

<b>COR.2</b>	<b>QUARTERLY FINANCIAL REPORT - OCTOBER TO DECEMBER 2024 AND MID YEAR BUDGET REVIEW 31 DECEMBER 2024</b>
<b>Officer:</b>	<b>Travis Harling, Manager Finance and Reporting</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 31 December 2024 for the 2024/2025 financial year (Quarter 2), in accordance with the requirements of the *Local Government Act 2020*.

### Recommendation

#### That Council:

- 1. Receives the Quarterly Financial report as at 31 December 2024, in accordance with the requirements of the Local Government Act 2020; and**
- 2. Adopts the budget changes identified as part of the mid-year budget review.**
- 3. Adopts the Reserve Transfers from the Community Facilities – East \$100,000.**
- 4. The Chief Executive Officer acknowledges a revised budget is not required.**

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### 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."

In January each year, a review of the actual financial performance for the first half of the year is undertaken and variances to the annual budget are identified. Generally, there will be a range of budget variances both favourable and unfavourable as the budget is based on assumptions made prior to the commencement of the financial year.

### Discussion

The Finance and Capital Management Report to 31 December 2024 provides an update on financial performance against the 2024/2025 budget, including the mid-year budget review.

The Income Statement reports an operating surplus of \$50.02m for the six months to 31 December 2024 compared to the budget of \$49.28m. 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 Income Statement as at 31 December 2024 is provided below with analysis of year-to-date material variances.

**INCOME STATEMENT****6 months ended 31 December 2024**

	2024/25 Dec YTD Adj. Budget* \$'000	2024/25 Dec YTD Actuals \$'000	2024/25 Dec YTD Variance \$'000
<b>Income</b>			
Rates and charges	63,784	63,713	(71)
Statutory fees and fines	1,603	1,354	(249)
User fees	4,399	3,949	(450)
Grants - operating	15,614	15,948	334
Grants - capital	11,108	10,925	(183)
Contributions - monetary	1,483	1,473	(10)
Other income	1,634	2,704	1,070
<b>Total income</b>	<b>99,625</b>	<b>100,066</b>	<b>441</b>
<b>Expenses</b>			
Employee costs	24,112	23,827	285
Materials and services	19,569	17,407	2,162
Depreciation and amortisation	8,806	8,932	(126)
Borrowing costs	419	402	17
Other expenses	1,713	1,755	(42)
<b>Total expenses</b>	<b>54,619</b>	<b>52,323</b>	<b>2,296</b>
<b>Surplus/(deficit) excluding other adjustments</b>	<b>45,006</b>	<b>47,743</b>	<b>2,737</b>
<b>Other adjustments</b>			
Contributions - non monetary	4,125	2,486	(1,639)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	150	(212)	(362)
<b>Total surplus/(deficit)</b>	<b>49,281</b>	<b>50,017</b>	<b>736</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 \$50.017m is \$0.736m favourable to budget. The financial summary provides an explanation of key variances to budget.

\* This column represents the adjusted budget which is the 2024/25 adopted budget adjusted for the 2023/24 carry forward budgets and any Council approved budget changes during 2024/25.

## Income Statement - Year-to-Date (YTD) Key Actual vs Budget Variances

### Operational Revenue

*User Fees:* The \$450k unfavourable income in user fees is mostly due to the decrease in fees received at Council's three Resource Recovery Centres. This decrease is partly offset by an increase in user fees in the aquatics and fitness area.

*Other Income:* Actual income is \$2.7m, this is \$1.07m favourable, due to higher levels of investment interest \$500k received and several insurance claims have been received \$200k.

### Operational Expenditure

*Materials and services:* Actual expenditure for the six months to 31 December 2024 is reported at \$17.4 million, coming in \$2.1 million under budget. This variance is primarily due to lower costs resulting from reduced throughput at Council's Resource Recovery Centres and the timing of project expenditures across multiple units.

### Capital Works

YTD Capital Works Statement reports \$10.15m of works delivered to 31 December 2024 where the total budget including carry forwards for the 12-month period is \$54.9m.

