



Borough of Queenscliffe Quarterly Finance Report - 30 June 2012

Presented to Ordinary Council meeting

19 September 2012

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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 original adopted budget and the full year actuals to 30 June 2012.

At the time of budget preparation, estimates are formulated based on information available at that time. The 2011/12 year budget 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 2011/12 financial year shows a significant difference to that originally budgeted. Major grant revenue has been received, the most significant being the \$1,000,000 from the *Country Roads & Bridges Program* which was received in the September quarter. The full year result, including any additional changes noted since the March quarterly report, is a favourable result with a surplus result of \$2,072,000 (and a comprehensive result of \$6,356,000 including net asset revaluation increments) in the Standard Income Statement against the original budget of \$990,000 for both the surplus and comprehensive results.

The underlying position, which is net of Capital Income and abnormal items, shows the revised forecast for the full year as a surplus of \$620,000 compared to the budgeted surplus of \$341,000, an improvement of \$279,000. This is predominantly due to additional income from caravan park fees, Victoria Grants Commission funding and interest earned on continuing high cash balances.

The forecast underlying position reported in the March 2012 quarterly report was \$74,000 underlying deficit. As previously indicated, this was based on the assumption that all projects would be completed by the financial year-end. It should be noted that the end of year position will always be affected by projects that remain as work-in-progress at balance date. Expenditure budgeted to occur in 2011/12 includes an amount for projects that will not be complete by 30 June 2012. The reduced expenditure has resulted in a positive bottom line in 2011/12 as some of the expenditure will now take place in 2012/13.

As it is difficult to predict the level of carried forward expenditure during the financial year and it will not be known until 30 June 2012, emphasis in each quarterly report throughout the year is placed on the accumulated cash result which is a better indicator of real savings or underspends (unrestricted, uncommitted funds). The remaining available, unrestricted accumulated cash position is now \$306,000 surplus as at 30 June 2012. Note in the 2012/13 Budget deliberations, Council has resolved to utilise \$213,000 of this accumulated surplus to fund priority items in 2012/13.

Notable variances to the original budget include:

- \$4,284,000 net asset revaluation increment (land including land under roads, buildings including caravan park cabins and drainage assets)
- \$1,000,000 Country Roads & Bridges Program funding received in 2011/12, of which \$799,000 has been transferred to carry forward reserve for spending in 2012/13
- \$602,000 incomplete capital works transferred to carry forward reserve for completion in 2012/13 (this includes Hesse Street revitalisation, ferry to the pier, electrical points of supply, dog beach car park upgrade and infrastructure renewal)

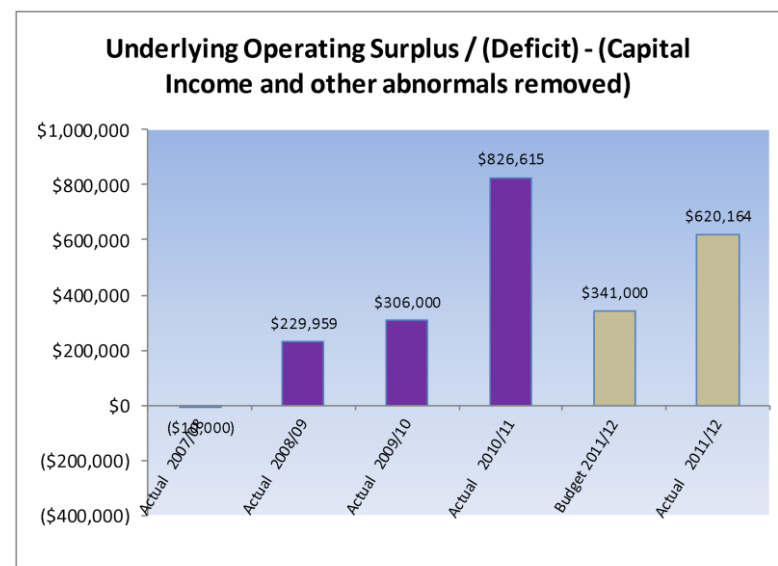
- \$442,000 operating grant income received in 2011/12 and transferred to carry forward reserve for spending in 2012/13 (this includes cliff safety, Victoria Grants Commission prepayment and Corangamite Catchment Management Authority coastal tender funding)
- (\$218,000) unfunded superannuation liability call advised to Council during August 2012 and included in the 2011/12 financial report, with payment due by 1 July 2013
- \$194,000 incomplete operating works transferred to carry forward reserve for completion in 2012/13 (this includes significant tree register, contribution to Queenscliff Railway Station toilet upgrade and review of the planning scheme)
- (\$175,000) additional items identified as high priority due to risk management and reduced organisational performance issues (\$33k boat ramp access lane, \$51k for phone system, audio equipment and I.T. servers, \$40k town hall improvements - toilet refurbishment and replacement of chairs, \$20k neighbourhood house all-abilities access)
- \$150,000 net additional caravan park income (camping and cabins)
- \$97,000 additional interest on investments resulting from higher cash balances than expected, due to operating and capital projects carried forward
- \$92,000 additional Victoria Grants Commission funding (budgeted as \$188.5k, actual income \$281k – previous underpayments by the Commonwealth to the State)
- \$89,000 savings in salary budgets (home care, governance and administration) due to vacant positions and reduction in the requirement for high level home care
- \$50,000 Coastal Risk Mitigation and Coastal Environment Grants Matching Funds contingency not required in 2011/12
- \$40,000 savings in town planning amendment panels costs (\$15k) and contract work (\$25k)
- (\$40,000) for powerline and sundry tree clearance in line with more stringent State govt standards
- (\$40,000) increase in employee provisions to reflect unused annual leave and increases in long service leave resulting from a change in wage and discount rates and the increased probability of staff becoming entitled to long service leave
- (\$35,000) advertising and recruitment costs (GM Planning & Infrastructure, Finance, Visitor Information Centre and Law Enforcement casual staff)
- \$28,000 savings in waste collection contract (forecast expenditure lower than initially expected)
- \$15,000 interest expense not required for unfunded superannuation liability, as Council repaid 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

1. Standard Statements

Standard Income Statement	Budget	Variances		Note	Actuals
	2012 \$'000	\$'000	%		2012 \$'000
REVENUES					
<i>Operating revenue</i>					
Rates and charges	5,343	14	0%		5,357
Statutory fees & fines	111	(23)	-21%	1	88
User Charges	1,671	259	15%	2	1,930
Grants - Operating	635	315	50%	3	950
Grants - Capital	654	861	132%	4	1,515
Capital Contributions	-	26	100%	5	26
Contributions - Operating	-	-	0%		-
Reimbursements	54	(54)	-100%	6	-
Interest received	88	97	110%	7	185
Other Income	131	(91)	-70%	8	40
TOTAL OPERATING REVENUE	8,685	1,406	16%		10,091
EXPENSES					
<i>Operating expenses</i>					
Employee benefits	2,916	49	2%		2,867
Materials & Services	3,633	(19)	-1%	9	3,652
Bad and doubtful debts	2	(4)	-198%		6
Depreciation	709	(90)	-13%	10	799
Interest expense	107	15	14%	11	92
Other expenses	324	(15)	-5%		339
TOTAL OPERATING EXPENSES	7,690	(65)	-1%		7,755
OPERATING RESULT	995	1,341	135%		2,336
<i>Non-operating income and expenditure</i>					
Net gain/(loss) on disposal of property, plant and equipment, infrastructure	(5)	(11)	211%		(16)
Increase in Unfunded Superannuation Liability	-	(218)	100%	12	(218)
Share of net profits of associates and joint ventures accounted for by the equity method	-	(30)	100%		(30)
SURPLUS / (DEFICIT)	990	1,082	109%		2,072
Net asset revaluation increment (decrement) on infrastructure	-	4,284	100%	13	4,284
COMPREHENSIVE RESULT	990	5,366	542%		6,356
<i>Adjustments to remove unmatched Capital income and other abnormals</i>					
minus Capital Income	(654)	(887)	136%		(1,541)
minus other abnormals and Library share	5	(4,025)	-80508%		(4,020)
<i>Adjustments to match grant funding to year of expenditure</i>					
operating grants from prior years expended in the current year	-	71	100%		71
operating grants received in the current year not spent by year end	-	(245)	100%		(245)
UNDERLYING OPERATING SURPLUS / (DEFICIT)	341	279	82%		620

Council's underlying operating result is \$279k more than that budgeted, largely due to increased revenue from Caravan Park user fees (\$150k above budget including \$32k above budget for Cabins). Other major increases include: Victorian Grants Commission (VGC) financial assistance grant \$30k, and interest received on higher than budgeted cash balances \$97k.

