



Table of Contents

1. Executive Summary..... 2

2. Net Operating Result 3

3. Capital Program..... 6

4. Cash Position 6

5. Net Assets 6

6. Financial Performance Indicators 7

7. Financial Challenges 8

8. Conclusion..... 9

9. Appendix 1. Mid Year Review Statements..... 10



1. Executive Summary

On 23 June 2015, Council adopted the 2015/16 financial year budget on the basis of maintaining operational service levels including extended capacity to service growth in the municipality. The Budget also provides for the required renewal and enhancement of community assets throughout the municipality.

To track performance against the adopted budget, regular monthly reviews are conducted as part of the Monthly Financial Status Report. The Mid Year Review (MYR) represents a more formal and comprehensive review to ensure that budget accountabilities and targets remain responsive, realistic and achievable.

The 2015/16 MYR has been completed and enabled Service Unit Managers, the Executive Management and Council to critically review and reprioritise current year operational budgets where required, consider new initiatives and refine year-end forecasts in response to changing internal and external factors.

The outcome of the MYR against the Budgeted key financial indicators is summarised below.

Key Financial Indicators	Section	Adopted Budget (June 2015) \$ million	MYR Adjustment (Dec 2015) \$ million	Reviewed Forecast \$ million
Operating surplus for the year	2	16.266	(0.251)	16.015
Underlying cash surplus	2	29.023	(1.022)	28.001
Capital Expenditure	3	37.616	1.609	39.225
Cash and Investments	4	44.470	2.703	47.173
Net Assets	5	1,690.800	157.997	1,848.797

Throughout this report variances in brackets indicate an unfavourable variance.

Management has critically reviewed all mid-year budgets and 'bids' for additional operational funding and recommends approval of items listed throughout this report.

The operating surplus for the year (accrual based) is forecast to decrease by \$0.251 million (or -1.5 per cent) to \$16.015 million against the Adopted Budget.

The underlying cash surplus, which is a measure of the actual surplus realised by the Council after adjusting the result for items received for specific purposes such as capital grants, developers contributions and non-cash items like depreciation and amortisation is also forecast to decrease by \$1.023 million (or -3.5 per cent) to \$28.001 million. After adjusting for grants received in June 2015 for 2015/16, the underlying cash surplus would have increased by \$0.311 million (or 1.1 per cent) to \$29.334 million.

Explanations for the income and expense variances are summarised in section 2 of this report.

Note: The proposed MYR outcomes represent an update to the year-end forecast, not the adoption of a Revised Budget. As such, the 2015/16 Annual Report will compare financial outcomes for 2015/16 against the budget adopted by Council on 23 June 2015.

It is proposed that the reviewed forecasts as detailed in this report be used for monthly financial reporting effective from the February 2016 Financial Status Report.



2. Net Operating Result

This section details key movements in revenue and expenditure by account group resulting from the MYR forecasts.

	Adopted Budget	MYR Adjustment	Reviewed Forecast	Reviewed Forecast (underlying)
	\$ million	\$ million	\$ million	\$ million
Revenue	124.664	1.490	126.154	117.662
Expenditure	108.398	(1.741)	110.139	89.661
Operating surplus for the year	16.266	(0.251)	16.015	28.001

Operating Income	Adopted Budget	MYR Adjustment	Reviewed Forecast	Reviewed Forecast (underlying)	Note
	\$ million	\$ million	\$ million	\$ million	
11 - Rates - general	92.191	1.142	93.333	93.333	2a
12 - Statutory charges, fees & fines	1.765	(0.037)	1.728	1.728	
13 - User charges	9.709	0.571	10.280	10.280	2b
14 - Interest revenue	1.598	-	1.598	1.598	
15 - Operating grants & subsidies	10.828	(1.007)	9.821	9.821	2c
16 - Capital grants & contributions	4.506	0.750	5.256	-	2d
17 - Other revenue	3.665	0.071	3.736	0.902	
18 & 28 - Net gain on disposal of assets	0.402	-	0.402	-	
Total Operating Income	124.664	1.490	126.154	117.662	

Notes

2a) Rates and waste charges is forecast to increase by \$1,142,000

The general rates and charges (including supplementary rates) is forecast to increase by \$1.142 million mainly due to ten years worth of back rates raised on the former Eastern Golf Club site following the sale and subsequent change in use of the property. This is projected to raise \$1.889 million in rate revenue, \$0.689 million higher than budget of \$1.200 million.

