

1. Executive Summary

In June 2016, Council adopted the 2016-2017 Budget, which projects a cash-basis surplus of \$150,200.

Officers have completed a Mid-Year Financial Review for 2016-2017 in November 2016 to identify major changes that have occurred since the budget adoption. The review includes both operational and capital items.

Council has total annual income of approximately \$88.4 million for 2016-2017, with a cash-basis (rate determination) budget surplus (after capital expenditure) of \$150,200 (0.17% of total income).

Gross income and expenditure items are estimated at budgeting time and are often subject to changes and offsets during the course of the year.

Overall, the Mid Year Financial Review projects a revised cash-basis surplus of \$681,504. This is a favourable change of \$531,304, when compared with the adopted budget surplus of \$150,200.

2. Overall Mid-Year Financial Review

The net favourable budget change of \$531,304 comprises:

Leisure and Community Services	\$282,249	Favourable
Corporate and Executive Services	\$336,453	Favourable
Environment and Planning Services	\$207,065	Favourable
Infrastructure Services	\$20,769	Favourable
Net Change for Operating	\$846,536	Favourable
Net Change for Capital Works	(\$315,232)	Unfavourable
Net Change to Adopted Budget	\$531,304	Favourable

3. Operating Budget

The significant contributing factors for favourable and unfavourable variances for each Department are outlined below. The difference between the totals above and the factors listed below is due to other minor adjustments.

Leisure and Community Services

\$282,249 favourable movement comprises of:

- HACC grant funding increases as a result of an increase in the unit costs for grant allocation. This is driven by a change in the unit price from \$38.20 per unit to \$45 per unit equating to \$206,247 favourable.
- Net salary savings from vacancies totalling \$47,803 favourable variance.
- Maternal and Child Health Grant annual DET funding increased due to indexation, further complemented by an increase in birth notices, \$36,085 favourable variance.
- Additional funds for Preschool Promotion/Support (Council resolution PS. 025/16) - (\$15,000) unfavourable.

Corporate and Executive Services

\$336,453 favourable movement comprises of:

- Increase in rates revenue from supplementary valuations for new subdivisions and developments totalling \$92,664 favourable.
- Increase in revenue from the State Revenue Office from the sale of valuations data from the recent 2016 property revaluations, \$127,750 favourable.
- Decrease in insurance premiums payable, which includes a once off adjustment of \$44,000, resulting in a \$205,000 favourable variance.
- Industrial relations costs of (\$65,000) unfavourable.
- Other minor unfavourable variances of (\$23,961)

Environment and Planning Services

\$207,065 favourable movement comprises of:

- Increase in Planning Application fees income as a result of increases set by the State Government effective from 13 Oct 2016, \$237,000 favourable.
- Reduction in fleet hire costs due to vehicles rationalisation, \$28,000 favourable.
- Increase in Strategic Planning legal fees for C101 amendment, (\$35,000) unfavourable.

- Environmental Health costs increased as a result of additional septic tank inspections (\$46,945) unfavourable.

Infrastructure Services

The net \$20,769 favourable change from Infrastructure Services is mainly attributed to increased asset protection fees.

4. Changes in Capital Works

There have been several changes to the Capital works program impacting Council's contribution from operating revenue as listed below. The extra cost will be funded from savings in the operating budget.

Item	Adopted Budget (inc c/fwd)	Mid-Year Review	Variance	Comment On Variance
UNFAVOURABLE				
Civic Drive Precinct Infrastructure Works	791,933	1,172,675	(380,742)	Additional subdivision construction costs including additional service alterations.
Eltham Community Reception Centre Upgrade	2,944,977	3,094,977	(100,000)	Expected increase in costs due to rectification works to the existing building.
Sports fields & Pavilion Renewal	219,500	245,810	(26,310)	Urgent work required to replace light poles at sports facilities as a result of recent audits.
FAVOURABLE				
Edendale Master plan funding breakdown:				
Council Funded	655,616	465,616	190,000	Council saving of \$190,000 as a result of securing a \$500,000 grant from the Growing Suburbs Fund. Total project cost will increase from \$655,916 to \$965,616 however Council contribution will reduce from \$655,916 to \$465,616.
Grant Funded	-	500,000	N/A	
Total Project	655,616	965,616	N/A	
Other Minor Variations			1,820	
Net changes to Capital Works			(315,232)	Unfavourable variance to be funded from savings in Operating Budget.