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.



Note	Item	Explanation
1	Statutory fees & fines	Reduction in parking infringement income is the direct result of increased law enforcement, particularly in the vicinity of the boat ramp (for which additional car parking income has been received and is reflected in user charges below).
2	User Charges	Additional caravan park income as a result of the review and restructure of fees charged in line with market price. The additional two cabins in the recreation reserve have also contributed to total caravan park income above level budgeted (\$150,000). Lease income budgeted as "other income" and now included as user charges (\$100,000). Additional boat ramp parking income reflects increased law enforcement presence (\$17,000).
3	Grants - Operating	Victorian Grants Commission prepayment of first two quarters 2012/13 funding (\$145,000) with some increase above level budgeted (\$30,000). Grants received in the 2011/12 year, not budgeted, include: Coastal tender (\$76,000), Sustainability accord (\$20,000), Regional Victoria living expo (\$20,000), Music equipment (\$12,000) and Kindergarten planning (\$10,000).
4	Grants - Capital	Funding from the Country Roads & Bridges grant program, not budgeted, was \$1,000,000 (note this funding is \$1,000,000 per year for the four period 2011/12 - 2014/15).
5	Capital Contributions	Community contribution of \$26,000 received toward the Queenscliff sports club enhancement project.
6	Reimbursements	One long-term workcover claim ceased during 2011/12.
7	Interest received	High cash balances maintained throughout the year, resulting in additional interest income. The high cash balances are mainly due to operating and capital projects incomplete by year end and carried forward for completion in future years.
8	Other Income	Lease income budgeted as other income but now reported as user charges above (\$100,000).

Notes to the Standard Income Statement (cont)

9	Materials & Services	Whilst there is no real variance from budget in total, a number of items are worthy of comment. Some projects where expenditure was budgeted to occur in 2011/12 will not be completed until future years. These include: cliff safety project (\$210,000), contribution to the Queenscliff railway station toilet upgrade (\$40,000) and review of the planning scheme (\$37,000). This is offset in part by expenditure that occurred in 2011/12 but where the matching grant funding was received in prior years. (grants funding from prior years = \$71,000). Expenditure included at this item also included projects unbudgeted but where operating grants were received in the 2011/12 year.(\$70,000). Some savings in employee benefits during 2011/12 are offset by staff vacancies being filled by contractors (\$64,000). Additional legislation requirements in powerline tree clearance have resulted in expenditure above the level budgeted (\$38,000).The Councillor Conduct Panel costs were also not budgeted (\$38,000).
10	Depreciation	Increase in depreciation expense reflects revaluation of assets. Building and drainage assets were revalued in 2011/12.
11	Interest expense	Interest lower than budget due to variable rate on loans being lower than previous fixed interest rate (reviewed at least every three years to determine rate on loans).
12	Increase in Unfunded Superannuation Liability	The additional call on the Defined Benefit Superannuation Fund was not budgeted. Until recently, advice indicated that the expense would not be brought to account until the call was announced which would be in the 2012/13 financial year.
13	Net asset revaluation increment (decrement) on infrastructure	Revaluation increments are not budgeted, as results are not known at the time of setting the budget. Land, including land under roads, buildings including cabins and drainage assets were all revalued in 2011/12 and applied effective 30/06/12.

STANDARD STATEMENT OF FINANCIAL POSITION (Balance Sheet)	Budget 2012 \$'000	Variances		Note	Actuals 2012 \$'000
		\$'000	%		
ASSETS					
Current Assets					
Cash and cash equivalents	1,010	2,706	268%	1	3,716
Trade and other receivables	439	(9)	-2%		430
Inventories	7	(1)	-19%		6
Other assets	223	(65)	-29%	2	158
Total Current Assets	1,679	2,631	157%		4,310
Non-Current Assets					
Trade and other receivables	17	2	14%		19
Investments in associates accounted for using the equity method	271	(25)	-9%		246
Property, infrastructure, plant & equipment	58,156	7,829	13%	3	65,985
Total Non-Current Assets	58,444	7,806	13%		66,250
TOTAL ASSETS	60,123	10,437	17%		70,560
LIABILITIES					
Current liabilities					
Trade and other payables	796	136	17%	4	660
Trust funds and deposits	68	(0)	-1%		68
Provisions	432	(152)	-35%	5	584
Interest bearing loans and borrowings	1,228	142	12%		1,085
Total Current Liabilities	2,523	126	5%		2,397
Non-Current Liabilities					
Provisions	42	(222)	-529%	5	264
Total non-current liabilities	42	(222)	-529%		264
TOTAL LIABILITIES	2,565	(96)	-4%		2,661
NET ASSETS	57,560	10,340	18%		67,899
EQUITY					
Accumulated Surplus	31,649	(669)	-2%	7	30,980
Asset Revaluation reserve	25,568	8,698	34%	8	34,266
Discretionary Reserves	343	2,310	673%	9	2,653
TOTAL EQUITY	57,560	10,338	18%		67,899

Balance Sheet comments:

The main variance in the Balance sheet relates to the asset revaluations that have taken place in 2010/11 and 2011/12.

The Budget for 2011/12 was set prior to the 2010/11 year end and thus the Property, plant & equipment, and infrastructure budget did not include an amount for the 2010/11 revaluation of infrastructure assets. (\$4.414m)

Similarly no budget was set in anticipation of the 2011/12 revaluation of council buildings and drainage assets. (\$4.284m)

Other major variances against budget include:

- the cash balance at year end, which was high due to the receipt of government grants (which will be expended in the 2012/13 financial year.)
- the provisions for employee benefits which includes the \$218k increase in the unfunded superannuation liability plus increases in both the annual leave and Long Service Leave provisions
- discretionary reserves which includes funds for projects that council is contractually committed to (for items that are either council or grant funded but are incomplete at balance date, that is, expenditure will occur in 2012/13 or beyond.)

See Section 4 for a summary of reserves.

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

Rates / Cash Budget	2011/12 Budget \$'000	2011/12 Actual \$'000	Sept report	Dec report	March report	June report
Comprehensive result (Operating Surplus / (Deficit) per Income Statement)	\$ 990	\$ 6,356	\$ 2,078	\$ 2,011	\$ 2,215	\$ 6,356
<u>Adjust for non-cash items</u>						
Depreciation	\$ 709	\$ 799	\$ 770	\$ 773	\$ 773	\$ 799
Share of net profits of associates and joint ventures accounted for by the equity method	\$ 0	\$ 30	\$ 0	(\$ 5)	(\$ 5)	\$ 30
Written Down Value (WDV) of assets sold	\$ 45	\$ 77	\$ 50	\$ 50	\$ 73	\$ 77
Net asset revaluation increment(decrement) on infrastructure	\$ 0	(\$ 4,284)				(\$ 4,284)
	\$ 754	(\$ 3,378)	\$ 820	\$ 818	\$ 841	(\$ 3,378)
<u>Adjustments for non-operating cash items</u>						
New borrowings	\$ 150	\$ 0	\$ 150	\$ 150	\$ 150	\$ 0
Loan principal payments	(\$ 344)	(\$ 344)	(\$ 344)	(\$ 344)	(\$ 347)	(\$ 344)
Capital expenditure	(\$ 1,674)	(\$ 2,197)	(\$ 4,252)	(\$ 4,254)	(\$ 4,390)	(\$ 2,197)
	(\$ 1,869)	(\$ 2,542)	(\$ 4,446)	(\$ 4,448)	(\$ 4,587)	(\$ 2,542)
Cash surplus/(deficit) prior to reserve transfers	(\$ 125)	\$ 436	(\$ 1,548)	(\$ 1,619)	(\$ 1,530)	\$ 436
Transfers to reserves	(\$ 614)	(\$ 2,477)	(\$ 614)	(\$ 794)	(\$ 839)	(\$ 2,477)
Transfers from reserves	\$ 739	\$ 1,871	\$ 2,318	\$ 2,368	\$ 2,368	\$ 1,871
Adjustment adding back the increase in unfunded superannuation liability		\$ 218				\$ 218
Cash surplus/(deficit) for 2011/12	\$ 0	\$ 48	\$ 155	(\$ 45)	(\$ 2)	\$ 48
Accumulated Cash brought forward from 2010/11	\$ 258	\$ 258	\$ 258	\$ 258	\$ 258	\$ 258
Total Cash Surplus /(Deficit) 2011/12	\$ 0	\$ 48	\$ 155	(\$ 45)	(\$ 2)	\$ 48
Accumulated Cash as at 30 June 2012	\$ 258	\$ 306	\$ 413	\$ 213	\$ 256	\$ 306

The June 2011 year end position was \$258k accumulated surplus and the 2011/12 year's result is a surplus of \$48k bringing the **accumulated** position at 30 June 2012 to \$306k surplus.

