



Borough of Queenscliffe Quarterly Finance Report - 31 December 2011

Presented to Ordinary Council meeting

15 February 2012

Contents

Executive Summary.....	3
1. Standard Income statement	4
2. Working Capital Summary – conversion of Operating result to Cash (Rates) result	5
3. Program Summaries.....	7
4. Discretionary Reserves Summary.....	26
5. Debtors analysis	27
6. Debt position.....	27
7. Cash and investments	29
8. Creditor payments	30
9. Capital report refer Attachment 1.....	31
10. Line item report refer Attachment 2.....	31
11. Program report refer Attachment 3.....	31

Executive Summary

Section 138 of the Local Government Act requires at least quarterly for a financial report to be presented to Council comparing expenses and revenue against budget. This quarterly report presents the year-to-date (YTD) budget and the YTD actuals to 31 December 2011. The tables and the figures presented therein also provide a forecast result for 30 June 2012 based on known changes to the estimates and trends for the three months that are likely to impact on the full year's result.

At the time of budget preparation, estimates are formulated based on information available at that time. The 2011/12 year estimates are also prepared prior to the final 2010/11 results being known. As a result, adjustments need to be made throughout the year to ensure the results predicted in an overall sense are still achieved as closely as possible. This is crucial budgetary financial management that underpins any longer-term strategic financial planning to ensure the ongoing sustainability of the Borough.

The Standard Income Statement prepared for the December quarter shows a significant difference in the YTD result due to \$1,000,000 capital funding from the *Country Roads & Bridges Program* which was received in the September quarter of 2011/12. The effect on the full year forecast based on the half year results and any other known changes including this \$1,000,000 grant shows a favourable result with a year end surplus of \$2,011,000 in the Standard Income Statement against the original budget of \$990,000. Major variances are listed below.

The underlying position, which is net of Capital Income and abnormal items, shows the revised forecast for the full year as a deficit of \$275,000 compared to the budgeted surplus of \$341,000, a decline of \$616,000. This is a direct result of the carry forward projects reported at year-end, which were included in the underlying result for that year, as well as the decision by Council to conduct additional projects in 2011/12 using \$258,000 of accumulated cash surpluses over the past two financial years. The remaining available, unrestricted cash position is now \$213,000 surplus, which reflects variances reported for both the September and December 2011 quarters below.

Notable variances to the original budget include:

- \$1,000,000 Country Roads & Bridges funding received in the September 2011 quarter (a total of \$1m per year over the four year period 2011/12–2014/15)
- \$250,000 Local Government Infrastructure Program funding (a total of \$813,000 over the four year period 2011/12–2014/15)
- \$92,000 additional Victoria Grants Commission funding (budgeted as \$188.5k, actual income \$281k – previous underpayments by the Commonwealth to the State)
- \$45,000 additional interest on investments resulting from higher cash balances than expected, due to operating and capital projects carried forward from 2010/11
- \$28,000 reduction in waste collection budget (reviewed forecast expenditure is now lower than initially expected)
- \$25,000 Coastal Risk Mitigation Matching Funds contingency not required in 2011/12
- \$15,000 interest budgeted but not required for unfunded superannuation liability, as Council took advantage of repaying this debt in full on 1 July 2011
- \$15,000 savings in photocopying charges resulting from new photocopier lease negotiated over a four year term, which provides for some copies to be included in price
- (\$35,000) advertising and recruitment costs above budget (GM Planning & Infrastructure, Finance, Visitor Information Centre and Law Enforcement casual staff)
- (\$15,000) lease income expected to come in below budget due to delays in negotiation on six leases, which are expected to be finalised over remainder of financial year

Any further changes to the year-end forecast will be included in the March quarterly report, to be presented at the Ordinary Council Meeting in April 2012.

Quarterly Finance Report – 31 December 2011

1. Standard Income statement

INCOME STATEMENT	Budget 11/12 \$'000's	Forecast 11/12 \$'000's	Budget YTD 11/12 \$'000's	Actual YTD 11/12 \$'000's	Forecast to Budget Variance \$ \$'000's	Forecast to Budget Variance % %	Fav/Unfav	Notes
REVENUES								
Rates and charges	5,343	5,352	2,686	2,688	9	0.2%	Fav	
Statutory fees & fines	111	107	50	41	(4)	-3.2%	Unfav	
User Charges	1,801	1,790	1,012	1,015	(11)	-0.6%	Unfav	
Grants - Operating	635	713	310	329	78	12.4%	Fav	1
Grants - Capital	654	2,016	0	1,140	1,362	208.3%	Fav	2
Capital Contributions	0	270	0	0	270	100.0%	Fav	3
Contributions - Operating	0	0	0	0	0			
Interest received	88	138	54	76	50	57.6%	Fav	4
Other Income	55	53	27	26	(2)	-3.7%	Unfav	
TOTAL OPERATING REVENUE	8,685	10,439	4,139	5,315	1,754	20.2%	Fav	
EXPENSES								
Employee benefits	2,922	2,823	1,315	1,316	99	3.4%	Fav	
Materials & Services	3,731	4,508	1,840	1,852	(777)	-20.8%	Unfav	5
Bad and doubtful debts	2	2	0	(1)	0			
Depreciation	709	773	356	387	(64)	-9.1%	Unfav	
Interest expense	107	107	63	44	0	0.2%	Fav	
Other expenses	219	214	90	119	5	2.3%	Fav	
TOTAL OPERATING EXPENSES	7,690	8,427	3,664	3,717	(737)	9.6%	Unfav	
OPERATING RESULT	995	2,012	475	1,598	1,017	102.2%	Fav	
Non-operating income and expenditure								
Net gain/(loss) on disposal of property, plant and equipment, infrastructure	(5)	(5)	5	(3)	0			
Share of library operations	0	5	0	0	5	#DIV/0!	Fav	
COMPREHENSIVE RESULT	990	2,011	480	1,595	1,021	103.1%	Fav	
minus Capital grants and contributions	(654)	(2,286)	0	(1,140)	(1,632)			
minus other abnormals and library share	5	0	(5)	3	(5)	100.0%	Unfav	
UNDERLYING SURPLUS / (DEFICIT)	341	(275)	475	458	(616)	-180.5%	Unfav	

Notes:

1 - \$92k additional funding from Victoria Grants Commission (of which \$63k was prepaid in 2010/11 and carried forward), \$45k sustainability accord funding announced (not budgeted)

2 – Funding not included in budget: \$1m Country Roads & Bridges program, \$250k Ferry to the Pier, \$125k Park Development

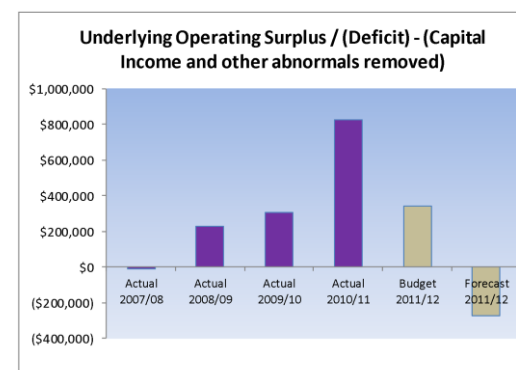
3 – Queenscliff sports club enhancement project \$250k, Ferry to pier \$20k

4 – Additional interest earned on continuing high cash balances

5 – Projects carried forward from 2010/11 for completion in 2011/12: \$210k Cliff Safety, \$25k Coastal Environment Grant Matching Funds, \$30k Community facilities strategic plan, \$26k Carbon neutral action program & climate change adaptation plan, \$25k Planning for Council projects to be submission ready, \$18k Road Closure Alexander Crt, \$12k Kindergarten planning and change management, \$8k Repairs to Sea wall (DSE funded). Other variances include: \$48k Environmental Health budgeted as staff but maternity leave covered by contractor instead, \$45k sustainability accord grant expenditure.

Council's underlying operating result is less favourable than that budgeted, largely due to a number of amounts transferred to the carry forward reserve at year end for completion in 2011/12 (see Note 5 above for specific examples) as well as \$61k increase in depreciation resulting from infrastructure asset revaluation at 30 June 2011. The trend over recent years is shown graphically below.

Note: the Underlying position indicates a purely operational result net of Capital Income and other abnormal items, and adjusted for the timing of Government Grants on the basis of "matching" income with expenditure in the appropriate year.