Other Capital Works Variations

There have been a number of other variations in capital works related projects that have been funded from:

- budget reallocations from one capital works program to another,
- funding from reserve transfers or
- the receipt of additional grant/reimbursement revenue.

Overall the following movements have had a net zero effect on the budget surplus. The projects are listed as follows:

Item	Adopted Budget (inc c/fwd)	Mid-Year Review	Variance	Comment On Variance
<u>Eltham Leisure Centre Aquatic redevelopment</u> Funded from: Reallocation from Diamond Creek Trail on Road Funding from reserve transfers	12,227,278	15,127,278	2,900,000 (200,000) (2,700,000)	Additional cost approved by Council on 26 July (OCM.120/16) as a result of final tendered sums for the redevelopment.
<u>Storm Damage September / October 2016</u> Funded from: Reimbursement from Natural Disaster Relief and Recovery Arrangements	-	300,000	300,000 (300,000)	Costs relating to storm damage occurring in September and October 2016, anticipated to be reimbursed through NDRRA in 2017.
<u>Vehicle and Plant Replacement sales</u> Offset by: Transfer to Plant Reserve	(157,000)	(355,139)	(198,139) 198,139	Additional plant and fleet sales proceeds generated year-to-date to be transferred to the Plant reserve.
<u>Sports Field and Pavilion Renewal</u> Funded from: Reallocation from Diamond Creek Footbridge savings Reallocation from Public Open Space renewal	219,500	355,690	136,190 (50,000) (86,190)	Urgent work required to replace or repair light poles as a result of recent audits totalling (\$136,190) at the following locations: Plenty Park Tennis Club Lights Diamond Creek Netball Club Lights Eltham Tennis Club Lights Challenger Street Tennis Club Lights
<u>Diamond Creek Living and Learning Centre Building Upgrade</u> Funded from: New grant received Allocation from Operating budget	-	45,612	45,612 (33,312) (12,300)	New grant received to fund works.
<u>Eltham North Maternal Child and Health Centre upgrade</u> Funded from: New grant received Reallocation from Resource Conservation Fund Reallocation from Early Years Facility Improvement	-	42,251	42,251 (20,000) (5,555) (16,696)	Upgrade of children's playground and installation of solar panels.
<u>Demolition of 22 Luck Street Eltham</u> Funded from: Funding from reserve transfers	-	29,356	29,356 (29,356)	Funded from the Major Projects Reserve.
<u>Fire Fight Water Storage Tanks</u> Funded from: New grant received	28,182	36,182	8,000 (8,000)	Additional grant received to fund works.
<u>Bridge rehabilitation</u> Funded from: Reduction in grant received in 2016-17	1,000,000	550,000	(450,000) 450,000	Due to timing of Roads to Recovery Federal grant funds to be received in 2017-18 rather than 2016-17.
<u>Open Space - Civic Drive Precinct</u> Funded from: New grant to be received in 2016-17	20,000	970,000	950,000 (950,000)	New Grant funding received from Growing Suburbs Fund (Council funding planned from 2017-18).
<u>Research Park Pavilion</u> Funded from: New grant to be received in 2016-17	150,000	1,260,000	1,110,000 (1,110,000)	New Grant funding received from Growing Suburbs Fund \$650,000, plus other funding from State Government \$200,000, Sports and Recreation Victoria \$100,000 (pending approval) and Tenant clubs \$160,000.
Net impact on Council funding contribution from Operating Revenue			\$ -	

5. Conclusion

Subject to Council approval, the impacts of the changes arising from the Mid-Year Financial Review would be as follows:

Movement on Operational Budget	\$846,536	Favourable
Movement on Capital Budget	(\$315,232)	Unfavourable
Net changes from MYFR	\$531,304	Favourable
Add 2016-2017 budgeted surplus	\$150,200	Surplus
Proposed final position	\$681,504	Surplus