Each quarterly report analyses income and expenditure trends and includes current information regarding grant applications etc in order to estimate the full year result (projected to 30 June 2012).

The columns to the immediate left show the forecast results included in each of the four quarterly reports to Council.

As was reported to council in the March report, expenditure estimates assumed all projects would be completed prior to year end. The resulting bottom line therefore indicates any projected savings giving an available accumulated cash surplus not confused by incomplete works that would be transferred to the next financial year.

In the fourth quarter, the incomplete works are transferred to a reserve so that funds can be drawn as and when expenditure takes place in the forthcoming year.

The forecast in March was for the full year result to be \$256k (accumulated cash surplus). The final result is \$306k, an improvement of \$50k on the March estimate.

Details on this improvement follow.

Accumulated cash position – Balance Sheet verification

The accumulated cash position is verified using the Balance Sheet method whereby assets less liabilities (excluding fixed assets) less cash backed reserve funds (excluding asset revaluation reserve) provides an unencumbered amount of cash funding available.

Note, an adjustment is made for the \$218k increase in the unfunded superannuation liability as a decision regarding the repayment of this has yet to be determined by council. (If funds were set aside from the available cash surplus, there would be \$88k remaining as available at year end. See section 9. Summary for repayment options.

Balance Sheet Accumulated Cash calculation

	Actual 2010/11 \$'000's	Adopted Budget 2011/12 \$'000's	Actual 2011/12 \$'000's
Assets			
Cash and cash equivalents	2,905	1,009	3,715
Trade and other receivables	243	455	449
Other assets	157	223	157
	3,305	1,687	4,321
minus Liabilities			
Trade and other payables	484	798	661
Provisions	449	475	849
Trust funds and deposits	68	69	69
	1,001	1,342	1,578
	2,304	344	2,742
minus Reserves (cash backed)			
Discretionary Reserves	2,046	344	2,654
Increase in unfunded superannuation liability (added back to cash as unpaid at year end and no decision)			218
Accumulated Cash Surplus/(Deficit)	258	0	306

Final accumulated cash surplus, compared to forecast at March quarter

In addition to the commentary in the Executive summary which outlines the major variances to the original adopted budget, the following are the major movements in cash surplus since the March report. (March forecast was for \$2k deficit for 2011/12 bringing the accumulated cash result to a \$258k surplus at 30 June 2012).

March Forecast Accumulated Cash Surplus **\$ 258,000**

Movements in Cash Surplus during the June quarter:

Proceeds from loan not to be received until 2012/13	(\$150,000)
Additional caravan park income	\$100,000
Additional interest income	\$ 50,000
Other miscellaneous items	\$ 48,000
	\$ 48,000

June Actual Accumulated Cash Surplus **\$ 306,000 ***

* It is important to note that the above accumulated surplus of \$306,000 is prior to Council's decision in February 2012 to utilise \$213,000 towards priority projects in the 2012/13 budget. Please refer to page 12 of this report for additional items that need to be considered when making decisions regarding further utilisation of cash surpluses in the future.

Whilst there are a number of operating and capital works projects which were not completed at the 30 June 2012 year-end thus contributing to the higher than budgeted level of cash and investments amount held in the Balance Sheet, it is important to note that funds have been transferred to reserve for carry forward into the 2012/13 financial year and therefore they do not contribute further to the Accumulated Cash Surplus reported above.

Statement of Income and Expenditure - for 2011/12

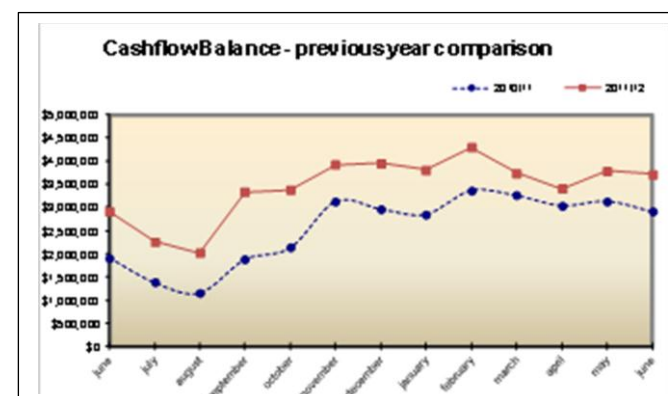
	\$'000's		\$'000's
Income		Expenditure	
Rates and charges	\$ 5,357	Employee benefits	\$ 2,868
Statutory fees and fines	\$ 88	Materials & Services	\$ 3,652
User Fees	\$ 1,930	Bad and doubtful debts	\$ 6
Grants - Recurrent	\$ 950	Finance costs	\$ 92
Grants - Non-recurrent	\$ 1,515	Other	\$ 339
Contributions - Capital	\$ 26	Loan Redemption	\$ 344
Interest received	\$ 185	Capital Expenditure	\$ 2,197
Other revenue	\$ 40		
Proceeds from Asset Sales	\$ 62		
Transfer from reserves	\$ 1,387		
	\$ 11,539		\$ 9,498
		Cash surplus from operations	\$ 2,041
		less amounts reserved for future years	
		Transfer to Reserve - Operating	\$ 666
		Transfer to Reserve - Capital	\$ 1,326
		Cash Surplus for 2011/12 =	\$ 48
		Accumulated surplus b/fwd from previous years	\$ 258
		Accumulated cash surplus at 30 June 2012	\$ 306

Statement of Income and Expenditure

The Statement of Income and Expenditure shows the sources of funds in 2011/12 plus all expenditure items including capital and loan principal payments (which are cash but non-operating items). This statement indicates the rate budget items - cash sources and cash required - and shows the year end position, in terms of unencumbered cash available, is \$306k at 30 June 2012.

Cash flow – actual cash balances by month

Monthly cash balances remain high due to grant funding received plus projects carried over from 2010/11, for completion during 2011/12. Investment of Council's cash balance is included in Section 7- Cash and Investments (page 29) of this quarterly finance report.



3. Impact on 2012/13 budget

At the February Ordinary Council meeting, the December quarterly report was presented. The position at the six month mark served to provide a Mid Year Budget Review (MYBR) on which the full year forecast was estimated.

The full year cash/rates position based on the six months to 31 December 2012, was a \$45k deficit which, added to the previous years surpluses, brought the accumulated cash position to \$213k surplus. At the Budget workshop held in March 2012, Council utilised this forecast surplus cash to fund a number of projects in the 2012/13 budget. The result was a 2012/13 Cash/rates budget of \$166k deficit, which brought the accumulated cash position to \$47k surplus.

With the final cash result for 2011/12 at \$306k, the accumulated position with the \$166k 2012/13 budgeted deficit would be \$140k (surplus). However, there are a number of items that will impact on the 2012/13 budget. Firstly the \$150k borrowings that were budgeted in 2011/12 have not been drawn down as yet and thus the cash position will increase by that amount. Conversely, the increase in the unfunded superannuation liability of \$218k will impact on cash requirements. The revised forecast for 2012/13 would then be:

2011/12 Accumulated Cash Surplus	\$306k
2012/13 Budgeted cash deficit	<u>(\$166)k</u>
	\$140k
Plus Loan borrowings	\$150k
Less Superannuation payment	<u>\$218k</u>
Accumulated Cash Surplus at end of 2012/13	\$ 72k

It should be noted that there are options regarding the repayment of the unfunded superannuation liability and these are discussed in the summary at section 9.

