

**13 DIRECTOR CORPORATE REPORTS**

<b>COR.1</b>	<b>QUARTERLY FINANCIAL REPORT - JULY TO SEPTEMBER 2023</b>
<b>Officer:</b>	<b>Alexandra Adams, Corporate Reporting Officer</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 September 2023 for the 2023/2024 financial year (Quarter 1), in accordance with the requirements of the *Local Government Act 2020*.

**Recommendation**

**That Council receives the Quarterly Financial report as at 30 September 2023, 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."

Council is seeking to streamline the way we report to Council and the public, and the first Quarterly Financial Report for the 2023/24 financial year is in a simpler format, that allows a quick interpretation of key information related to council's financial performance.

**Discussion**

The Finance and Capital Management Report to 30 September 2023 provides an update on financial performance against the 2023/2024 budget.

Council's operating result as at 30 September 2023 is \$9.35M favourable to budget. 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 profit and loss statement as at 30 September 2023 is provided below with analysis of year-to-date material variances.

**Financial Summary - Year-to-Date (YTD) Key Actual vs Budget Variances**Operational Revenue

*Grants Operating:* The \$542,000 favourable income in operating grants is mostly due to the increase in Financial Assistance Grants and the timing of grants received by key programs in the Community Directorate.

*Other Income:* Actual income is \$5.7m, this is \$2.9m favourable, due to unbudgeted income relating to timber processing from the June 2021 storm.

Operational Expenditure

*Materials and services:* Actual expenditure of \$11.6m is unfavourable to budget by \$2.5m for the three months to 30 September 2023 mainly due to timber processing from the June 2021 storm. These costs are reimbursed by the contractor in other income above.

## INCOME STATEMENT

### 3 months ended 30 September 2023

	2023/24 Sept YTD Adj. Budget* \$'000	2023/24 Sept YTD Actuals \$'000	2023/24 Sept YTD Variance \$'000
<b>Income</b>			
Rates and charges	61,822	61,108	(714)
Statutory fees and fines	660	579	(81)
User fees	1,827	1,678	(149)
Grants - operating	3,910	4,452	542
Grants - capital	16,349	15,235	(1,114)
Contributions - monetary	821	823	2
Other income	598	3,492	2,894
		-	
<b>Total income</b>	<b>85,987</b>	<b>87,367</b>	<b>1,380</b>
<b>Expenses</b>			
Employee costs	11,131	10,908	223
Materials and services	9,057	11,593	(2,536)
Depreciation and amortisation	4,266	4,019	247
Borrowing costs	66	58	8
Other expenses	876	843	33
<b>Total expenses</b>	<b>25,396</b>	<b>27,421</b>	<b>(2,025)</b>
<b>Surplus/(deficit) Ex other adjustments</b>	<b>60,591</b>	<b>59,946</b>	<b>(645)</b>
<b>Other adjustments</b>			
Contributions - non monetary	1,980	12,125	10,145
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	150	1	(149)
<b>Total surplus/(deficit)</b>	<b>62,721</b>	<b>72,072</b>	<b>9,351</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.

Overall the operating surplus of \$72m is \$9m 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.

### Capital Works

YTD Capital Works Statement reports \$8.9M of works delivered to 30 September 2023 where the total budget including carry forwards for the 12-month period is \$69.9M. The *Recreational, leisure and community facilities* class includes payments for the Macedon Ranges Sports Precinct project, with works recommencing and invoices received for

payment. The major variance in budget versus actual relates to the *Footpath and Cycleway* class, with the delay of the Woodend to Riddells Creek Shared Trail project.

## CAPITAL WORKS STATEMENT - as at 30 September 2023

	2023/24 Annual	2023/24 September	2023/24 September	2023/24 September
	Budget \$'000	Budget \$'000	Actuals \$'000	Variance \$'000
<b>Property</b>				
Land and land improvements	1,060	0	0	0
Buildings and building improvements	6,973	1,285	895	389
<b>Total property</b>	<b>8,033</b>	<b>1,285</b>	<b>895</b>	<b>389</b>
<b>Plant and equipment</b>				
Plant, machinery and equipment	2,542	325	193	132
Fixtures, fittings and furniture	0	0	0	0
Computers and telecommunications	311	48	34	14
<b>Total plant and equipment</b>	<b>2,853</b>	<b>373</b>	<b>227</b>	<b>146</b>
<b>Infrastructure</b>				
Roads	15,297	1,533	1,442	92
Bridges	1,808	88	101	(13)
Footpaths and Cycleways	12,016	2,426	253	2,173
Drainage	736	255	201	54
Recreational, leisure and community facilities	26,321	5,502	5,614	(113)
Parks, open space and streetscapes	606	116	82	34
Other infrastructure	2,198	250	74	175
<b>Total infrastructure</b>	<b>58,982</b>	<b>10,170</b>	<b>7,768</b>	<b>2,403</b>
<b>Total capital works expenditure</b>	<b>69,868</b>	<b>11,828</b>	<b>8,890</b>	<b>2,938</b>

### Investments

Investments held at 30 September total \$33.2m. Investments are earning adequate interest, with 54% 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 relatively constant for the remainder of the financial year, excepting a forecasted RBA Cash Rate increase of 0.25% during December. This may see an increase in investment rates that Council is able to access for investments in the future. The increase in interest rates and related increased interest income will be offset by declining cash holdings as the funds to complete the Macedon Ranges Regional Sports Precinct project are drawn down.

### Storm Reports

The cost to Council for the June 2021 Storm is forecast to be \$5.4M. There is ongoing expenditure related to decommissioning pumps and rehabilitating the Ashbourne Road site. This expenditure is not claimable and will be a cost to Council.

Council has commenced the submission of claims for the 7 October 2022 flood, with a \$500K Council Flood Support Fund grant already secured to assist Council's share of the costs. If

the claim level is high, these funds may contribute to the overall cost to Council for like events.

The Kettlewell's timber processing site continues to operate and the early financial arrangements for this site contribute 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 \$2M. These calculations have been made at 30 September and will continue to change until all claims are finalised and paid.

### **Loans**

Budgeted loans have not yet been drawn down; it is likely for the loans to be drawn during the month of December. The budget includes six months of principal and interest for the budgeted loans.

### **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 considerably, and providing the updates on performance against the Council Plan at half-yearly intervals, consistent with the Local Government Act 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 2021-2031

Macedon Ranges Council Budget 2023/24

**Financial viability**

The Quarterly Financial Report provides information on Council's operating and financial performance for the quarter ending 30 September 2023. The financial statements within the report indicate that Council remains in a sound financial position.

**Sustainability implications**

In terms of financial sustainability, the financial statements within the report indicate that Council remains in a sound financial position.

**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.