2. Working Capital Summary – conversion of Operating result to Cash (Rates) result

Rates / Cash Budget	2011/12 Budget \$'000	2011/12 Forecast \$'000
Operating Surplus / (Deficit)	\$ 990	\$ 2,011
Adjust for non-cash items		
Depreciation	\$ 709	\$ 773
Share of net profits of associates and joint ventures accounted for by the equity method	\$ 0	(\$ 5)
Impairment loss	\$ 0	\$ 0
Increase in unfunded superannuation liability	\$ 0	\$ 0
Written Down Value (WDV) of assets sold	\$ 45	\$ 50
	\$ 754	\$ 818
Adjustments for non-operating cash items		
New borrowings	\$ 150	\$ 150
Loan principal payments	(\$ 344)	(\$ 344)
Capital expenditure	(\$ 1,674)	(\$ 4,254)
	(\$ 1,868)	(\$ 4,448)
Total Rates/Cash Surplus/(Deficit) for the year	(\$ 124)	(\$ 1,619)
Transfers to reserves	(\$ 614)	(\$ 794)
Transfers from reserves	\$ 739	\$ 2,368
Available surplus	\$ 0	(\$ 45)
Accumulated Cash brought forward from 2010/11	\$ 258	\$ 258
Total Rates / Cash Surplus (Deficit) 2011/12	\$ 0	(\$ 45)
Accumulated Cash Forecast for 30 June 2012	\$ 258	\$ 213

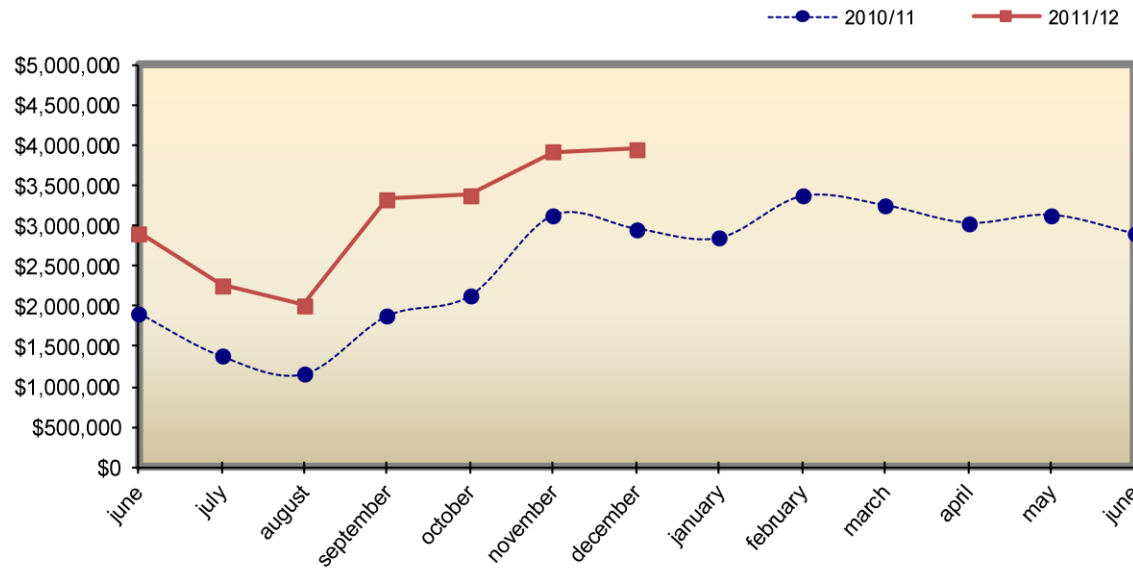
Major variances in forecast against the adopted budget are reported in the sections following.

The June 2011 year end position was \$258k accumulated surplus and the forecast deficit for 2011/12 is (\$45k) bringing the **accumulated** result as at 30 June 2012 to \$213k surplus .

Statement of Income and Expenditure - forecast for 2011/12			
	\$'000's		\$'000's
Income		Expenditure	
Rates and charges	\$ 5,352	Employee benefits	\$ 2,823
Statutory fees and fines	\$ 107	Materials & Services	\$ 4,508
User Fees	\$ 1,790	Bad and doubtful debts	\$ 2
Grants - Operating	\$ 713	Finance costs	\$ 107
Grants - Capital	\$ 2,016	Other	\$ 214
Contributions - Capital	\$ 270	Loan Redemption	\$ 344
Contributions - Cash	\$ -	Capital Expenditure	\$ 4,254
Interest received	\$ 138		
Other revenue	\$ 53		
Proceeds from Asset Sales	\$ 45		
Borrowings	\$ 150		
Transfer from reserves	\$ 1,875		
	\$ 12,510		\$ 12,253
		Transfer to Local Government Infrastructure Program Reserve	\$ 180
		Transfer to Asset Renewal Reserve	\$ 122
			\$ 12,556
		Forecast (cash) deficit (for 2011/12)	-\$ 45
		Accumulated surplus b/fwd from previous years	\$ 258
		Forecast Accumulated cash surplus at 30 June 2012	\$ 213

The above Statement of Income and Expenditure shows the sources of funds in 2011/12 plus all expenditure items including capital and loan principal payments (non-operating items). This statement indicates the rate budget items (cash sources and cash required) and shows that based on the first half year adjustments (as indicated throughout this report), what the year end position is forecast to be in available cash terms.

Cashflow Balance - previous year comparison



Rates installment dates for 2011/12:

- 30 September 2011
- 30 November 2011
- 29 February 2012
- 31 May 2012

Monthly cash balances remain high due to projects carried over from 2010/11, for completion during 2011/12. Projects include: park development, foreshore asset renewal, Point Lonsdale surf life saving and beach access, boat ramp upgrade and Hesse Street revitalisation. The cash injection of \$1,000,000, in the September quarter, for the Country Roads & Bridges Program has boosted the cash balance further and the detail regarding the investment of Council's cash balance is included in Section 7. Cash and Investments (page 29) of this quarterly finance report.

3. Program Summaries

Directorate: Governance and Community

Governance & External Relations		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Administration								
	Income	(\$154,580)	(\$245,457)	(\$77,100)	(\$154,524)	\$90,877	-58.8%	Fav
	Expenditure	\$1,410,541	\$1,416,122	\$705,300	\$700,379	(\$5,581)	-0.4%	Unfav
Administration Total		\$1,255,961	\$1,170,665	\$628,200	\$545,855	\$85,296	6.8%	Fav
Governance								
	Income	\$0	\$0	\$0	\$0	\$0		
	Expenditure	\$185,400	\$223,208	\$100,700	\$121,681	(\$37,808)	-20.4%	Unfav
Governance Total		\$185,400	\$223,208	\$100,700	\$121,681	(\$37,808)	-20.4%	Unfav
Governance & External Relations Total		\$1,441,361	\$1,393,873	\$728,900	\$667,536	\$47,488	3.3%	Fav

The year-end result is predicted to be an overall favourable variance against budget of \$47k (3.3%).

Major variances reported for each type of service within the Governance & External Relations program area are further detailed below.

Administration

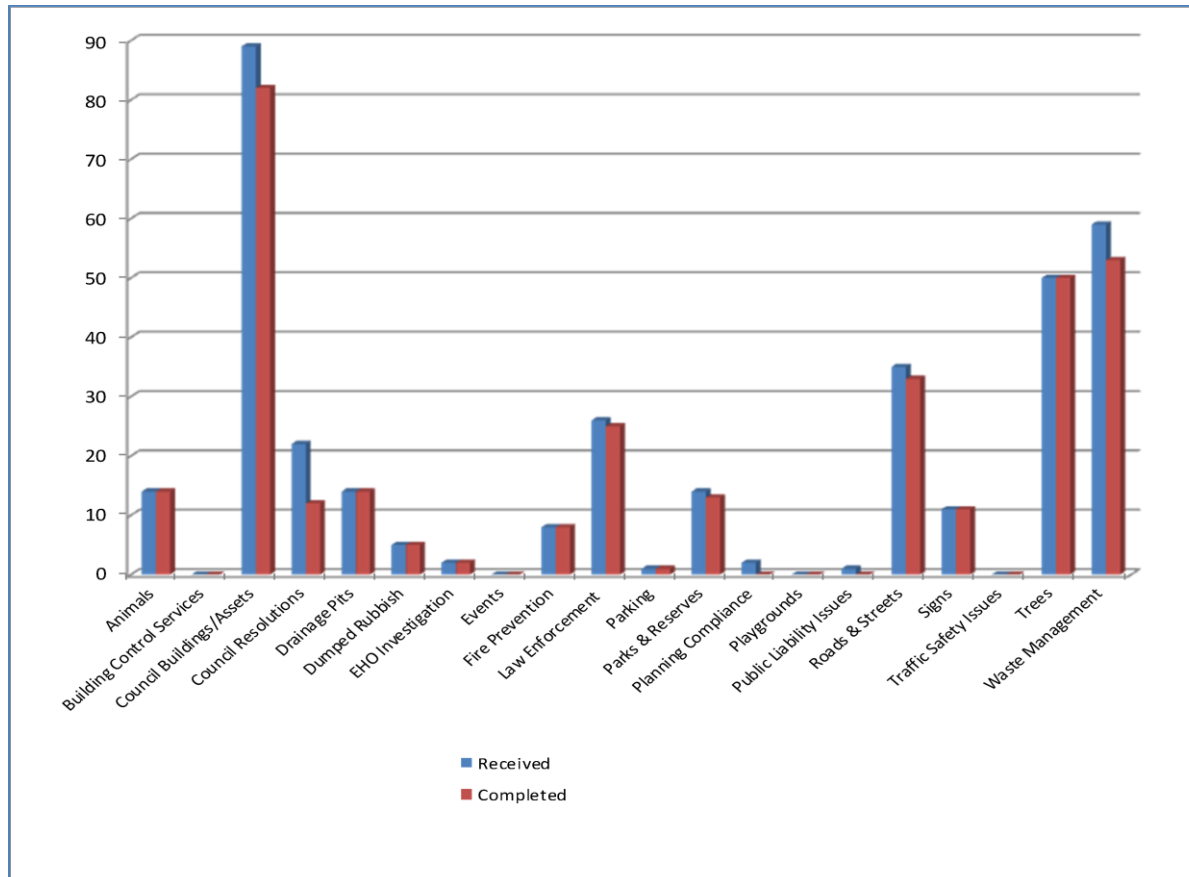
The year-end forecast indicates a favourable variance against budget of \$85k. Major variances as follows:

- \$92k Victoria Grants Commission allocation above level budgeted (including an adjustment by the VGC for underpayments in previous years) – this is also the main reason for the variance between Year-to-date budget and actual as at 31 December 2011.
- (\$35k) overspend on advertising and recruitment costs (GM Planning & Infrastructure, Finance, Visitor Information Centre and Law Enforcement)
- \$26k salary underspend resulting from vacant position GM Planning & Infrastructure whilst recruitment takes place. Budget also allowed for resources to undertake project work which is now due later in the year.
- \$15k savings in photocopier charges resulting from negotiation of new lease agreement for photocopier

Governance

The year-end forecast indicates an unfavourable variance against budget of (\$38k). Council has set aside \$40k as the estimated funds required to conduct the Councillor Conduct Panel hearing (per Council resolution 21 December 2011).

Statistics from the 'Confirm' System (customer requests and action) for the quarter ended 31 December 2011



Note: the statistics from the system show the number of items entered and the number of items signed off as completed. However, the completed items may not necessarily relate to those items entered but rather the completion of any items including those entered in previous periods.

Quarterly Finance Report - 31 December 2011

Finance & Audit		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
General								
	Income	(\$260,000)	(\$323,203)	(\$66,300)	(\$97,888)	\$63,203	-24.3%	Fav
	Expenditure	\$1,512,600	\$1,608,772	\$802,500	\$849,831	(\$96,172)	-6.4%	Unfav
General Total		\$1,252,600	\$1,285,570	\$736,200	\$751,942	(\$32,970)	-2.6%	Unfav
Rates and Information Technology								
	Income	(\$5,219,800)	(\$5,226,053)	(\$2,604,800)	(\$2,603,872)	\$6,253	-0.1%	Fav
	Expenditure	\$168,500	\$190,500	\$106,800	\$85,218	(\$22,000)	-13.1%	Unfav
Rates and Information Technology Total		(\$5,051,300)	(\$5,035,553)	(\$2,498,000)	(\$2,518,654)	(\$15,747)	0.3%	Unfav
Finance & Audit Total		(\$3,798,700)	(\$3,749,983)	(\$1,761,800)	(\$1,766,711)	(\$48,717)	1.3%	Unfav

The year-end result is predicted to be an overall unfavourable variance against budget of (\$49k) (1.3%).

Major variances reported for each type of service within the Finance & Audit program area are further detailed below.

General

The year-end forecast indicates an unfavourable variance against budget of (\$33k). Major variances as follows:

- (\$61k) depreciation expense above level budgeted, resulting from the recent infrastructure asset revaluation performed at 30 June 2011
- \$45k increased interest income resulting from high cash balances
- \$15k additional income relating to leases/rent of office space
- (\$13k) increase in staffing by 0.3 EFT
- (\$9k) increase in motor vehicle lease expense, for one additional vehicle not budgeted

Rates and Information Technology

The year-end forecast indicates an unfavourable variance against budget of (\$16k). Major variances as follows:

- (\$15k) overspend on I.T. maintenance agreements, licensing and service level agreement
- (\$7k) additional costs associated with website development for the Municipal Office, Visitor Information Centre and Queenscliff Tourist Parks
- \$6k increased rate income generated from supplementary rates processed late in the 2010/11 year and interest charges applied to arrears

Risk Management

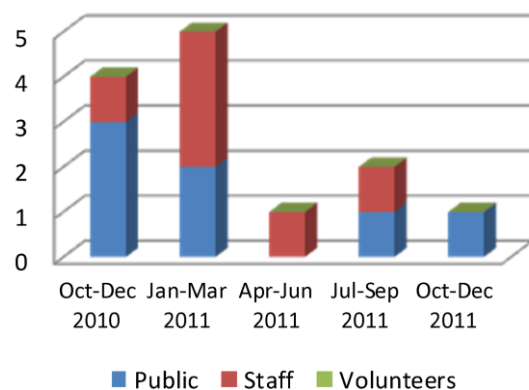
The risk management committee has met on three occasions during the December quarter, with work undertaken on testing of the Business Continuity Management Plan and also preparation for the insurance audits which took place during November 2011 (JMAPP property risk management, Liability Mutual public liability and MAV fidelity). The result for the Liability Mutual public liability audit was an improvement of 11.5% upon the previous score. The JMAPP and MAV audits were each a progress review, with no impact on the results until the next full audit is conducted in November 2012.

An internal audit review was conducted in November 2011 and the results reported through to Council's Audit Committee Meeting in December 2011. Of the previously outstanding 19 recommendations, 11 were signed off as complete and removed from the list. Further progress against the remaining eight items is to be reviewed by the auditors in May 2012.

Incident Reporting

There was one recorded incident for the quarter ended 31 December 2011, involving slips on the Town Hall floor. Investigations are being undertaken to address the issue.

No. of incidents reported



Incidents	Oct-Dec 2010	Jan-Mar 2011	Apr-Jun 2011	Jul-Sep 2011	Oct-Dec 2011
Public	3	2	-	1	1
Staff	1	3	1	1	-
Volunteers	-	-	-	-	-

Community Services		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Aged & Disabled Services - General								
	Income	(\$405,100)	(\$400,548)	(\$199,300)	(\$202,815)	(\$4,552)	1.1%	Unfav
	Expenditure	\$552,600	\$511,560	\$266,800	\$221,555	\$41,040	7.4%	Fav
Aged & Disabled Services - General Total		\$147,500	\$111,012	\$67,500	\$18,740	\$36,488	24.7%	Fav
Aged & Disabled Services - Rechargeable Services								
	Income	(\$83,000)	(\$90,700)	(\$41,400)	(\$45,773)	\$7,700	-9.3%	Fav
	Expenditure	\$95,300	\$99,900	\$43,600	\$44,438	(\$4,600)	-4.8%	Unfav
Aged & Disabled Services - Rechargeable Services Total		\$12,300	\$9,200	\$2,200	(\$1,334)	\$3,100	25.2%	Fav
Kindergarten								
	Income	\$0	(\$11,500)	\$0	(\$11,500)	\$11,500	100.0%	Fav
	Expenditure	\$0	\$13,800	\$0	\$0	(\$13,800)	100.0%	Unfav
Kindergarten Total		\$0	\$2,300	\$0	(\$11,500)	(\$2,300)	100.0%	Unfav
Maternal and Child Health								
	Income	(\$48,400)	(\$47,710)	(\$24,200)	(\$27,533)	(\$690)	1.4%	Unfav
	Expenditure	\$60,100	\$61,956	\$30,000	\$19,671	(\$1,856)	-3.1%	Unfav
Maternal and Child Health Total		\$11,700	\$14,246	\$5,800	(\$7,861)	(\$2,546)	-21.8%	Unfav
Community Services Total		\$171,500	\$136,758	\$75,500	(\$1,956)	\$34,742	20.3%	Fav

The year-end result is predicted to be an overall favourable variance against budget of \$35k (20.3%).

Major variances reported for each type of service within the Community Services program area are further detailed below.