Supplementary rate income for 2015/16 is expected to be \$0.375 million above forecasts due to an increased number of properties being rated for the first time. In addition, the Thea/Boronia Grove Catchment Easement Drainage Scheme was introduced during the year which raised unbudgeted \$0.082 million.



2b) User charges are forecast to increase by \$571,000

User charges relate mainly to the recovery of service delivery costs through the charges of fees to users of Council's services. For the year, the user charges are forecast to increase by \$0.571 million mainly in the following services:

- Statutory Planning income to increase by \$0.280 million as a result of increased number of planning applications
- Eastern Golf Course and Mullum Mullum planning referral fees are expected to generate additional \$0.185 million in the Engineering and Technical Services.
- Court awarded fines, reimbursements and recovery of legal expenses in the Health and Local Laws totalling \$0.079 million

These increases are partly offset by reductions in the Manningham Centre Association rental income of \$0.071 million due to extended negotiations regarding a revised lease negotiation and bus shelter advertising revenue of \$0.042 million.

2c) Operating grants and subsidies are forecast to decrease by \$1,007,000

Operating grants are forecast to be \$1.007 million lower than adopted budget. This mainly represents Financial Assistance Grants payment of \$1.231 million which was received in advance in late June 2015.

To partly offset this reduction, Cultural Services received new \$0.120 million grant for Vic Health Plaza Park program and Aged and Disability Services additional HACC funding of \$0.085 million for domestic and personal care.

2d) Capital Grants and subsidies are forecast to increase by \$750,000

Capital grants are expected to increase by \$0.750 million mainly due to following projects:

Increase

- Manningham Recreation Association contribution of \$1.277 million for Highball facilities
- Sports Recreation Victoria grant of \$0.500 million for Aquarena Master Plan implementation
- Road to Recovery additional income of \$0.318 million resulting from reintroduction of the fuel excise
- Club contributions of \$0.095 million for Wonga Park Tennis Club refurbishment and pavilion upgrade
- Montessori Pre School upgrade and refurbishment contribution of \$0.088 million
- Stride Early Learning Centre upgrade and refurbishment contribution of \$0.083 million
- Taxi grant of \$0.073 million from Department of Justice
- Club contribution of \$0.061 million towards Wonga Park Reserve Oval # 1 floodlighting
- Melbourne Water grant of \$0.053 million for Mullum Mullum Highball facility
- Club contribution of \$0.040 million for Zerbes Reserve floodlighting
- Owner contribution of \$0.040 million for Yarra Street Pride of Place
- State Government grant of \$0.025 million for Neighbourhood Activity Centres (Jackson Court)
- Public Transport Victoria grant of \$0.015 million for Bus Stop at Springvale Rd & Leslie St, Donvale



Decrease

- Bulleen Templestowe Basketball contribution of \$0.600 million and State Government contribution of \$0.500 million for Sheahans Highball facility to be received in 2016/17
- Financial Assistance Grants of \$0.376 million received in advance in late June 2015
- Government grant of \$0.318 million for Bolin Bolin Wetland project received in late 2014/15 to be expensed in 2015/16
- Club contribution of \$0.100 million for Park Avenue Reserve Synthetic Pitch to be claimed in 2016/17

Expenditure

Operating Expenditure	Adopted Budget	MYR Adjustment	Reviewed Forecast	Reviewed Forecast (cash result)	Note
	\$ million	\$ million	\$ million	\$ million	
21 - Employee costs	47.915	(0.363)	48.278	48.278	2e
22 - Materials & contracts	22.273	0.027	22.246	22.214	
23 – Interest	0.309	-	0.309	0.309	
24 - Utilities	2.818	(0.014)	2.832	2.832	
26 - Other expenses	14.736	(1.391)	16.127	16.028	2f
27 - Depreciation	20.347	-	20.347	-	
Total operating expenditure	108.398	(1.741)	110.139	89.661	

2e) Employee costs are forecast to increase by \$363,000

Key changes in the employee cost forecasts chiefly relates to additional non permanent staffing costs in the areas of:

- Statutory Planning (\$0.374 million) and Engineering and Technical Services (\$0.144 million) to resource an increased planning application workload. This is largely funded by projected additional income of \$0.421 million in these areas
- costs associated with the new IT Transformation project (\$0.090 million in staffing plus additional costs in the other expenses line item) to upgrade Council's core IT systems – this project is primarily funded from favourable budget outcomes in prior years.