4. Program Summaries

Directorate: Governance and Community

Governance & External Relations		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Administration						
	Income	(\$154,580)	(\$363,413)	\$208,833	135.1%	Fav
	Expenditure	\$1,410,541	\$1,514,249	(\$103,708)	-7.4%	Unfav
Administration Total		\$1,255,961	\$1,150,836	\$105,125	8.4%	Fav
Governance						
	Income	\$0	\$0	\$0		
	Expenditure	\$185,400	\$225,321	(\$39,921)	-21.5%	Unfav
Governance Total		\$185,400	\$225,321	(\$39,921)	-21.5%	Unfav
Governance & External Relations Total		\$1,441,361	\$1,376,157	\$65,204	4.5%	Fav

The year-end result is an overall favourable variance against budget of \$65k (4.5%).

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

Administration

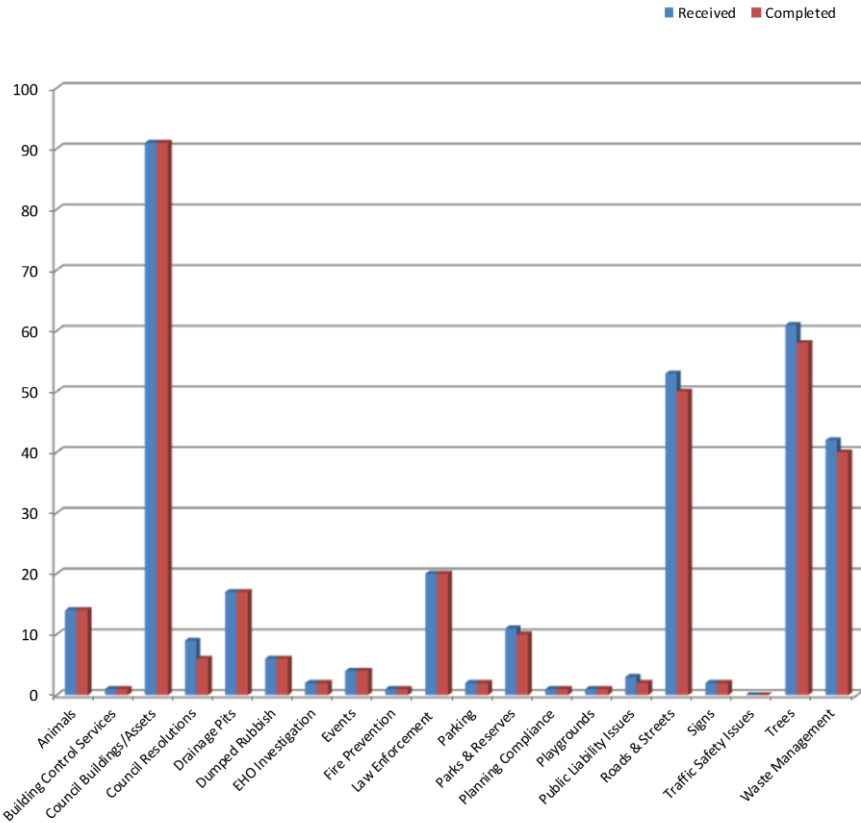
The year-end result is a favourable variance against budget of \$105k. Major variances as follows:

- \$92k Victoria Grants Commission allocation above level budgeted (including an adjustment by the VGC for underpayments in previous years).
- \$82k salary savings resulting from vacant position part year for GM Planning & Infrastructure. Governance & Communications officer vacancy replaced by contracted staff. Some contingency for project work not required to the same extent as that budgeted.
- (\$54k) advertising and recruitment costs (GM Planning & Infrastructure, Finance, Visitor Information Centre and Law Enforcement).
- (\$21k) contract staff not budgeted (Governance & Communications officer, budgeted as employee costs).
- \$15k savings in photocopier charges resulting from negotiation of new lease agreement for photocopier.

Governance

The year-end result is an unfavourable variance against budget of (\$40k). This relates to the Councillor Conduct Panel hearing (per Council resolution 21 December 2011).

Statistics from the 'Confirm' System (customer requests and action) for the quarter ended 30 June 2012



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.

Numbers	Jul- Sep 2011	Oct- Dec 2011	Jan - Mar 2012	Apr- Jun 2012
Confirm Reports RECEIVED	295	353	552	341
Confirm Reports COMPLETED	296	323	537	328

Finance & Audit		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
General						
	Income	(\$260,000)	(\$216,555)	(\$43,446)	-16.7%	Unfav
	Expenditure	\$1,512,600	\$1,114,378	\$398,222	26.3%	Fav
General Total		\$1,252,600	\$897,824	\$354,776	28.3%	Fav
Rates and Information Technology						
	Income	(\$5,219,800)	(\$5,228,606)	\$8,806	0.2%	Fav
	Expenditure	\$168,500	\$157,374	\$11,126	6.6%	Fav
Rates and Information Technology Total		(\$5,051,300)	(\$5,071,233)	\$19,933	0.4%	Fav
Finance & Audit Total		(\$3,798,700)	(\$4,173,409)	\$374,709	9.9%	Fav

The year-end result is an overall favourable variance against budget of \$375k (9.9%).

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

General

The year-end result is a favourable variance against budget of \$355k. Major variances as follows:

- \$724k prior period adjustments recognised in the 2011/12 year-end accounts, for recognition of additional drainage assets for the first time and also the adjustment on change in accounting estimate resulting from review of useful lives of drainage assets.
- (\$218k) increase in unfunded superannuation liability, with the recent call announced on 31 July 2012 and payable by 1 July 2013.
- (\$150k) proceeds from loan borrowings budgeted in 2011/12, for which loan approval has been received but funds are not to be drawn down until the September 2012 quarter, given the high cash balance held at 30 June 2012.
- \$94k increased interest income resulting from high cash balances.
- (\$90k) depreciation expense above level budgeted, resulting from the infrastructure asset revaluation performed at 30 June 2011 and also the recent buildings and drainage asset revaluations performed at 30 June 2012.
- (\$22k) increase in staffing by 0.3 EFT during the year, as well as increase in annual leave provision (unused leave) and the long service provision (increase in probability of staff becoming entitled to leave, plus changes in wage and discount factors used to calculate this provision).
- \$15k savings in interest on the old unfunded superannuation liability calls, as these were paid out in full on 1 July 2011.

Rates and Information Technology

The year-end result is a favourable variance against budget of \$20k. Major variances as follows:

- \$22k valuation contract below level budgeted, given it is now split over a two year period to reflect the valuation cycle performed for Council
- \$12k increased rate income generated from supplementary rates processed late in the 2010/11 year and interest charges applied to arrears
- (\$12k) additional modules purchased for I.T. system (direct debit receipting and animal registrations)

Risk Management

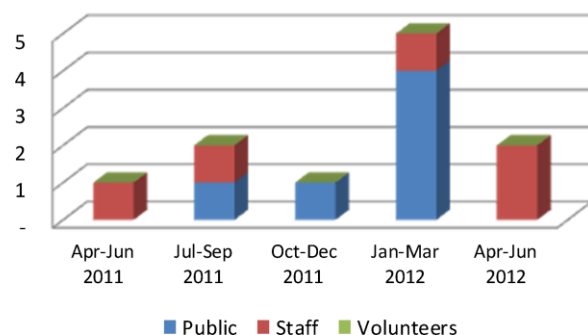
The risk management committee has continued with its work on incident reporting and the risk register in particular during the June quarter, as well as completing some of the outstanding actions from previous audit recommendations and preparing for the next series of insurance audits which will take place in November 2012.

The Risk Management Committee prepares reports to the Audit Committee in June and December of each year, detailing all risk-related activities undertaken by officers for the six month period to May and November respectively. The outcome of work conducted by the Risk Management Committee for the six month period to 31 May 2012 was reported to the Audit Committee meeting on 3 July 2012. The next report will be due to the Audit Committee on 10 December 2012.

Incident Reporting

There were two recorded incidents for the quarter ended 30 June 2012, both relating to minor injuries with staff members. One of these incidents is being followed up with Council's Workcover insurer and the other one involved a short period of rest before resuming duties.

