macedon Ranges Council Budget Management Policy

**Climate Impact Assessment**

The detail underpinning the Monthly financial reports and capital works program reporting provide opportunity for Council to assess and reduce energy usage and greenhouse gas emissions by understanding the financial impact of energy-efficient practices and sustainable technologies. These measures will also help to mitigate climate change risks to Council operations and services by investing in climate-resilient infrastructure and adaptive strategies, ensuring continuity and reliability. Officers continue to ensure sustainable investments in line with Council's Investment Policy with institutions that do not lend to organisations linked with fossil fuel.

**Financial viability**

The Quarterly Report provides information on Council's operating and financial performance for the quarter ending 30 June 2024. The financial statements within the report indicate that Council remains in a sound financial position.

**Sustainability implications**

As per Council's Investment Policy, 64% of investments are currently held with institutions that do not lend to organisations linked with fossil fuel, compliant with Council's 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.