In addition, net savings of \$0.366 million in Workcover premium is largely offsetting the increase in other employee costs. This is achieved mainly due to active monitoring and managing of claims and 3.0% early payment discount.

2f) Other expenses are forecast to increase by \$1,391,000

The increase in other expenses chiefly relates to \$1.015 million new funding allocated to the IT Transformation project to upgrade Council's core IT systems. These funds were established from favourable budget outcomes in prior years. Also contributing to the variance is the provision for legal expenses to defend Council's decisions in the Animal Management and Property Valuations areas.



3. Capital Program

The capital program is forecast to increase by \$1.609 million from the adopted budget to \$39.225 million. The detailed 2015/16 Capital Works Program Status Report as at the end of December will be presented to Council at 2 February 2016 Council Meeting. A summary of the variations to the adopted budget is presented in the table below.

Summary of Variances	\$ million
Adopted Budget	37.616
Additional carry forwards from 2014/15	0.937
Grants and Income received in advance	0.171
Additional grant and income	2.661
Grants and income removed from the budget	(1.210)
Proposed Carry forwards to 2016/17	(0.950)
Total MYR Forecast	39.225

4. Cash Position

	Adopted Budget	MYR Adjustment	Reviewed Forecast
	\$ million	\$ million	\$ million
Cash and Investments	44.470	2.703	47.173

The Mid Year Review forecasts a cash and investment balance of \$47.173 million as at 30 June 2016. The increase of \$2.703 million is mainly the result of \$0.950 million in capital works proposed to be carried over into 2016/17 and higher than forecast reserve balances..

The cash forecast of \$47.173 million is supported by significant balances held in reserves (restricted cash balance) for the future Waste Bin Replacement \$15.015 million, Resort and Recreation Reserve \$4.863 million, trust funds \$7.034 million and \$0.950 million in carry forward capital works. The remaining unrestricted cash balance of \$17.66 million represents approximately seven weeks of cash outflows.

5. Net Assets

	Adopted Budget	MYR Adjustment	Reviewed Forecast
	\$ million	\$ million	\$ million
Net Assets	1,690.800	157.997	1,848.797

The MYR forecasts net assets of \$1,848.797 million at 30 June 2016. The increase of \$157.997 million chiefly relates to the valuation of Council assets mainly land in the prior year (2014/15) increasing more than budgeted reflecting strong property price movements within the municipality. The increased values are carried forward into 2015/16.



6. Financial Performance Indicators

The following table highlights the projected performance across a range of key financial performance indicators. These indicators provide a useful analysis of Council's financial position and performance for the year ending 30 June 2016.

Financial Performance Indicators	Actual 2014/15	Adopted Budget 2015/16	Reviewed Forecast 2015/16
Operating position			
Adjusted underlying result [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x 100	7.0%	7.6%	6.7%
Liquidity			
Working capital [Current assets / Current liabilities] x 100	206.1%	176.0%	189.9%
Unrestricted cash [Unrestricted cash / Current liabilities] x 100	60.4%	63.0%	59.3%
Obligations			
Loans and borrowings [Interest bearing loans and borrowings / Rate revenue] x 100	8.3%	7.9%	7.8%
Loans and borrowings [Interest and principal repayments / Rate revenue] x 100	0.3%	0.3%	0.3%
Indebtedness [Non-current liabilities / Own source revenue] x 100	8.0%	7.7%	7.4%
Asset renewal [Asset renewal expenses / Asset depreciation] x 100	71.3%	83.5%	87.1%
Stability			
Rates concentration [Rate revenue / Adjusted underlying revenue] x 100	76.5%	78.6%	79.0%
Rates effort [Rate revenue / Capital improved value of rateable properties in the municipality] x 100	0.2%	0.3%	0.3%
Efficiency			
Expenditure level [Total expenses / Number of property assessment]	\$2,282	\$2,325	\$2,363
Revenue level [Residential rate revenue / Number of residential property assessments]	\$1,832	\$1,840	\$1,947
Workforce turnover Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x 100	8.3%	9.5%	9.5%