No. of incidents reported



Incidents	Apr-Jun 2011	Jul-Sep 2011	Oct-Dec 2011	Jan-Mar 2012	Apr-Jun 2012
Public	-	1	1	4	-
Staff	1	1	-	1	2
Volunteers	-	-	-	-	-

Community Services		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Aged & Disabled Services - General						
	Income	(\$405,100)	(\$404,064)	(\$1,036)	-0.3%	Unfav
	Expenditure	\$552,600	\$505,612	\$46,988	8.5%	Fav
Aged & Disabled Services - General Total		\$147,500	\$101,548	\$45,952	31.2%	Fav
Aged & Disabled Services - Rechargeable Services						
	Income	(\$83,000)	(\$93,686)	\$10,686	12.9%	Fav
	Expenditure	\$95,300	\$95,692	(\$392)	-0.4%	Unfav
Aged & Disabled Services - Rechargeable Services Total		\$12,300	\$2,007	\$10,293	83.7%	Fav
Kindergarten						
	Income	\$0	(\$13,818)	\$13,818	100.0%	Fav
	Expenditure	\$0	\$16,118	(\$16,118)	100.0%	Unfav
Kindergarten Total		\$0	\$2,300	(\$2,300)	100.0%	Unfav
Maternal and Child Health						
	Income	(\$48,400)	(\$47,710)	(\$690)	-1.4%	Unfav
	Expenditure	\$60,100	\$61,761	(\$1,661)	-2.8%	Unfav
Maternal and Child Health Total		\$11,700	\$14,051	(\$2,351)	-20.1%	Unfav
Community Services Total		\$171,500	\$119,905	\$51,595	30.1%	Fav

The year-end result is an overall favourable variance against budget of \$52k (30.1%).

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 result is a favourable variance against budget of \$46k. This is related predominantly to 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.

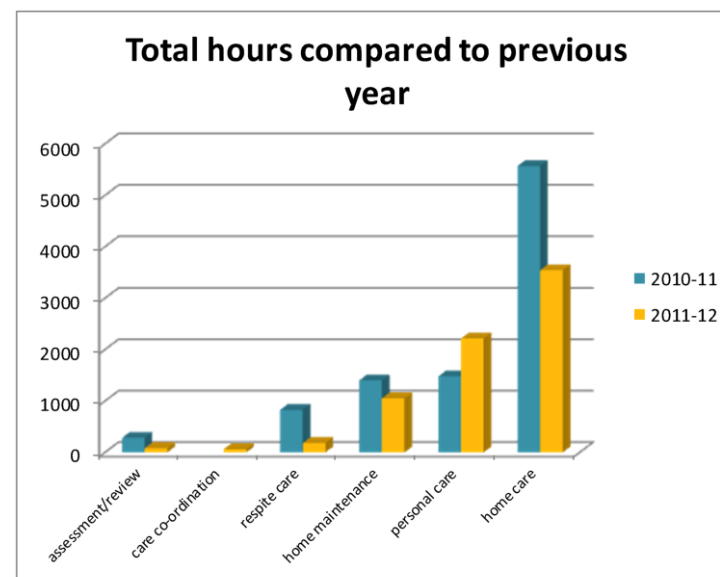
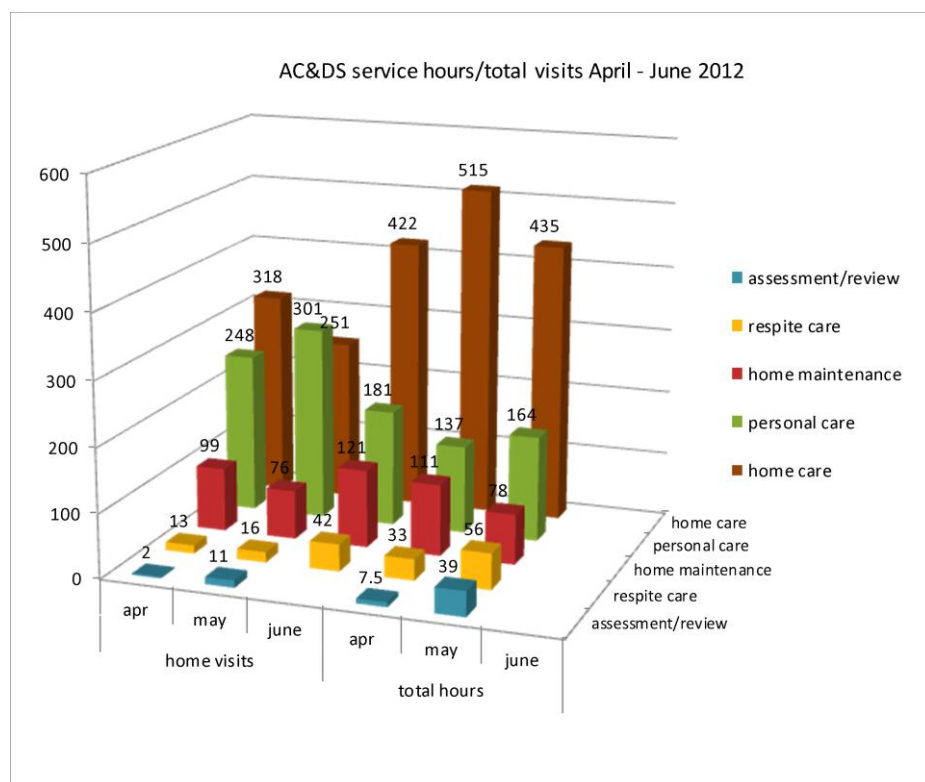
Kindergarten

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 result is an unfavourable variance against budget of \$2k (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	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Arts, Recreation & Culture						
	Income	(\$1,800)	(\$1,045)	(\$755)	-41.9%	Unfav
	Expenditure	\$73,800	\$85,255	(\$11,455)	-15.5%	Unfav
Arts, Recreation & Culture Total		\$72,000	\$84,210	(\$12,210)	-17.0%	Unfav
Community Development General						
	Income	(\$4,600)	(\$7,446)	\$2,846	61.9%	Fav
	Expenditure	\$81,400	\$84,452	(\$3,052)	-3.7%	Unfav
Community Development General Total		\$76,800	\$77,006	(\$206)	-0.3%	Unfav
Events						
	Expenditure	\$62,200	\$66,017	(\$3,817)	-6.1%	Unfav
Events Total		\$62,200	\$66,017	(\$3,817)	-6.1%	Unfav
Library						
	Expenditure	\$210,300	\$239,397	(\$29,097)	-13.8%	Unfav
Library Total		\$210,300	\$239,397	(\$29,097)	-13.8%	Unfav
Tourism Promotion						
	Income	(\$800)	(\$20,211)	\$19,411	2426.4%	Fav
	Expenditure	\$125,400	\$70,407	\$54,993	43.9%	Fav
Tourism Promotion Total		\$124,600	\$50,196	\$74,404	59.7%	Fav
Visitor Information Centre						
	Income	(\$180,900)	(\$205,711)	\$24,811	13.7%	Fav
	Expenditure	\$141,100	\$154,811	(\$13,711)	-9.7%	Unfav
Visitor Information Centre Total		(\$39,800)	(\$50,900)	\$11,100	-27.9%	Fav
Tourism & Community Development Total		\$506,100	\$465,925	\$40,175	7.9%	Fav

The year-end result is an overall favourable variance against budget of \$40k (7.9%).

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 result is an unfavourable variance against budget of (\$12k) – additional hours worked by Arts Officer above level budgeted, in addition to Council decision to provide \$5k sponsorship for marine values (unbudgeted).

Community Development General

The year-end result is in line with budget, no major variances to be reported.

Events

The year-end result is an unfavourable variance against budget of (\$4k) – level of event support required was above level budgeted, in relation to Point Lonsdale Christmas tree festivities and the Easter weekend.

Library

The year-end result is an unfavourable variance against budget of (\$29k) – as advised by the Geelong Regional Library Corporation as part of the year-end accounts, the Borough's share of the loss (reduction in equity) of the library for the 2011/12 year is \$30k (unbudgeted).

Tourism Promotion

The year-end result is a favourable variance against budget of \$74k – salary savings relating to vacancy before position filled, in addition to \$40k budgeted for contribution to Queenscliff Railway Station toilet upgrade which has been transferred to carry forward reserve for the 2012/13 year and also \$15k for general tourism merchandise below level budgeted.

