

IMPACT OF CURRENT YEAR ON 2018-19 BUDGET

This section of the report analyses the variances from the current budget year and assesses whether there will be any significant impacts on the 2018-19 Budget.

1. Operating Performance

	Budget 2017-18 \$'000	Projection 2017-18 \$'000	Forecast 2017-18 \$'000	Variance Projection v Forecast Actual \$'000
Operating				
Revenue	324,377	324,458	342,618	18,160
Expenditure	(333,064)	(344,252)	(349,327)	(5,075)
Recurrent result - Surplus/ (Deficit)	(8,687)	(19,794)	(6,709)	13,085
Non-operating				
Revenue	55,578	73,309	72,152	(1,157)
Expenditure	(6,190)	(6,190)	(6,825)	(635)
Non Recurrent - Surplus/ (Deficit)	49,388	67,119	65,327	(1,792)
Net surplus (deficit)	40,701	47,325	58,618	11,293

Amendments to the 2017-18 Budget were made for carryover of Discretionary and Capital Programs and other budget amendments.

The amendments were: Operating - Discretionary program carryover net expenditure plus other recurrent amendments (\$11.11m) and Non Operating \$17.73m (Including Capital Income carryover \$19.60).

The forecast operating performance for the year ending 30 June 2018 is a recurrent deficit of (\$6.7m), which is \$13.1m favourable compared to the projection. After non-operating items, the operating surplus is \$58.6m, which is \$11.3m favourable compared to the projection.

The 2017-18 favourable operating variances include Grants Commission (early receipt of 50% 2018-19 funding) \$10.4m, Rates Income \$1.6m, Planning application fees \$1.7m, Interest savings on deferred loans \$1.1m and Discretionary Project savings \$1.4m. This has been partially offset by unfavourable variances for Salaries/Supplementary Labour (\$1.2m), Efficiency Dividend (\$2.1m).

The \$13.1m favourable projected operating result provides the opportunity for internal financing of the Capital Works program and reduce planned Loan Borrowings.

The unfavourable variance in Non operating is mainly due to increased carryover of Capital income.

2. Cash Performance

	Budget 2017-18 \$'000	Forecast 2017-18 \$'000	Variance \$'000
Net Cash Inflow from operations	50,320	52,845	2,525
Cash Inflow from Investing activities	20,674	38,686	18,012
Funds available	70,994	91,531	20,537
Capital expenditure	(114,654)	(115,725)	(1,071)
Net Borrowing movements	27,826	2,796	(25,030)
Net Increase/(Decrease) Cash held	(15,834)	(21,398)	(5,564)
Cash at beginning of year	77,956	103,019	25,063
Cash at end of year	62,122	81,621	19,499

Cash balances at 30 June 2018 are expected to be \$81.6m, an increase of \$19.5m on the budget mainly due to higher opening cash balance \$25.1m, early receipt of 50% 2018-19 Grants Commission funding \$10.4m, higher proceeds from sale of land & buildings \$8.6m, higher Capital Income received \$7.1m and higher Developer Contributions received \$2.2m, offset by deferment of budgeted loans of (\$27.2m) and recurrent deficit (\$6.7m). The cash balance is adequate to meet future commitments as follows: Long Service Leave \$22.5m, Statutory Reserves \$3.2m, Discretionary Reserves \$0.6m.

3. Capital Performance

	Budget 2017-18 \$'000	Projection 2017-18 \$'000	Forecast Actual 2017-18 \$'000	Variance Projection v Forecast Actual \$'000
Capital Income	9,195	30,280	32,549	2,269
Capital Expenditure	(143,154)	(171,688)	(166,210)	5,478
Carryover to 2018-19 - Income	-	(3,354)	(11,690)	(8,336)
Carryover to 2018-19 - Expenditure	29,000	29,000	50,485	21,485
Total Net Capital works	(104,959)	(115,762)	(94,866)	20,896

The projected capital performance for the year ending 30 June 2018 shows that the net capital works program for the 2017-18 year will be underspent by \$20.9m compared to the projection. This variance is mainly due to a number of projects being behind schedule, including Rosewall Community Hub \$1.6m, HBP -Barwon Heads Rd to Harriot Rd \$1.7m, Hendy St Children's Hub \$1.1m, Northern Arc \$0.9m, ACEP - NAC Pavilion \$0.8m, Drysdale Landfill Leachate Management \$1.0m, Highton Enhanced Children's Centre \$1.4m, Drysdale Landfill Cell 5 \$1.8m and ACWP - Acquisition Drainage Reserves \$0.7m. It is forecast that \$50.5m of Capital works projects expenditure and \$11.7m of Capital income will need to be carried forward and completed in the 2018-19 year.

4. Matters Significant to the 2018-19 Budget

The net projected 2017-18 operating result and adherence to budget provides a sound basis for development of the 2018-19 Budget. Many challenges including implications from asset growth and Developer Contribution Plan commitments, Enterprise Agreement effective July 2017, Capital Works program and Borrowing commitments have been absorbed into the 2018-19 Operating Budget.

As a result of the variances between the forecast actual and budgeted results for the 2017-18 year, the following matters have influenced the preparation of the 2018-19 Annual Budget:

- Favourable operating performance relative to projection of \$13.1m with early receipt of 50% 2018-19 Grants Commission funding \$10.4m, Planning & building permit income \$1.7m, Supplementary rates \$1.6m, Interest expense savings \$1.1m offsetting the efficiency dividend of (\$2.1m).
- Capital expenditure is forecast at \$114.7m with carryover estimated at \$50.5m into 2018-19.
- Projects commenced in 2017-18 with further funding proposed in 2018-19: Armstrong Creek NAC Community Complex \$6.72m, HBP Sparrovale Wetlands Land Acquisitions \$6.01m, Drysdale Integrated Childrens Centre \$4.00m, Purnell Rd Children & Family Centre \$4.00m, Armstrong Creek Town Centre Community Facility Site \$3.07m, Gheringhap St Pipe \$3.00m, Highton Enhanced Childrens Centre \$2.50m, Northern Arc \$2.00m, ACEP NAC Community Pavilion \$1.36m and Cloverdale Community Hub \$1.00m.
- Rates growth achieved in 2017-18 provides additional rateable properties in 2018-19 of 2.50% of 122,756 properties.
- Council's Enterprise Agreement is still to be finalised. A four year agreement is being negotiated with the Union claim for 2017-18 2.1%, 2018-19 2.25%, 2019-20 2.25% and 2020-21 2.3%.
- Impact of increased EPA levies from \$63.96/t to \$65.40/t effective 1 July 2017.
- Planned loan borrowings reduced from \$39.3m to \$12.1m with \$27.1m deferred into 2018-19.
- Property sales of \$13.7m are expected to be achieved in 2017-18 versus a budget of \$5.1m providing an opportunity to reduce borrowings.
- Impact of Recycling processing cost penalties imposed by Councils contractor from 1 February 2018 that will continue in 2018-19. The cost is passed onto ratepayers via the Recycling and Waste collection service charge.
- Central Geelong Revitalisation initiatives to be funded as priorities including Geelong Advancement Fund continuing in 2018-19.
- Unified Grants Scheme (replacing the disbursement schedule) which defines Grant programs, Sponsorships & donations, Strategic partnerships, Geelong major events and Community Facility Infrastructure fund was defined in 2017-18.