

Impact Of Current Year On 2019-20 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 2019-20 Budget.

1. Operating Performance

	Budget 2018-19 \$'000	Projection 2018-19 \$'000	Forecast 2018-19 \$'000	Variance Projection v Forecast Actual \$'000
Operating				
Revenue	346,560	346,639	353,558	6,919
Expenditure	(354,553)	(363,913)	(360,533)	3,380
Recurrent result - Surplus/ (Deficit)	(7,993)	(17,274)	(6,975)	10,299
Non-operating				
Revenue	84,035	84,989	114,672	29,683
Expenditure	(6,190)	(6,190)	(6,190)	-
Non Recurrent - Surplus/ (Deficit)	77,845	78,799	108,482	29,683
Net surplus (deficit)	69,852	61,525	101,507	39,982

Amendments to the 2018-19 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 (\$9.28m) and Non Operating \$0.95m.

The forecast operating performance for the year ending 30 June 2019 is a recurrent deficit of (\$6.9m), which is \$10.3m favourable compared to the projection. After non-operating items, the operating surplus is \$101.5m, which is \$39.9m favourable compared to the projection.

The 2019-20 favourable operating variances include Federal Grants income \$2.0m, Rates income \$1.0m, Waste Services \$1.1m, Planning application fees \$0.9m, Sundry income \$0.9m and Discretionary Project savings \$5.0m. This has been partially offset by unfavourable variances for Salaries/Supplementary Labour (\$1.0m).

The \$10.3m favourable projected operating result provides the opportunity for internal financing of the Capital Works program and reduce planned Loan Borrowings.

The favourable variance in Non operating is mainly due to increased Non-monetary contributions (recognition of infrastructure) \$22.4 and increased Capital Grants \$4.5m.

2. Cash Performance

	Budget 2018-19 \$'000	Forecast 2018-19 \$'000	Variance \$'000
Net Cash Inflow from operations	92,875	89,890	(2,985)
Cash Inflow from Investing activities	8,992	17,093	8,101
Funds available	101,867	106,983	5,116
Capital expenditure	(128,169)	(131,105)	(2,936)
Net Borrowing movements	32,346	14,082	(18,264)
Net Increase/(Decrease) Cash held	6,044	(10,040)	(16,084)
Cash at beginning of year	81,621	102,558	20,937
Cash at end of year	87,665	92,518	4,853

Cash balances at 30 June 2019 are expected to be \$92.5m, an increase of \$4.9m on the budget mainly due to higher opening cash balance \$20.9m, higher proceeds from sale of land & buildings \$5.2m, higher grants received \$8.2m, higher statutory fees & fines \$1.8m, offset by higher materials & services costs (\$15.1m), capital expenditure (\$2.9m), the deferment of budgeted loans of (\$6.4m), and recurrent deficit (\$6.9m). The cash balance is adequate to meet future commitments as follows: Long Service Leave \$22.3m, Statutory Reserves \$3.8m and Refundable Deposits \$5.9m.

3. Capital Performance

	Budget 2018-19 \$'000	Projection 2018-19 \$'000	Forecast Actual 2018-19 \$'000	Variance Projection v Forecast Actual \$'000
Capital Income	19,630	32,274	39,464	7,190
Capital Expenditure	(130,684)	(153,715)	(145,873)	7,842
Carryover to 2019-20 - Income	-	-	(13,070)	(13,070)
Carryover to 2019-20 - Expenditure	26,500	26,500	27,838	1,338
Total Net Capital works	(84,554)	(94,941)	(91,641)	3,300

The projected capital performance for the year ending 30 June 2019 shows that the net capital works program for the 2018-19 year will be underspent by \$3.3m compared to the projection. This variance is due to identified savings and a number of projects being behind schedule, including Horseshoe Bend Precinct - Barwon Heads Rd to Harriot Rd \$1.7m, Jetty Road - Tivoli Drive Curlewis \$0.9m, Drysdale Landfill Cell 5 \$0.7m, in addition to the early receipt of funding for the Gheringhap St Pipe \$2.4. This is partly offset by construction being ahead of schedule for Purnell Rd Child & Family Centre (\$2.0m). It is forecast that \$27.8m of Capital works projects expenditure and \$13.1m of Capital income will need to be carried forward and completed in the 2019-20 year.

4. Matters Significant to the 2019-20 Budget

The net projected 2018-19 operating result and adherence to budget provides a sound basis for development of the 2019-20 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 2019-20 Operating Budget.

As a result of the variances between the forecast actual and budgeted results for the 2018-19 year, the following matters have influenced the preparation of the 2019-20 Annual Budget:

- Favourable operating performance relative to projection of \$10.3m with Supplementary Rates \$1.2m, Waste Services \$1.1m, Planning application fees \$0.9m, Sundry Income \$0.9m, partially offset by unfavourable variances for Salaries/Supplementary Labour (\$1.0m).
- Capital expenditure is forecast at \$131.1m with carryover estimated at \$27.8m into 2019-20.
- Projects commenced in 2018-19 with further funding proposed in 2019-20: Civic Accommodation Building \$10.0m, Drysdale Integrated Children's Centre \$7.5m, Purnell Rd Children & Family Centre \$6.0m, Horseshoe Bend Precinct, Sparrovale Wetlands Land Acquisitions \$4.4m, Gheringhap St Pipe \$5.4m, Digital Transformation Project \$4.2m, Fixing Country Roads \$3.0m, Harriot Road Drainage Outfall \$1.5m and Tivoli Drive Construction \$1.4m.
- Rates growth achieved in 2018-19 provides additional rateable properties in 2019-20 of 2.60% of 125,929 properties.
- Council's Enterprise Agreement was finalised in 2018 with agreed increments to be flowed through in 2019-20 at 2.25%.
- Estimated impact of increased EPA levies from \$64.30/t to \$66.87/t effective 1 July 2018.
- Planned loan borrowings increased from \$12.1m to \$26.0m with \$6.4m deferred into 2019-20.
- Property sales of \$14.5m are expected to be achieved in 2018-19 versus a budget of \$10.3m providing an opportunity to reduce borrowings.
- Impact of Hardwaste Collection Service as a trial in 2018-19 that will continue in 2019-20 with a forecast cost \$3m. Recycling processing cost penalties imposed by Councils contractor from 1 February 2018 through 2018-19 will continue in 2019-20. These costs are passed onto ratepayers via the Recycling and Waste Collection Service Charge.
- Central Geelong Revitalisation initiatives include the Gheringhap street drain project which commenced in 2018-19 \$3m and will be completed in 2019-20 with \$5.4m of funding allocated.
- Community Investment & Support fund (which defines Grant programs, Sponsorships & donations, Strategic partnerships, Geelong major events and Community Facility Infrastructure fund) was reviewed in 2018-19 with changes impacting on Grants scheme for 2019-20. Additional funds allocated as part of the 2019-20 budget indicate the acceptance of the fund in providing support to community based organisations.