Visitor Information Centre

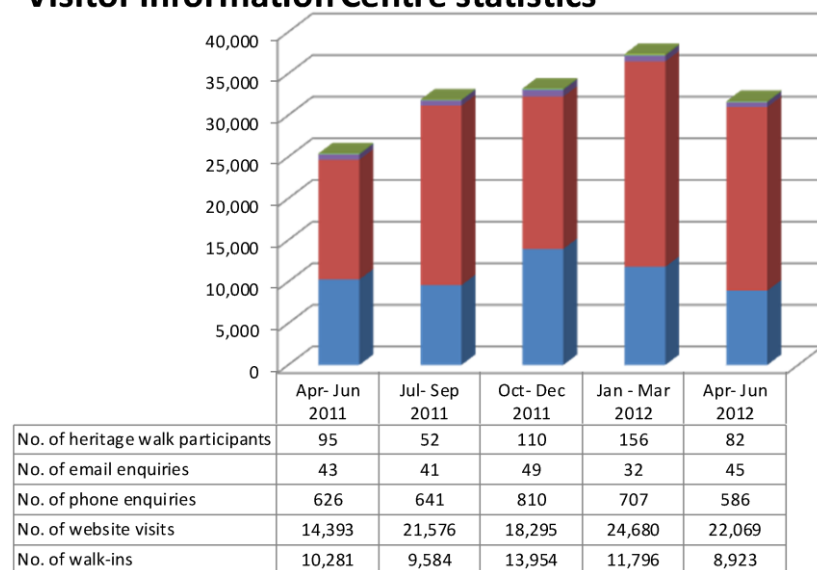
The year-end result is a favourable variance against budget of \$11k – salary savings resulting from less overtime than anticipated; also \$6k additional commercial rate income from supplementary rate valuations is attributed to Visitor Information Centre operations.

Community events held during the March-June 2012 quarter:

During the June quarter the following events were supported by the Borough with either event organisation, sponsorship, or event support:

- Kids busking for Kids Fri 6th April
- Sea of Words – throughout May 2012
- Artist in residence- Projections Project -27 June

Visitor Information Centre statistics



The number of site visits for the quarter was 20,302 which is a 32% increase on the same period last year.

Council's website is currently averaging 6,767 visits per month. A number of new sections and pages have been added, including information regarding forthcoming Council elections, a state-wide regional living program embraced by the Borough of Queenscliffe in the 'Live.Work.Love.' campaign and improvements to children's services information. Work continues on the development of a new website that has a content management system. This is anticipated for completion in October or November 2012.

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, once websites are completed, with data enhanced for the 2012/13 quarterly finance reports.

Infrastructure Services		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Building Maintenance Program						
	Expenditure	\$32,700	\$28,849	\$3,852	11.8%	Fav
Building Maintenance Program Total		\$32,700	\$28,849	\$3,852	11.8%	Fav
Engineering						
	Income	\$0	(\$7,195)	\$7,195	100.0%	Fav
	Expenditure	\$186,750	\$215,292	(\$28,542)	-15.3%	Unfav
Engineering Total		\$186,750	\$208,097	(\$21,347)	-11.4%	Unfav
Powerline						
	Expenditure	\$41,000	\$71,500	(\$30,500)	-74.4%	Unfav
Powerline Total		\$41,000	\$71,500	(\$30,500)	-74.4%	Unfav
Public Convenience						
	Expenditure	\$108,500	\$89,550	\$18,950	17.5%	Fav
Public Convenience Total		\$108,500	\$89,550	\$18,950	17.5%	Fav
Road Maintenance & Works - Contract Provisional Sum						
	Expenditure	\$91,998	\$60,526	\$31,472	34.2%	Fav
Road Maintenance & Works - Contract Provisional Sum Total		\$91,998	\$60,526	\$31,472	34.2%	Fav
Road Maintenance & Works - Fixed Price Contract						
	Expenditure	\$509,100	\$540,304	(\$31,204)	-6.1%	Unfav
Road Maintenance & Works - Fixed Price Contract Total		\$509,100	\$540,304	(\$31,204)	-6.1%	Unfav
Road Maintenance & Works - Foreshore						
	Income	(\$9,000)	(\$5,650)	(\$3,350)	-37.2%	Unfav
	Expenditure	\$23,000	\$15,887	\$7,113	30.9%	Fav
Road Maintenance & Works - Foreshore Total		\$14,000	\$10,237	\$3,763	26.9%	Fav
Road Maintenance & Works - Other						
	Income	(\$43,635)	(\$90,918)	\$47,283	108.4%	Fav
	Expenditure	\$153,000	\$187,616	(\$34,616)	-22.6%	Unfav
Road Maintenance & Works - Other Total		\$109,365	\$96,698	\$12,667	11.6%	Fav
Street Lighting						
	Expenditure	\$46,000	\$39,065	\$6,935	15.1%	Fav
Street Lighting Total		\$46,000	\$39,065	\$6,935	15.1%	Fav
Waste Disposal						
	Income	(\$23,200)	(\$25,132)	\$1,932	8.3%	Fav
	Expenditure	\$513,700	\$500,981	\$12,719	2.5%	Fav
Waste Disposal Total		\$490,500	\$475,850	\$14,650	3.0%	Fav
Infrastructure Services Total		\$1,629,913	\$1,620,676	\$9,237	0.6%	Fav

The year-end result is an overall favourable variance against budget of \$9k (0.6%).

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

Building Maintenance Program

The year-end result is a favourable variance against budget of \$4k – some contingency for building maintenance not required.

Engineering

The year-end result is an unfavourable variance against budget of (\$21k) – overspend on salaries reflects the appointment of a fixed term Infrastructure Engineer position to work on the funded Country Roads and Bridges program (note that some general engineering time is not covered by the grant).

Powerline Clearance

The year-end result is an unfavourable variance against budget of (\$30k) – at a level in excess of budget, to comply with new statutory requirements.

Public Conveniences

The year-end result is a favourable variance against budget of \$19k – savings in maintenance budget.

Road Maintenance & Works – Contract Provisional Sum

The year-end result is a favourable variance against budget of \$31k, reflecting reduction in the level of contingency – 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 result is an unfavourable variance against budget of (\$31k), resulting from the old contract coming to an end and there being an interim agreement in the period prior to the new contract appointment where a different rate was charged for this service.

Road Maintenance & Works – Foreshore

The year-end result is a favourable variance against budget of \$4k – some contingency for repairs and maintenance not required.

Road Maintenance & Works – Other

The year-end result is a favourable variance against budget of \$13k – some contingency for repairs and maintenance not required.

Street Lighting

The year-end result is a favourable variance against budget of \$7k – level of expenditure below that originally budgeted, with some savings resulting from trial of new energy efficient street lights (although most of the savings will not be realised until future years) and also there was a change in the retail provider of street lighting during the 2011/12 year.

Waste Disposal

The year-end result is a favourable variance against budget of \$15k – reduction in waste collection budget required.

Coastal & Environment		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Caravan Parks & Boat Ramp						
	Income	(\$1,449,000)	(\$1,605,801)	\$156,801	10.8%	Fav
	Expenditure	\$956,100	\$1,025,161	(\$69,061)	-7.2%	Unfav
Caravan Parks & Boat Ramp Total		(\$492,900)	(\$580,640)	\$87,740	17.8%	Fav
Coastal & Environment General						
	Income	(\$343,710)	(\$546,049)	\$202,339	58.9%	Fav
	Expenditure	\$277,896	\$397,338	(\$119,442)	-43.0%	Unfav
Coastal & Environment General Total		(\$65,814)	(\$148,711)	\$82,897	126.0%	Fav
Coastal & Environment Total		(\$558,714)	(\$729,351)	\$170,637	30.5%	Fav

The year-end result is an overall favourable variance against budget of \$171k (30.5%).