Aged & Disabled Services (general & rechargeable)

The year-end forecast indicates a favourable variance against budget of \$39k. Major variances as follows:

- \$44k salary savings, resulting from reduced levels of personal and respite care required – this is difficult to predict, therefore some contingency is included in the budget and is reviewed at the end of each quarter – this is also the main reason for the variance between Year-to-date budget and actual at 31 December 2011
- (\$5k) HACC grant income below % increase assumed in budget – not known until the commencement of 2011/12 financial year

Kindergarten

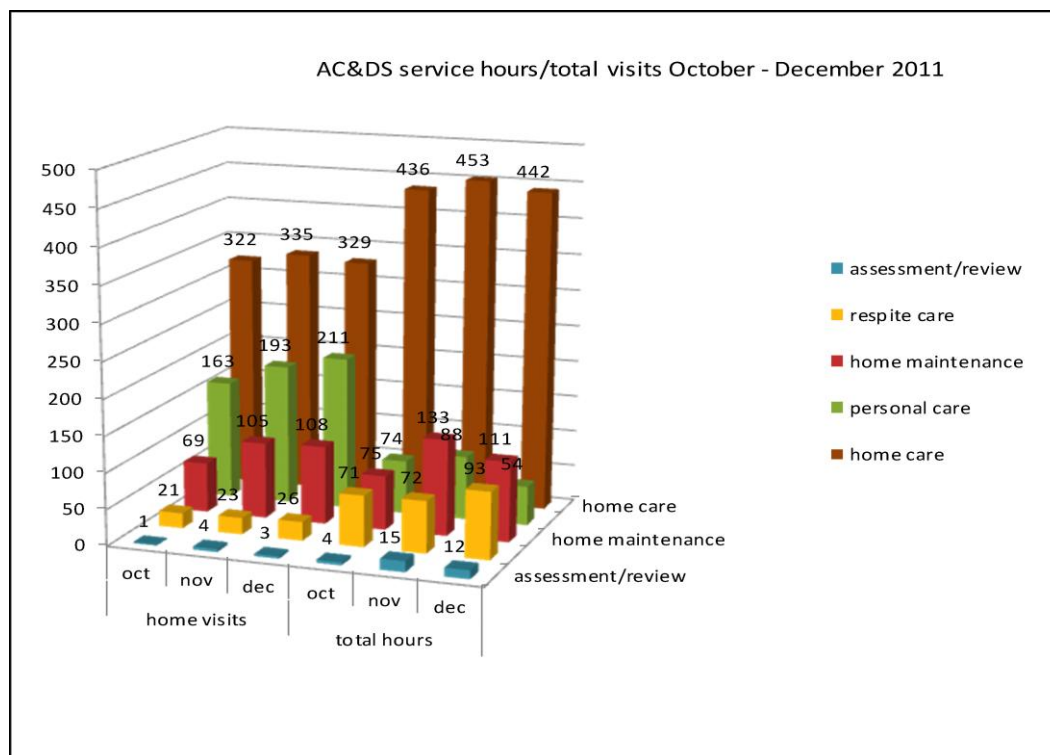
There was no budget allocation for this service in the 2011/12 financial year.

\$11,500 grant funding was received during the June 2011 quarter and transferred to carry forward reserve for spending in 2011/12. This grant income comprises \$10,000 for planning and \$1,500 for change management planning and activities related to the provision of kindergarten services in the Borough. Council contribution of \$2,000 results in an overspend in this area.

Maternal & Child Health

The year-end forecast indicates an unfavourable variance against budget of \$3k (indexation on grant income less than budgeted).

The maternal & child health service is contracted out to Bellarine Community Health. Annual benchmark for which the Borough is funded is 27 births.



Tourism & Community Development		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Arts, Recreation & Culture								
	Income	(\$1,800)	(\$1,300)	(\$1,000)	(\$418)	(\$500)	27.8%	Unfav
	Expenditure	\$73,800	\$79,974	\$43,900	\$49,051	(\$6,174)	-8.4%	Unfav
Arts, Recreation & Culture Total		\$72,000	\$78,674	\$42,900	\$48,632	(\$6,674)	-9.3%	Unfav
Community Development General								
	Income	(\$4,600)	(\$5,561)	(\$4,600)	(\$4,402)	\$961	-20.9%	Fav
	Expenditure	\$81,400	\$88,080	\$46,300	\$47,680	(\$6,680)	-8.2%	Unfav
Community Development General Total		\$76,800	\$82,519	\$41,700	\$43,278	(\$5,719)	-7.4%	Unfav
Events								
	Expenditure	\$62,200	\$66,450	\$32,900	\$29,530	(\$4,250)	-6.8%	Unfav
Events Total		\$62,200	\$66,450	\$32,900	\$29,530	(\$4,250)	-6.8%	Unfav
Library								
	Expenditure	\$210,300	\$204,877	\$105,100	\$104,432	\$5,423	2.6%	Fav
Library Total		\$210,300	\$204,877	\$105,100	\$104,432	\$5,423	2.6%	Fav
Tourism Promotion								
	Income	(\$800)	(\$25,800)	(\$400)	(\$25,211)	\$25,000	-3125.0%	Fav
	Expenditure	\$125,400	\$151,888	\$51,300	\$44,714	(\$26,488)	-21.1%	Unfav
Tourism Promotion Total		\$124,600	\$126,088	\$50,900	\$19,503	(\$1,488)	-1.2%	Unfav
Visitor Information Centre								
	Income	(\$180,900)	(\$186,279)	(\$89,600)	(\$91,741)	\$5,379	-3.0%	Fav
	Expenditure	\$141,100	\$141,040	\$66,500	\$52,459	\$60	0.0%	Fav
Visitor Information Centre Total		(\$39,800)	(\$45,239)	(\$23,100)	(\$39,282)	\$5,439	-13.7%	Fav
Tourism & Community Development Total		\$506,100	\$513,369	\$250,400	\$206,092	(\$7,269)	-1.4%	Unfav

The year-end result is predicted to be an overall unfavourable variance against budget of (\$7k) (1.4%).

Major variances reported for each type of service within the Tourism & Community Development program area are further detailed below.

Arts, Recreation & Culture

The year-end forecast indicates an unfavourable variance against budget of (\$7k) – additional hours worked by Arts Officer above level budgeted.

Community Development General

The year-end forecast indicates an unfavourable variance against budget of (\$6k). Major variances as follows:

- (\$3k) additional expenditure in donations and contributions (budget \$5k, actual \$7.8k)
- (\$3k) additional salaries above level budgeted, for event planning and organisation.

Events

The year-end forecast indicates an unfavourable variance against budget of (\$4k) – additional expenditure above level budgeted relates to senior citizens week, Easter weekend and electricity charges for the Point Lonsdale Christmas tree.

Library

The year-end forecast indicates a favourable variance against budget of \$5k – forecast now includes assumption that share of equity will increase by \$5k, this is based on year-end adjustments which have taken place in previous financial years and which we expect to continue.

Tourism Promotion

The year-end forecast indicates an unfavourable variance against budget of (\$1k). This relates to memberships being slightly above level budgeted. Note \$25k was carried forward in 2010/11 for completion of works in 2011/12 in relation to planning of the Historical Museum Office Development (\$5k) as well as planning for projects to be submission ready for the Visitor Information Centre, Library, Historical Museum and Town Hall (\$20k) – the transfer from carry forward reserve has occurred, however the expenditure has yet to take place, therefore resulting in the main reason for the variance between Year-to-date budget and actual at 31 December 2011.

Visitor Information Centre

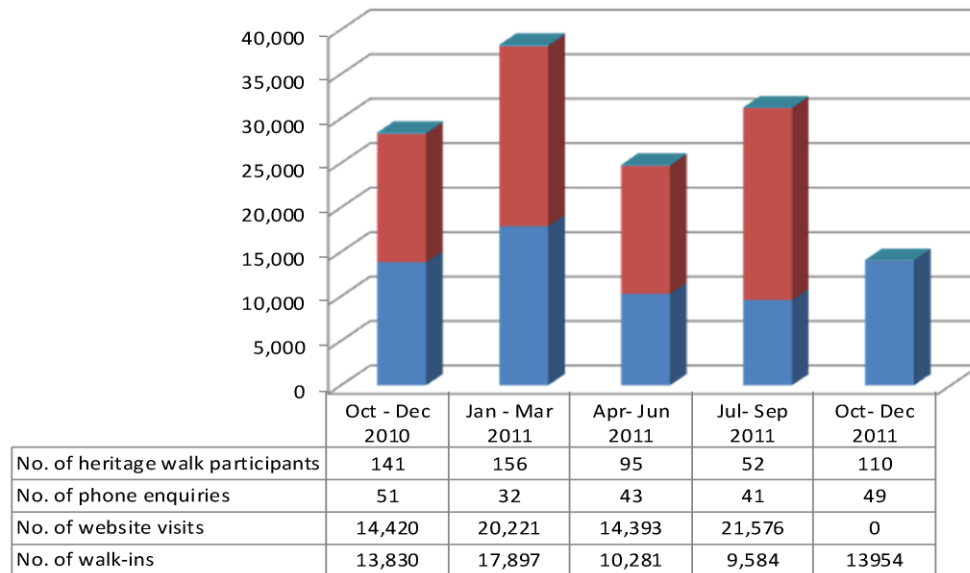
The year-end forecast indicates a favourable variance against budget of \$5k – increase in supplementary commercial rate income plus some savings in expenditure items.