Financial Performance Indicators	Actual	Adopted Budget	Reviewed Forecast
	2014/15	2015/16	2015/16
Sustainability			
Own-source revenue [Own-source revenue / Municipal population]	\$860	\$883	\$898
Recurrent grants [Recurrent grants / Municipal population]	\$110	\$99	\$96
Total expenditure [Total expenses / Municipal population]	\$895	\$899	\$914
Infrastructure [Value of infrastructure / Municipal population]	\$5,944	\$6,112	\$6,012
Population density [Municipal population / Kilometres of local roads]	198	201	201

7. Financial Challenges

The introduction of the new rate capping framework from mid 2016 will have significant impact on Council's ability to raise revenue for service delivery and capital works program. The detailed impact analysis is currently underway which will be highly influenced by the Minister's decision of the capped rate to be used to limit the increase in rates paid by an average rate payer.

The initial analysis of the impact of rate capping indicates that the first year of the new framework is manageable due to cost containment efforts imposed by the current council and higher than forecast growth in developments. However, it is anticipated that financial impact of rate capping from year two onwards will start to influence the Council's ability to continue our current level of services and capital works program.

Currently, the Council is undertaking a Future Readiness Campaign to better prepare for the management of financial challenges arising from the introduction of the State Government rate capping framework.



8. Conclusion

	Adopted Budget	MYR Adjustment	Reviewed Forecast
Key Financial Indicators	\$ million	\$ million	\$ million
Operating surplus for the year	16.266	(0.251)	16.015
Underlying cash surplus	29.023	(1.022)	28.001
Capital Expenditure	37.616	1.609	39.225
Cash and Investments	44.470	2.703	47.173
Net Assets	1,690.800	157.997	1,848.797

The financial position forecast at 30 June 2016 forms a base for the 2016/17 Budget and 2016/17 to 2025/26 Financial Strategy.

It is recommended that the revised income and expenditure forecasts and explanations of major variations detailed in this report be noted by Council. It is further proposed that the Financial Status Report from February 2016 onwards will report on income and expenditure variances to the Mid Year Review forecasts noted in this report.

Continued productivity improvement and expenditure restraint will remain a critical focus for the second half year of the operations and beyond the current financial year to manage the financial challenges arising from the introduction of the rate capping framework.



9. Appendix 1. Mid Year Review Statements

Manningham City Council
Budgeted Comprehensive Income Statement
For the year ending 30 June 2016

	Actual 2014/15 \$'000	Budget 2015/16 \$'000	Forecast 2015/16 \$'000	Variance \$'000
Income				
Rates charges	75,142	80,211	81,307	1,096
Waste charges	12,149	11,980	12,026	46
Statutory fees and fines	1,665	1,765	1,728	(37)
User charges	10,272	9,709	10,280	571
Interest income	1,787	1,598	1,598	-
Operating grants (recurrent)	11,900	10,672	9,697	(975)
Operating grants (non-recurrent)	236	156	124	(32)
Capital grants and contributions (non-recurrent)	1,304	3,238	3,444	206
Capital grants and contributions (recurrent)	1,137	1,268	1,812	544
Operating contributions - Developer Contributions (cash)	2,094	2,351	2,351	-
Contributed Assets (non-cash)	1,618	464	464	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(2,330)	402	402	-
Other revenue	750	850	921	71
Total income	117,724	124,664	126,154	1,490
Expenses				
Employee costs	45,948	47,915	48,278	(363)
Materials, services and contracts	10,499	11,621	11,973	(352)
Waste contracts	9,452	10,652	10,273	379
Utilities	2,538	2,818	2,832	(14)
Community grants	5,137	5,329	5,256	73
Depreciation and amortisation	19,754	20,347	20,347	-
Share in profit/(loss) from investment in associate	(153)	-	-	-
Finance costs	294	309	309	-
Other expenses	10,093	9,407	10,871	(1,464)
Total expenses	103,562	108,398	110,139	(1,741)
Surplus (deficit) for the period	14,162	16,266	16,015	(251)
Other comprehensive income				
Net asset revaluation increment	180,582	32,695	32,695	-
Comprehensive result	194,744	48,961	48,710	(251)