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 result is a favourable variance against budget of \$88k. Major variances as follows:

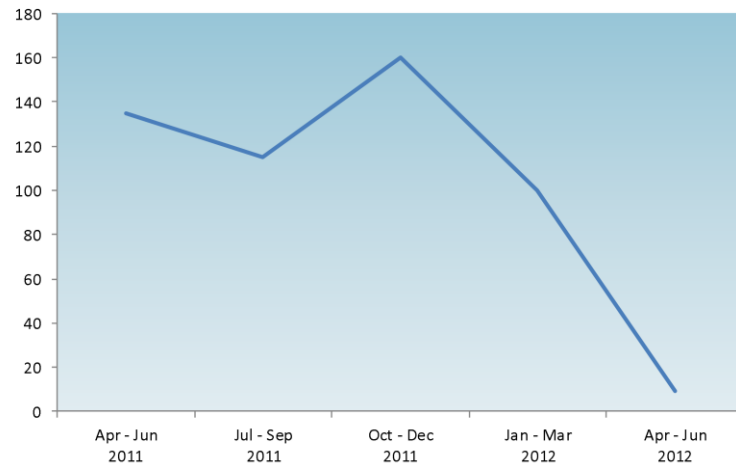
- \$150k additional caravan park income (camping and cabins)
- (\$32k) soil disposal and testing at Boat Ramp above level budgeted for this project
- (\$30k) additional salaries including overtime
- (\$18k) of prior year expenditure on boat ramp maintenance previously included as Work in Progress on the Balance Sheet in 2010/11 but has now been transferred to operating expenditure during 2011/12 (not budgeted).
- \$13k general repairs and maintenance – some contingency budget not required.

Coastal & Environment General

The year-end result is a favourable variance against budget of \$83k. Major variances as follows:

- \$50k balance of Crown Land Reserve transferred into operating surplus during 2011/12 per Council resolution
- \$50k contingency for coastal risk mitigation and coastal environment grants matching funds not required in 2011/12
- (\$10k) major review, report and actions in relation to trees (not budgeted)

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 have a new due date being the 1st of January each year. This change reflects the commencement of the peak season for water activities.

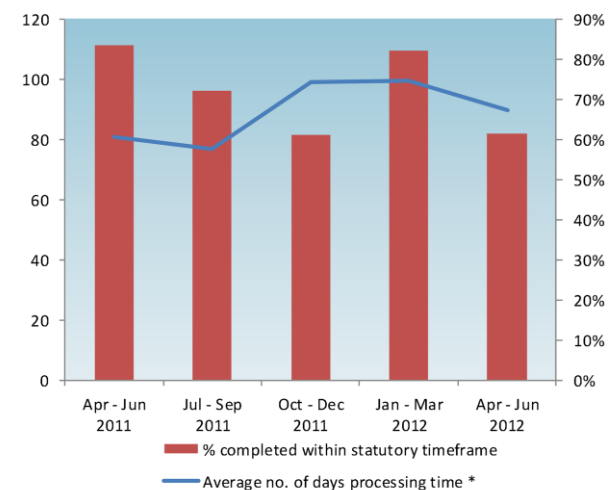
Planning	Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Planning & Development Control					
Income	(\$51,000)	(\$74,674)	\$23,674	46.4%	Fav
Expenditure	\$226,200	\$229,324	(\$3,124)	-1.4%	Unfav
Planning & Development Control Total	\$175,200	\$154,650	\$20,550	11.7%	Fav
Planning Total	\$175,200	\$154,650	\$20,550	11.7%	Fav

The year-end result is an overall favourable variance against budget of \$21k (11.7%).

Most of the variance relates to town planning amendment panels and appeals contingency budgets not required during the 2011/12 year.

	Apr - Jun 2011	Jul - Sep 2011	Oct - Dec 2011	Jan - Mar 2012	Apr - Jun 2012	TOTAL 2011/12
No. of applications received	51	48	25	36	45	154
No. of decisions made	49	39	46	34	30	149
Average no. of days processing time *	80.8	77	99	99.6	89.7	91.5
% completed within statutory timeframe	84%	72%	61%	82%	62%	69%

Planning Permits



Building		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Building Control						
	Income	(\$17,300)	(\$11,989)	(\$5,311)	-30.7%	Unfav
	Expenditure	\$45,000	\$45,110	(\$110)	-0.2%	Unfav
Building Control Total		\$27,700	\$33,121	(\$5,421)	-19.6%	Unfav
Heritage						
	Income	(\$14,000)	(\$14,000)	\$0		
	Expenditure	\$44,600	\$40,513	\$4,087	9.2%	Fav
Heritage Total		\$30,600	\$26,513	\$4,087	13.4%	Fav
Building Total		\$58,300	\$59,633	(\$1,333)	-2.3%	Unfav

The year-end result is an overall unfavourable variance against budget of (\$1k) (2.3%).

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

Building Control

The year-end result is an unfavourable variance of (\$5k) – for building fees (fluctuates from month to month and is difficult to predict).

Heritage

The year-end result is a favourable variance of \$4k – reflects some contingency for additional hours by heritage officer not required in 2011/12.

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

Sustainability & Environment		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Sustainability & Environment						
	Income	\$0	(\$46,076)	\$46,076	100.0%	Fav
	Expenditure	\$67,200	\$114,756	(\$47,556)	-70.8%	Unfav
Sustainability & Environment Total		\$67,200	\$68,680	(\$1,480)	-2.2%	Unfav
Sustainability & Environment Total		\$67,200	\$68,680	(\$1,480)	-2.2%	Unfav

The year-end result is an overall unfavourable variance against budget of (\$1k) (2.2%).

Major variances as follows:

- \$26k transfer from reserve for 2010/11 carry forwards for which programs commenced in 2011/12 (carbon neutral action program and climate change adaptation plan)
- \$20k sustainability accord grant income not budgeted (total funding of \$45k confirmed in 2011/12, with balance of \$25k expected in 2012/13)
- (\$20k) expenditure in relation to sustainability accord funding above
- (\$13k) trial of new street lights in Mercer Street and Glaneuse Road (not budgeted)
- (\$9k) salaries overspend, budgeted as 0.5 EFT but increased to 0.66 EFT to manage a number of projects related to Sustainability

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.

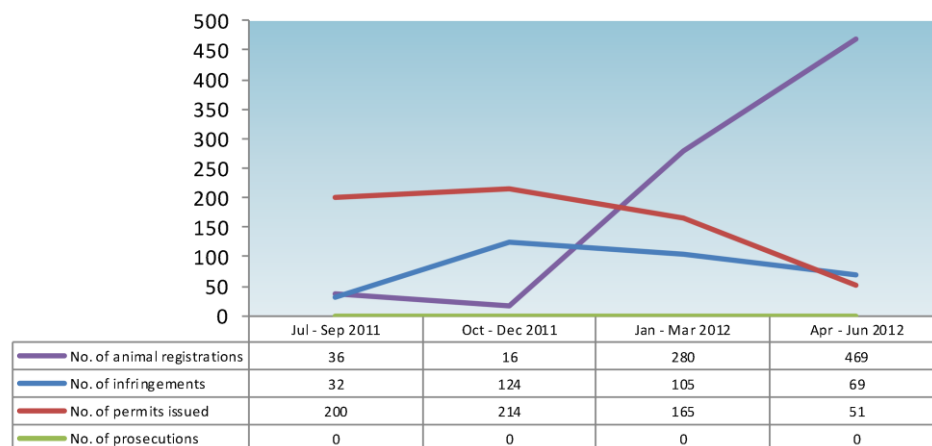
Local Law Enforcement		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Local Law Enforcement						
	Income	(\$84,100)	(\$62,022)	(\$22,078)	-26.3%	Unfav
	Expenditure	\$224,700	\$198,088	\$26,612	11.8%	Fav
Local Law Enforcement Total		\$140,600	\$136,066	\$4,534	3.2%	Fav
Local Law Enforcement Total		\$140,600	\$136,066	\$4,534	3.2%	Fav

The year-end result is an overall favourable variance against budget of \$5k (3.2%).

Major variances as follows:

- (\$22k) 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
- \$18k reduction in salaries budget, relates to overtime which is difficult to predict – reviewed each quarter and a reduction in the contingency provided for additional hours occurs if necessary
- \$9k reduction in other expenses including legal costs, emergency management and animal control

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 have a new due date being the 1st of January each year. This change reflects the commencement of the peak season for water activities.

Environment Health		Budget 11/12	Actual 11/12	Actual to Budget Variance \$	Actual to Budget Variance %	Fav/Unfav
Environment Health						
	Income	(\$34,600)	(\$36,549)	\$1,949	5.6%	Fav
	Expenditure	\$75,250	\$91,710	(\$16,460)	-21.9%	Unfav
Environment Health Total		\$40,650	\$55,161	(\$14,511)	-35.7%	Unfav
Environment Health Total		\$40,650	\$55,161	(\$14,511)	-35.7%	Unfav

The year-end result is an overall unfavourable variance against budget of (\$15k) (35.7%).