Community events held during the October - December 2011 quarter include:

The following events were supported by the Borough during the December quarter:

- Around the Bay in a Day, Sunday 16th October
- Walking Home 2011, Saturday 12th November
- Queenscliff Music Festival, 26th to 28th November
- Point Lonsdale Lighting of the Christmas Tree, Saturday 3d December
- Annual Toy Run, Sunday 11th December
- Rip to River Run, Tuesday 27th December

Visitor Information Centre statistics



Redevelopment of Council's websites is in progress, with the Queenscliff Tourist Parks website completed in January 2012, Borough of Queenscliffe main website scheduled for completion in May 2012 and the Visitor Information Centre website expected to be completed by July 2012.

Website profile and accessibility is a major focus for further developing the Borough's use of technology. Training and the use of other social media continues.

Note the current work on website development makes it difficult to provide a meaningful comparison of the number of hits compared with previous quarters. This data will be reviewed and included in the March quarterly finance report instead.

Quarterly Finance Report - 31 December 2011

Infrastructure Services		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Building Maintenance Program								
	Expenditure	\$32,700	\$33,700	\$13,100	\$9,676	(\$1,000)	-3.1%	Unfav
Building Maintenance Program Total		\$32,700	\$33,700	\$13,100	\$9,676	(\$1,000)	-3.1%	Unfav
Engineering								
	Income	\$0	(\$7,195)	\$0	(\$7,195)	\$7,195	100.0%	Fav
	Expenditure	\$186,750	\$193,762	\$89,525	\$101,970	(\$7,012)	-3.8%	Unfav
Engineering Total		\$186,750	\$186,567	\$89,525	\$94,775	\$183	0.1%	Fav
Powerline								
	Expenditure	\$41,000	\$41,000	\$0	\$0	\$0		
Powerline Total		\$41,000	\$41,000	\$0	\$0	\$0		
Public Convenience								
	Expenditure	\$108,500	\$107,000	\$54,200	\$47,982	\$1,500	1.4%	Fav
Public Convenience Total		\$108,500	\$107,000	\$54,200	\$47,982	\$1,500	1.4%	Fav
Road Maintenance & Works - Contract Provisional Sum								
	Expenditure	\$91,998	\$93,692	\$36,600	\$34,990	(\$1,694)	-1.8%	Unfav
Road Maintenance & Works - Contract Provisional Sum Total		\$91,998	\$93,692	\$36,600	\$34,990	(\$1,694)	-1.8%	Unfav
Road Maintenance & Works - Fixed Price Contract								
	Expenditure	\$509,100	\$509,100	\$250,200	\$250,592	\$0		
Road Maintenance & Works - Fixed Price Contract Total		\$509,100	\$509,100	\$250,200	\$250,592	\$0		
Road Maintenance & Works - Foreshore								
	Income	(\$9,000)	(\$9,000)	(\$9,000)	\$0	\$0		
	Expenditure	\$23,000	\$29,000	\$10,000	\$9,428	(\$6,000)	-26.1%	Unfav
Road Maintenance & Works - Foreshore Total		\$14,000	\$20,000	\$1,000	\$9,428	(\$6,000)	-42.9%	Unfav
Road Maintenance & Works - Other								
	Income	(\$43,635)	(\$62,455)	(\$21,800)	(\$40,946)	\$18,820	-43.1%	Fav
	Expenditure	\$158,000	\$193,753	\$62,500	\$69,753	(\$35,753)	-22.6%	Unfav
Road Maintenance & Works - Other Total		\$114,365	\$131,298	\$40,700	\$28,806	(\$16,933)	-14.8%	Unfav
Street Lighting								
	Expenditure	\$46,000	\$46,000	\$23,000	\$14,230	\$0		
Street Lighting Total		\$46,000	\$46,000	\$23,000	\$14,230	\$0		
Waste Disposal								
	Income	(\$23,200)	(\$23,200)	(\$11,600)	(\$11,752)	\$0		
	Expenditure	\$513,700	\$484,497	\$255,800	\$272,626	\$29,203	5.7%	Fav
Waste Disposal Total		\$490,500	\$461,297	\$244,200	\$260,874	\$29,203	6.0%	Fav
Infrastructure Services Total		\$1,634,913	\$1,629,655	\$752,525	\$751,354	\$5,258	0.3%	Fav

The year-end result is predicted to be an overall favourable variance against budget of \$5k (0.3%).

Major variances reported for each type of service within the Infrastructure Services program area are further detailed below.

Building Maintenance Program

The year-end forecast indicates an unfavourable variance against budget of (\$1k) – additional electricity costs.

Engineering

The year-end forecast is in line with budget. Note there is a shift of \$15k from contractors to employee costs, reflecting the appointment of a fixed term Infrastructure Engineer position to work on the funded Country Roads and Bridges program.

Powerline Clearance

The year-end forecast is in line with budget.

Public Conveniences

The year-end forecast indicates a favourable variance against budget of \$1k – savings in maintenance budget.

Road Maintenance & Works – Contract Provisional Sum

The year-end forecast indicates an unfavourable variance against budget of (\$2k), reflecting additional street sweeping and pavement repair costs – note this is difficult to predict, a contingency is provided and this is reviewed at the end of each quarter.

Road Maintenance & Works – Fixed Price Contract

The year-end forecast is in line with budget.

Road Maintenance & Works – Foreshore

The year-end forecast indicates an unfavourable variance against budget of (\$6k) – underestimated water budget.

Road Maintenance & Works – Other

The year-end forecast indicates an unfavourable variance against budget of (\$17k) – design work for undergrounding of power in Point Lonsdale Road, budgeted as \$5k but increased to \$20k per Council decision to use part of the accumulated cash surplus.

Street Lighting

The year-end forecast is in line with budget.

Waste Disposal

- The year-end forecast indicates an favourable variance against budget of \$29k – reduction in waste collection budget (reviewed forecast expenditure is now lower than initially expected)

Coastal & Environment		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Caravan Parks & Boat Ramp								
	Income	(\$1,449,000)	(\$1,447,900)	(\$894,700)	(\$894,888)	(\$1,100)	0.1%	Unfav
	Expenditure	\$956,100	\$1,003,370	\$584,900	\$646,606	(\$47,270)	-4.9%	Unfav
Caravan Parks & Boat Ramp Total		(\$492,900)	(\$444,530)	(\$309,800)	(\$248,282)	(\$48,370)	9.8%	Unfav
Coastal & Environment General								
	Income	(\$343,710)	(\$733,307)	(\$15,100)	(\$661,849)	\$389,597	-113.4%	Fav
	Expenditure	\$292,896	\$613,034	\$121,700	\$126,628	(\$320,138)	-109.3%	Unfav
Coastal & Environment General Total		(\$50,814)	(\$120,272)	\$106,600	(\$535,221)	\$69,458	-136.7%	Fav
Coastal & Environment Total		(\$543,714)	(\$564,802)	(\$203,200)	(\$783,504)	\$21,088	-3.9%	Fav

The year-end result is predicted to be an overall favourable variance against budget of \$21k (3.9%).

Major variances reported for each type of service within the Coastal & Environment program area are further detailed below.

Caravan Parks & Boat Ramp

The year-end forecast indicates an unfavourable variance against budget of (\$48k) – \$32k soil disposal and testing at Boat Ramp above level budgeted for this project, also \$18k of prior year expenditure on boat ramp maintenance previously included as Work in Progress on the Balance Sheet in 2010/11 but has now been transferred to operating expenditure during 2011/12 (not budgeted).

Coastal & Environment General

The year-end forecast indicates a net favourable variance against budget of \$69k - \$50k balance of Crown Land Reserve transferred into operating surplus during 2011/12 per Council resolution, also \$25k contingency for coastal risk mitigation grant matching funds not required in 2011/12.