Manningham City Council
Budgeted Balance Sheet
For the year ending 30 June 2016

	Actual 2014/15 \$'000	Budget 2015/16 \$'000	Forecast 2015/16 \$'000	Variance \$'000
Assets				
Current assets				
Cash and cash equivalents	48,821	44,470	47,173	2,703
Trade and other receivables	7,706	6,507	8,378	1,871
Accrued income	605	1,004	605	(399)
Prepayments	358	179	368	189
Total current assets	57,490	52,160	56,524	4,364
Non-Current Assets				
Investments (Regional Library)	1,992	1,839	1,992	153
Investments	169	163	169	6
Trade and other receivables	31	31	31	-
Property, plant & equipment	1,774,798	1,672,681	1,826,286	153,605
Intangibles	1,617	1,808	1,617	(191)
Total non-current assets	1,778,607	1,676,522	1,830,095	153,573
Total assets	1,836,097	1,728,682	1,886,619	157,937
Liabilities				
Current liabilities				
Payables	(9,702)	(12,631)	(10,273)	2,358
Trust funds	(6,103)	(5,173)	(7,033)	(1,860)
Provisions	(11,442)	(11,166)	(11,766)	(600)
Income received in advance	(643)	(673)	(693)	(20)
Total current liabilities	(27,890)	(29,643)	(29,765)	(122)
Non-current liabilities				
Provisions	(841)	(960)	(778)	182
Loan - non-current	(7,279)	(7,279)	(7,279)	-
Total non-current liabilities	(8,120)	(8,239)	(8,057)	182
Total liabilities	(36,010)	(37,882)	(37,822)	60
Net assets	1,800,087	1,690,800	1,848,797	157,997
Equity				
Accumulated surplus	(615,922)	(629,582)	(630,646)	(1,064)
Asset revaluation reserve	(1,180,397)	(1,056,222)	(1,213,092)	(156,870)
Other reserves	(3,768)	(4,996)	(5,059)	(63)
Total equity	(1,800,087)	(1,690,800)	(1,848,797)	(157,997)



Manningham City Council
Budgeted Statement of Cash Flows
For the year ending 30 June 2016

	Actual 2014/15 \$'000	Budget 2015/16 \$'000	Forecast 2015/16 \$'000	Variance \$'000
Cash flows from operating activities				
Receipts				
Rates	74,989	80,058	80,635	577
Waste charges	12,149	11,980	12,026	46
Fees, fines and user charges	11,379	11,524	12,059	535
Operating grants	12,136	10,828	9,821	(1,007)
Capital grants	2,174	4,506	5,256	750
Contributions	2,239	2,351	2,351	-
Interest	1,821	1,598	1,598	-
Other receivables	520	850	921	71
Total receipts	117,407	123,695	124,667	972
Payments				
Payments to suppliers	(37,003)	(39,508)	(40,925)	(1,417)
Payment to employees	(45,988)	(46,183)	(47,738)	(1,555)
Interest payments	(294)	(309)	(309)	-
Total payments	(83,285)	(86,000)	(88,972)	(2,972)
Net cash provided by operating activities	34,122	37,695	35,695	(2,000)
Cash flows from investing activities				
Property, plant & equipment	(29,181)	(37,616)	(39,225)	(1,609)
Proceeds from assets sold	439	952	952	-
Net cash used in investing activities	(28,742)	(36,664)	(38,273)	(1,609)
Cash flows from financing activities				
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	-	-	-	-
Trust deposits	924	-	930	930
Net cash provided by financing activities	924	-	930	930
Net increase (decrease) in cash and investments	6,304	1,031	(1,648)	(2,679)
Cash and cash equivalents at beginning of year	42,517	43,438	48,821	5,383
Cash and cash equivalents at end of year	48,821	44,469	47,173	2,704