<b>CAPITAL WORKS STATEMENT</b>				
<b>As at 31 December 2024</b>				
	2024/25 Annual	2024/25 December	2024/25 December	2024/25 December
	Budget \$'000	Budget \$'000	Actuals \$'000	Variance \$'000
<b>Property</b>				
Land and land improvements	0	-	4	- 4
Buildings and building improvements	5,395	2,177	959	1,218
<b>Total property</b>	<b>5,395</b>	<b>2,177</b>	<b>963</b>	<b>1,214</b>
<b>Plant and equipment</b>				
Plant, machinery and equipment	2,547	830	280	550
Computers and telecommunications	351	173	203	(30)
<b>Total plant and equipment</b>	<b>2,898</b>	<b>1,003</b>	<b>482</b>	<b>520</b>
<b>Infrastructure</b>				
Roads	17,463	2,804	2,304	500
Bridges	1,112	423	258	165
Footpaths and Cycleways	12,199	859	662	197
Drainage	1,036	393	74	319
Recreational, leisure and community facilities	12,900	1,981	910	1,072
Parks, open space and streetscapes	240	220	166	54
Other infrastructure	1,656	292	231	62
<b>Total infrastructure</b>	<b>46,605</b>	<b>6,973</b>	<b>4,605</b>	<b>2,367</b>
<b>Total capital works expenditure</b>	<b>54,898</b>	<b>10,153</b>	<b>6,051</b>	<b>4,102</b>

Infrastructure expenditure of \$2.32m is lower than budget of \$6.97 due to delays in construction. The following projects contribute a significant amount to this variance. They

are the Kyneton Netball Courts and Changerooms, Gilbert Gordon Netball Courts and the Macedon Ranges Regional Sports Precinct Stage 2.

Plant and Equipment is also lower than budget. The renewal of plant and equipment will continue throughout the remaining six months of the financial year.

### **Investments**

Investments held at 31 December total \$43.1M. Investments are earning adequate interest, with 67% 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 steady for the remainder of the financial year.

### **Storm Reports**

Three storm events have outstanding claims at 31 December 2024. The total amount of pending claims is \$238,853. These claims will be finalised in the remaining six months of the 2024/25 financial year.

### **Loans**

Budgeted loans have not yet been drawn down. As part of the mid-year budget review process, it was decided to extend the draw down period out to May 2025. The timing of project delivery and current cash holdings has permitted the extension to the draw down date of the budgeted loan.

### **Mid-year Budget Review**

The 2024/25 Mid-Year Budget Review (MYBR) has evaluated a number of variations that have occurred in the first 6 months, and those forecast to occur in the second half of the financial year.

- Increased revenue from investment interest due to higher interest rates
- Confirmation of Grants Commission funding, resulting in a higher amount to be received
- Salary savings from vacant positions throughout the year
- Reduced contractor costs because of lower demand
- Fee income in Statutory Planning and Engineering is lower than budgeted
- Resource Recovery Centre income is lower than budgeted

Councillors have been briefed in detail on variances in the Operating and Capital budgets.

The MYBR Cash result after Capital expenditure, Reserve Transfers and Loan adjustments reports a cash surplus of \$200,181. Council staff will continue to work diligently during the remaining months of the financial year to identify and further favourable results that will improve the forecast cash position.

In addition to the mid-year forecast surplus, the carry forward surplus from the 2023/24 financial year of \$209,010 leaves the forecast cash surplus balance at 30/06/2025 at \$409,191.

Key Variances to budget identified in December 2024 Review:			
<u>Additional Income/Expense Savings:</u>			
Interest Revenue	(1)	\$790,000	
Grants Commission grants	(2)	\$260,289	
Salary Savings	(3)	\$621,742	
Aquatics & Leisure Centres Revenue	(4)	\$100,000	
			\$1,772,031
<u>Additional Expenses/Income Reduction:</u>			
Digital Technology Contract - Wide Area Network	(5)	-\$124,000	
Planning Services Fee Income	(6)	-\$211,000	
Plan Checking Fee Income	(7)	-\$120,000	
Resource Recovery Centres	(8)	-\$610,000	
Grant Income	(9)	-\$449,938	
			-\$1,514,938
Net other budget variances below \$100,000 identified in review	(10)		-\$156,912
Transfer from financial reserves	(11)		\$100,000
<b>Net Budget Variance identified in mid-year review</b>			<b>\$200,181</b>
<b>Notes:</b>			
(1) Additional interest revenue due to higher interest rates (2) Additional Commonwealth Government grants through the Grants Commission (3) Vacancy rate savings across Council Departments (4) Additional income generated at Aquatic and Leisure Centres (5) Change in supplier resulted in increased cost of WAN service. (6) Reduced planning fee income due to current market conditions (7) Reduced development applications due to current market conditions (8) Reduced income estimates for Resource Recovery Centres due to lower than expected quantities recieved, partially offset by lower expenses. (9) Timing difference, grant recognised and received in late 2023-24 (10) Net other budget variances below \$100,000 identified in review (11) Reserve Transfer to fund Lancefield Kindergarten fit out and security that was unsuccessful in receiving grant funding			

### 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.

**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 2024/25

**Financial viability**

The Quarterly Financial Report provides information on Council's operating and financial performance for the quarter ending 31 December 2024. 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.