There are several projects carried over from 2010/11, which are shown in the forecast column (main reason for Year-to-date budget variance) where both income and expenditure estimates include both the 2011/12 budget amounts plus the incomplete projects carried forward from 2010/11:

- \$210k cliff safety (\$190k grant received in 2010/11 + \$20k Council contribution)
- \$25k Council contribution/matching funds for potential grant income (coastal environment grant)
- \$13k planning for Crown Land projects to be submission ready
- \$8k tree removal and replacement program
- \$8k repairs to sea wall (DSE funded)

Boat Ramp Permits Issued



Note : boat ramp permits have in previous years been due at the end of June each year.

Going forward from 1 July 2011, boat ramp permits will have a new due date being the 1st of January each year. This change reflects the commencement of the peak season for water activities.

Planning	Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Planning & Development Control							
Income	(\$51,000)	(\$117,976)	(\$26,000)	(\$84,277)	\$66,976	-131.3%	Fav
Expenditure	\$226,200	\$303,888	\$81,600	\$81,883	(\$77,688)	-34.3%	Unfav
Planning & Development Control Total	\$175,200	\$185,912	\$55,600	(\$2,395)	(\$10,712)	-6.1%	Unfav
Planning Total	\$175,200	\$185,912	\$55,600	(\$2,395)	(\$10,712)	-6.1%	Unfav

The year-end result is predicted to be an overall unfavourable variance against budget of \$11k (6.1%).

Major variances as follows:

- (\$17k) additional salary resources above level budgeted – note \$22k forecast has been moved from Engineering to Town Planning, this is offset in part with some salary savings in relation to the budget assumptions around overtime and backfill requirements
- \$6k additional town planning income expected above level budgeted

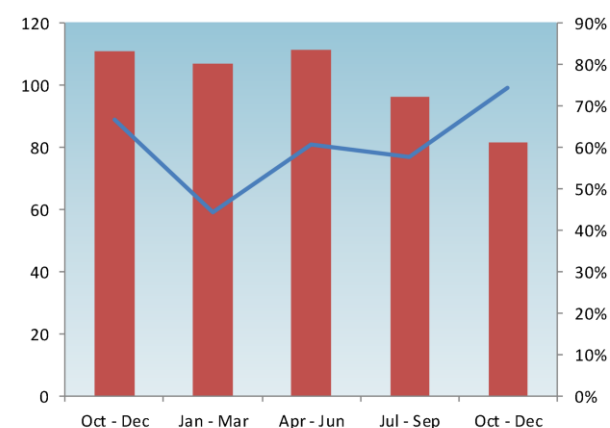
There are three items carried over from 2010/11 (and reflected in the forecast column – also the main reason for the variance between Year-to-date budget and actual at 31 December 2011), with the relevant transfer from reserve to match expenditure in 2011/12, including:

- \$48k review of planning scheme
- \$9k Point Lonsdale structure plan
- \$4k strategic land use project

	Oct - Dec 2010	Jan - Mar 2011	Apr - Jun 2011	Jul - Sep 2011	Oct - Dec 2011
No. of applications received	36	52	51	48	25
No. of decisions made	41	44	49	39	46
Average no. of days processing time *	89	59	80.8	77	99
% completed within statutory timeframe	83%	80%	84%	72%	61%

The result of the October – December quarter reflects the complex nature of a number of planning matters undertaken which directly impacted Council's ability to meet statutory timelines with respect to planning applications. Consideration of the redevelopment of the former Nursing Home Site (20-26 Hesse Street, Queenscliff) consumed a large amount of time due its level of complexity and public interest. Other complex issues considered include the Ferry Terminal Planning Scheme Amendment, Point Lonsdale Structure Plan and the Stocklands Development.

Planning Permits



Building		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Building Control								
	Income	(\$17,300)	(\$17,300)	(\$8,600)	(\$6,385)	\$0		
	Expenditure	\$45,000	\$45,000	\$22,500	\$24,510	\$0		
Building Control Total		\$27,700	\$27,700	\$13,900	\$18,125	\$0		
Heritage								
	Income	(\$14,000)	(\$15,400)	\$0	\$0	\$1,400	-10.0%	Fav
	Expenditure	\$44,600	\$44,600	\$22,300	\$22,903	\$0		
Heritage Total		\$30,600	\$29,200	\$22,300	\$22,903	\$1,400	4.6%	Fav
Building Total		\$58,300	\$56,900	\$36,200	\$41,028	\$1,400	2.4%	Fav

The year-end result is predicted to be an overall favourable variance against budget of \$1k (2.4%).

Major variances reported for each type of service within the Building program area are further detailed below.

Building Control

The year-end forecast is in line with budget. YTD variance relates to building fees, which fluctuate from month to month and are difficult to predict, although it is still expected that this income will come in line with budget over the full financial year.

Heritage

The year-end forecast indicates a favourable variance against budget of \$1k – additional grant income received in relation to the Heritage Advisor (budget \$14k, actual \$15.4k).

Expenditure within the Building program area comprises of two contract staff: Building Surveyor being one day per week and the Heritage Officer as one day per fortnight.

Sustainability & Environment		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Sustainability & Environment								
	Income	\$0	(\$71,076)	\$0	(\$26,076)	\$71,076	100.0%	Fav
	Expenditure	\$67,200	\$150,027	\$27,700	\$31,543	(\$82,827)	-123.3%	Unfav
Sustainability & Environment Total		\$67,200	\$78,951	\$27,700	\$5,467	(\$11,751)	-17.5%	Unfav
Sustainability & Environment Total		\$67,200	\$78,951	\$27,700	\$5,467	(\$11,751)	-17.5%	Unfav

The year-end result is predicted to be an overall unfavourable variance against budget of (\$12k) (17.5%).

Major variances as follows:

- \$45k sustainability accord grant income not budgeted, funding confirmed in 2011/12
- (\$45k) expenditure not budgeted, in relation to the sustainability accord grant income announced as above
- (\$8k) salaries overspend, budgeted as 0.5 EFT but increased to 0.66 EFT to manage a number of projects related to Sustainability
- (\$2k) additional advertising costs not budgeted

There are a couple of projects carried over from 2010/11, with the relevant transfer from reserve to match expenditure in 2011/12, including:

- \$16k carbon neutral action program
- \$10k climate change adaptation plan

These carry forwards are also the main reason for the variance between Year-to-date budget and actual as at 31 December 2011, given the transfer from carry forward reserve has occurred, but the related expenditure has not.

Expenditure within this program area comprises of 0.66 EFT for a sustainability officer plus program expenses including those related to the Carbon Neutral Action Program and the Climate Change Adaptation Plan.

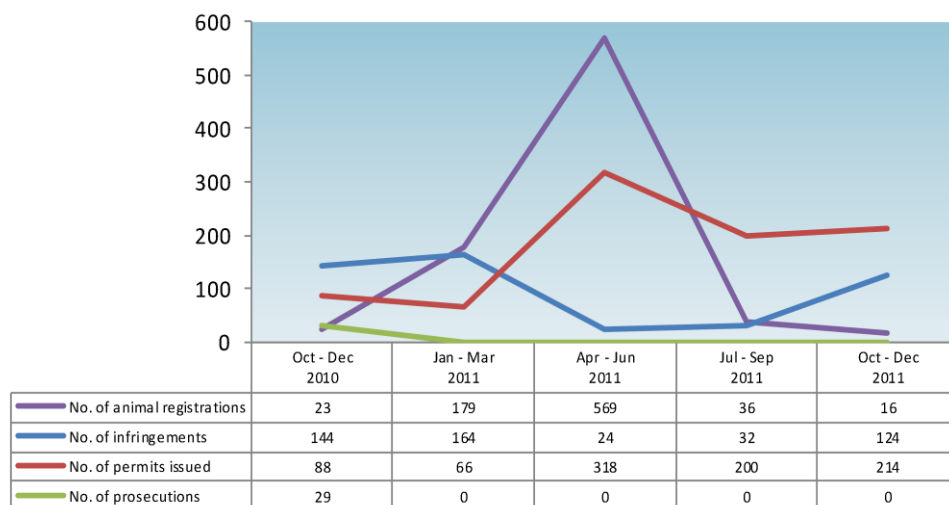
Local Law Enforcement		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Local Law Enforcement								
	Income	(\$84,100)	(\$72,963)	(\$27,800)	(\$23,533)	(\$11,137)	13.2%	Unfav
	Expenditure	\$224,700	\$213,787	\$92,100	\$96,687	\$10,913	4.9%	Fav
Local Law Enforcement Total		\$140,600	\$140,824	\$64,300	\$73,154	(\$224)	-0.2%	Unfav
Local Law Enforcement Total		\$140,600	\$140,824	\$64,300	\$73,154	(\$224)	-0.2%	Unfav

The year-end forecast is in line with budget.

Major variances as follows:

- (\$11k) reduction in level of infringement income expected, compared with that budgeted – predominantly relates to parking fines, for which there has been a substantial reduction in this income over recent months since the budget was formulated
- \$11k reduction in salaries budget, relates to the inclusion of overtime which is difficult to predict – reviewed each quarter and a reduction in the contingency provided for additional hours occurs if necessary

Local Laws activities 2010-11



Note :

Animal registrations are due 10th April each year. Some permits (outdoor eating, A frame, goods for sale, disabled) are due by 30th June each year.

Boat ramp permits have in previous years been due at the end of June each year. Going forward from 1 July 2011, boat ramp permits will have a new due date being the 1st of January each year. This change reflects the commencement of the peak season for water activities.

Quarterly Finance Report – 31 December 2011

Environment Health		Budget 11/12	Forecast 11/12	Budget YTD 11/12	Actual YTD 11/12	Forecast to Budget Variance \$	Forecast to Budget Variance %	Fav/Unfav
Environment Health								
	Income	(\$34,600)	(\$32,100)	(\$15,900)	(\$23,703)	(\$2,500)	7.2%	Unfav
	Expenditure	\$75,250	\$90,724	\$36,900	\$37,686	(\$15,474)	-20.6%	Unfav
Environment Health Total		\$40,650	\$58,624	\$21,000	\$13,983	(\$17,974)	-44.2%	Unfav
Environment Health Total		\$40,650	\$58,624	\$21,000	\$13,983	(\$17,974)	-44.2%	Unfav

The year-end result is predicted to be an overall unfavourable variance against budget of (\$18k) (44.2%).

Major variances as follows:

- (\$10k) overspend in relation to the provision of environmental health services – environmental health officer currently on maternity leave and this position is filled with contract staff
- (\$4k) food sampling, not previously included in budgets
- (\$4k) reduction in tobacco program funding, compared with the level budgeted, has now been advised during 2011/12

4. Discretionary Reserves Summary

	Actual	Budget	Forecast
	2010/11	2011/12	2011/12
	\$'000's	\$'000's	\$'000's
Opening Balance 1 July	\$1,014,954	\$262,420	\$2,046,774
<u>Transfers To Reserve for the Year</u>			
Crown Land reserve	\$847,324	\$286,600	\$286,600
Rate funded Carried forward reserve	\$591,229	\$0	\$0
Asset renewal reserve	\$229,439	\$327,790	\$327,790
	\$1,667,992	\$614,390	\$614,390
<u>Transfers From Reserve for the Year</u>			
Crown Land reserve	\$307,127	\$533,810	\$1,512,707
Rate funded Carried forward reserve	\$329,045	\$0	\$591,229
Asset renewal reserve	\$0	\$205,790	\$263,867
	\$636,172	\$739,600	\$2,367,803
Closing Balance 30th June	\$2,046,774	\$137,210	\$293,362
Balance in reserves @ 30 June	2010/11	2011/12	2011/12
	Actual	\$'000's	\$'000's
Crown Land reserve	\$1,226,106	\$50,000	(\$0)
Rate funded Carried forward reserve	\$591,230	\$0	\$0
Asset renewal reserve	\$229,439	\$293,000	\$293,362
	\$2,046,774	\$343,000	\$293,362

Discretionary Reserves

Council can hold a number of discretionary reserve funds in its Balance Sheet at the end of each financial year, including:

(1) Crown Land Reserve - balance transferred into operating surplus in 2011/12 per Council resolution. Asset renewal and other reserves are used for all assets for which Council is responsible, including those assets which are on Crown Land and which Council is responsible as the Committee of Management for maintaining and improving.

(2) Asset Renewal Reserve :- This reserve funds future asset renewal requirements. The 2011/12 Budget allocated \$122,000 to the reserve for future years. Also transferred into this reserve from the Crown Land reserve is \$205,790 for the Queenscliff Recreation Reserve Sport Club building project.

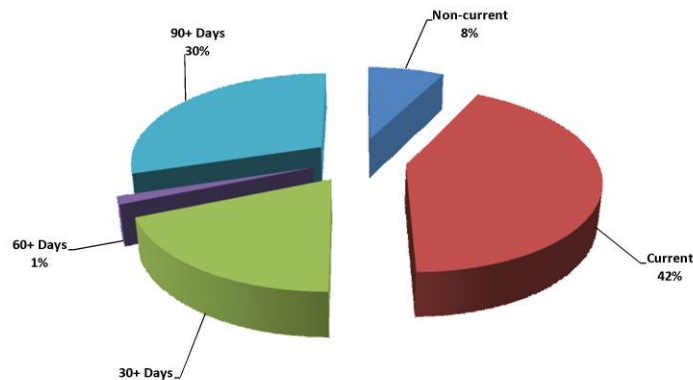
(3) Rate funded Carry Forward Reserve :-This reserve is typically only used at the end of each financial year, when any incomplete projects needs to be held in reserve and carried over for spending in the next year. Transfers from this reserve occur at the commencement of the new year, to fund expenditure in that year.

(4) Local Government Infrastructure Program Reserve – This reserve is used to hold unspent grant funds received under the Local Government Infrastructure Program at each year end. Note this funding is to be received, and expended, over the four year period 2011/12 – 2014/15.

5. Debtors analysis

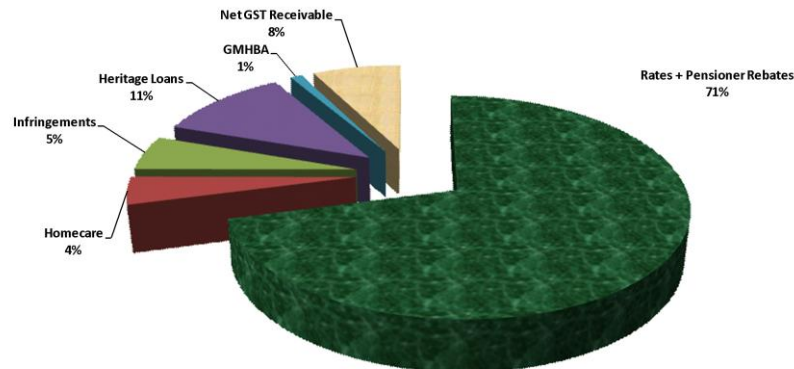
Aged Analysis	Non-current	Current	30+ Days	60+ Days	90+ Days	Total
TOTAL DEBTORS	\$ 29,739	\$ 165,566	\$ 74,012	\$ 5,456	\$ 116,819	\$ 391,591

Debtors : Aged Profile



Debtor Type	Rates + Pensioner Rebates	Homecare	Infringements	Heritage Loans	GMHBA	Net GST Receivable	Sundry	TOTAL DEBTORS
TOTAL DEBTORS	\$ 181,895	\$ 10,658	\$ 13,413	\$ 28,760	\$ 2,500	\$ 19,315	\$ 135,050	\$ 391,591

Debtors : Type



Details 90+ days:
Rates

\$
94,039

Action taken

All rates are deemed collectible, with no provision for doubtful debts. Interest is charged accordingly. Council uses Barwon Credit Management if external debt collection is required, this is usually on an annual basis at the end of each financial year. During the year, Council's Rates Co-ordinator sends out reminder notices after the second and third instalments, with final reminders after the fourth instalment, with instruction that non-payment (or no payment arrangement instigated) will result in debt collection proceedings.

Infringements

13,413

Infringements comprise : \$9k parking infringements, \$3k legal costs, \$1k animals and local laws infringements. All infringements which remain unpaid after 28 days are forwarded on to Vic Roads for action. Any infringements which remain outstanding after the next 28 day period are forwarded to Bartels Taylor for action. All outstanding infringements debtors after a total period of 90 days from issue of the infringement come back to Council for action, after which Council's Law Enforcement Officer takes it up within the Court system. At each financial year end, an estimate is included in the provision for doubtful debts, for those infringements which reach the Court system and for which Council receives a court order to write off the debtor balance. The 2010/11 year end included a provision of \$4k.

Sundry

9,367

Relates to fire prevention works \$380 + homecare debtors \$463, currently being followed up by Coordinators to agree repayment terms. Maritime museum \$4,300 repayment schedule to be agreed in relation to salaries. Lease agreements currently under negotiation \$3,500. Other sundry debtors \$700.

116,819

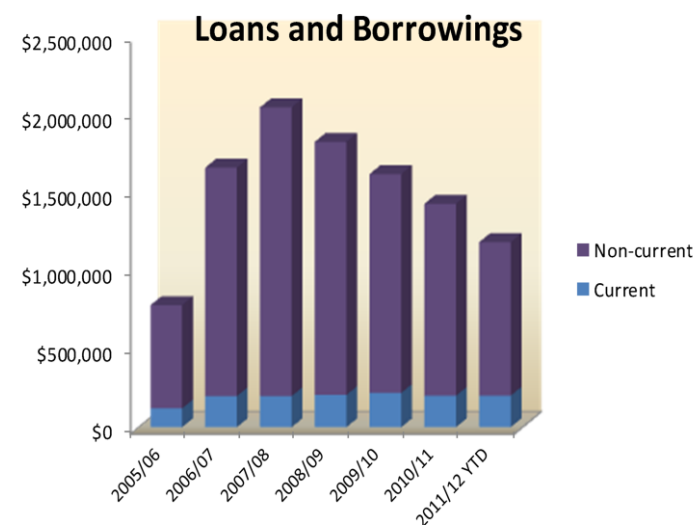
6. Debt position

Loan payments are made in the September and March quarters each year. Council has three loans remaining with maturity dates and current balances, as at 31 December 2011, as follows:

31 March 2014 (\$135,000), 31 March 2017 (\$618,000) and 31 March 2018 (\$430,000)

Unfunded superannuation liability of \$141,954 was paid in full on 1 July 2011, resulting in a saving of \$15,000 in budgeted interest expense (Council budgeted to undertake bank borrowings in order to fund this repayment, see recommendation regarding these borrowings).

Interest-bearing loans and borrowings as at 31 December 2011	2010/11 Year End	2011/12 YTD	Decrease / (Increase)
Current			
Borrowings	(201,365)	(202,048)	(683)
Total Current	(201,365)	(202,048)	(683)
Non-current			
Borrowings	(1,303,914)	(1,085,794)	218,120
Borrowings - redemption	218,120	104,473	(113,647)
Net non-current borrowings	(1,085,794)	(981,321)	104,473
Superannuation liability - 1997 call	(30,704)	(13,304)	17,400
Superannuation liability - 2002 call	(83,497)	(83,497)	0
Superannuation liability - 2010 call	(45,154)	(45,154)	0
Superannuation liability - redemption	17,400	141,954	124,554
Net non-current superannuation liability	(141,955)	(0)	141,954
Total Non-current	(1,227,749)	(981,322)	246,427
Total interest-bearing loans and borrowings	(1,429,114)	(1,183,369)	245,745



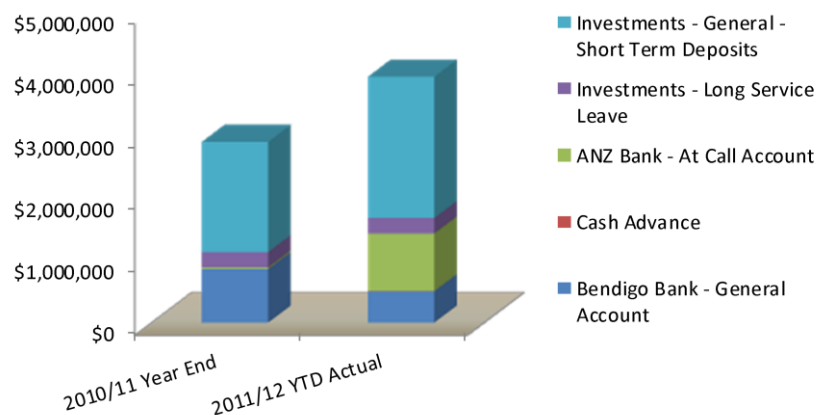
7. Cash and investments

General Ledger			
Cash and Investments as at 31 December 2011	2010/11 Year End	2011/12 YTD Actual	Increase / Decrease
Current			
Bendigo Bank - General Account	860,846	504,439	(356,407)
Cash Advance	1,300	1,500	200
ANZ Bank - At Call Account	24,282	926,186	901,904
Total cash	886,429	1,432,126	545,697
Investments - Long Service Leave	250,000	250,000	0
Investments - General - Short Term Deposits	1,768,988	2,270,882	501,894
Total investments	2,018,988	2,520,882	501,894
Total Current	2,905,417	3,953,007	1,047,591
Non-current			
Share of Geelong Regional Library Corporation	276,131	276,131	0
Total Non-current	276,131	276,131	0
Total Cash and Investments	3,181,548	4,229,138	1,047,591

Current Investments Held : 31 Dec 2011		
Maturity	Interest	Amount
Long Service Leave		
27/03/12	5.71%	250,000
Total LSL		250,000
General		
15/02/12	5.71%	315,171
25/02/12	5.80%	300,000
27/02/12	5.70%	200,000
22/03/12	5.50%	608,285
01/04/12	5.92%	193,748
08/04/12	5.90%	253,679
01/05/12	5.60%	400,000
Total Gen		2,270,882
TOTAL		2,520,882

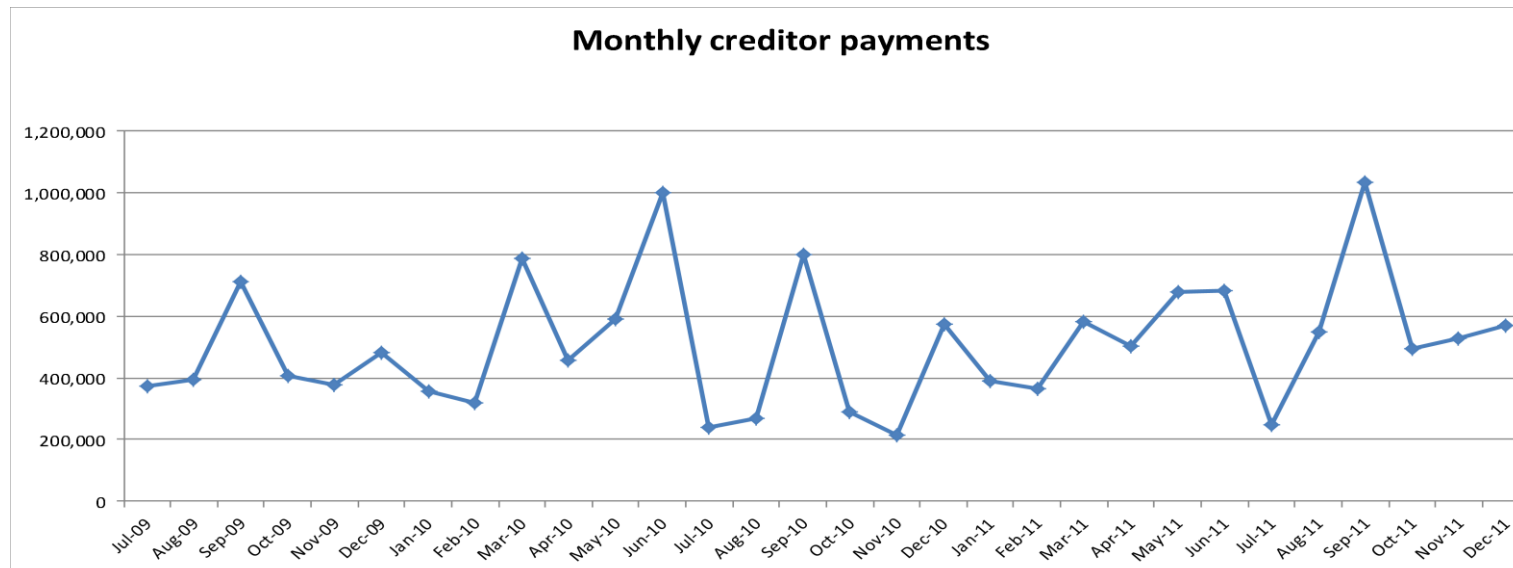
Interest Income	
Bank	2011/12 YTD Actual
LSL	
NAB LSL	(7,365)
Total LSL	(7,365)
General	
BBL	(11,965)
NAB	(27,415)
ANZ	(6,493)
CBA	(16,580)
Total Gen	(62,454)
Rates	(4,225)
Heritage Loans	(573)
Boat Ramp	(927)
TOTAL	(75,544)

Cash & Investments



Cash and investment balances remain high, due to a number of projects carried forward into 2011/12 for completion and the cash injection of \$1,000,000 for Country Roads & Bridges Program grant income received in the September quarter. It should also be noted that the most recent rate instalment was due on 30 November 2011 and this has injected more cash into the general bank account, which has in turn been invested in additional short-term deposits during the month of December 2011.

8. Creditor payments



Note:

1. \$147k per half year for loan payments are made in March and September of each financial year
2. \$50k per quarter for Council's contribution to the Geelong Regional Library Corporation is paid in September, December, March & June of each year.
2. \$47k p.a. workcover premium is paid in the month of September each financial year.

9. Capital report **refer Attachment 1**

10. Line item report **refer Attachment 2**

11. Program report **refer Attachment 3**