Major variances as follows:

- (\$15k) overspend in relation to the provision of environmental health services – environmental health officer currently filled by contract staff
- \$5k additional user charges received
- (\$5k) reduction in tobacco program funding advised during 2011/12

4. Discretionary Reserves Summary

	Actual	Budget	Actual
	2010/11	2011/12	2011/12
Opening Balance 1 July	\$1,014,954	\$468,210	\$2,046,774
Transfers To Reserves for the Year			
Crown Land reserve	\$847,324	\$286,600	\$286,601
Rate funded Carried forward reserve	\$591,229	\$0	\$1,979,955
Asset renewal reserve	\$229,439	\$327,790	\$484,134
	\$1,667,992	\$614,390	\$2,750,690
Transfers From Reserves for the Year			
Crown Land reserve	\$307,127	\$533,810	\$1,512,707
Rate funded Carried forward reserve	\$329,045	\$0	\$405,324
Asset renewal reserve	\$0	\$205,790	\$226,626
	\$636,172	\$739,600	\$2,144,657
Closing Balance 30th June	\$2,046,774	\$343,000	\$2,652,808
Balance in reserves @ 30 June	2010/11	2011/12	2011/12
	Actual	Budget	Actual
Crown Land reserve	\$1,226,106	\$50,000	(\$0)
Rate funded Carried forward reserve	\$591,230	\$0	\$2,165,861
Asset renewal reserve	\$229,439	\$293,000	\$486,947
	\$2,046,774	\$343,000	\$2,652,808

Note: the balance in the Asset Renewal Reserve includes amounts from the annual renewal program unused at year end (Council Buildings renewal \$55k and Foreshore asset renewal \$80k).

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

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

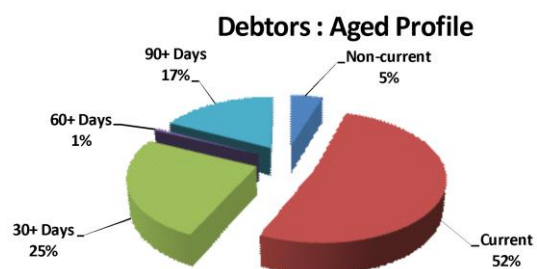
(3) Asset Renewal Reserve :- This reserve funds future asset renewal requirements. The 2011/12 Budget allocated \$122,000 to the reserve for future years. Also transferred into this reserve from the Crown Land reserve is \$205,790 for the Queenscliff Recreation Reserve Sport Club building project.

Balance in the Carried Forward reserve is to fund the following:

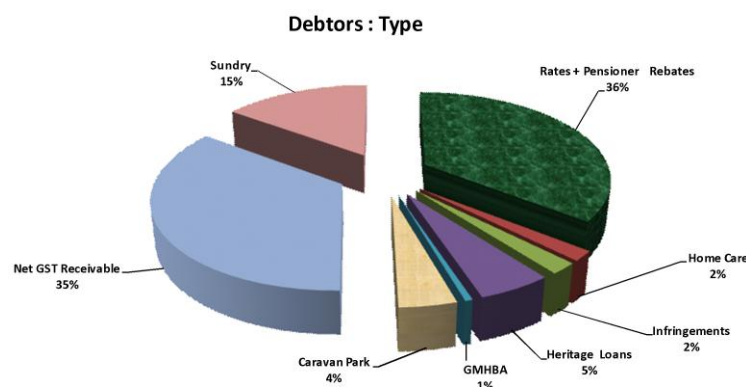
Hesse Street Revitalisation	\$101,188	Country Roads & Bridges grant	\$798,766
Ferry to the Pier - Council contribution	\$89,318	Ferry to the Pier grant	\$118,761
Queenscliff Recreation Reserve Electrical Points of Supply (Stage 1)	\$52,690	Significant Tree Register	\$50,000
Dog Beach Car Park Upgrade	\$50,000	Contribution to Queenscliff Railway Station Toilet Upgrade	\$40,000
Infrastructure Renewal - Drainage	\$36,876	Review of the Planning Scheme	\$37,155
Boundary Fence replacement Recreation Reserve Oval	\$36,302	Additional Resources: Planning & Engineering	\$20,000
Footpath Plan	\$50,000	Cliff Safety (previously held in Crown Land Reserve in 2010/11)	\$19,616
Open Space & Community Facilities Plan	\$63,296	Supporting Local Committees of Management	\$6,000
Fellows & Grimes Roads Pedestrian Crossing	\$25,228	Corporate Communications review	\$5,859
Neighbourhood House Upgrade	\$22,245	Point Lonsdale Structure Plan	\$5,000
Town Hall Chair Replacement	\$16,222	Cliff Safety grant	\$190,000
Foreshore Renewal	\$15,277	Victoria Grants Commission - Unallocated	\$117,791
Planning for Relocation of Netball Courts	\$10,000	Victoria Grants Commission - Local Roads	\$27,778
Lighthouse Reserves Development Plans	\$33,400	CCMA Coastal Tender	\$75,799
Foreshore Renewal - Caravan Park Fencing	\$7,891	Universal Access Kindergarten - Planning Grant	\$17,682
Christmas Lighting Infrastructure	\$7,500	HACC Minor Works Grant	\$8,070
Historical Museum office - OH&S	\$5,000	Sustainability Accord	\$5,150
			\$2,165,861

5. Debtors analysis

AGED ANALYSIS	Non-current	Current	30+ Days	60+ Days	90+ Days	TOTAL
	\$ 21,948	\$ 233,238	\$ 113,027	\$ 2,485	\$ 78,858	\$ 449,557



DEBTOR TYPE	Rates + Pensioner Rebates	Home Care	Infringements	Heritage Loans	GMHBA	Caravan Park	Net GST Receivable	Sundry	TOTAL DEBTORS
	\$ 160,103	\$ 8,131	\$ 9,235	\$ 24,352	\$ 2,500	\$ 18,800	\$ 158,998	\$ 67,438	\$ 449,557



Details 90+ days:	\$	Action taken
Rates	55,737	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, reminder notices are sent out after the second and third instalments, and final reminders after the fourth instalment, with instruction that non-payment (or no payment arrangement instigated) will result in debt collection proceedings.
Caravan Park Fees	16,049	Initial follow-up is conducted by caravan park management, with the Finance team involved when reminder letters need to be sent to outstanding debtors. Long-term debtor accounts are followed-up with the assistance of Council's debt collection agency and interest continues to accrue on balances. The provision for doubtful debts is considered in relation to Caravan Park debtor balances at year end.
Infringements	6,869	Infringements comprise :parking and associated legal costs, 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 processes 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.
Sundry	203	Relates to homecare debtors, for which repayment terms are agreed between the Coordinator and the clients.

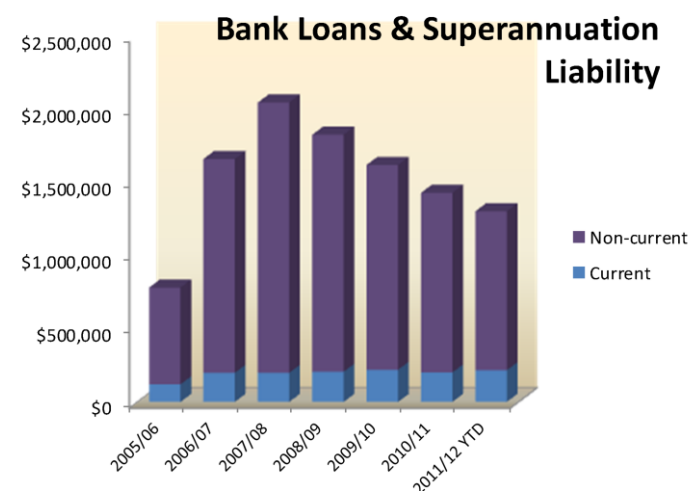
78,858

Note the large debtor balance of \$233,238 aged as 'Current' predominantly comprises of Net GST Receivable \$158,998, reflecting the May and June business activity statement refunds which are expected to be received from the Australian Taxation Office in the month of July 2012.

6. Debt position and Superannuation liability

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 30 June 2012, as follows: 31 March 2014 (\$110,000), 31 March 2017 (\$570,000) and 31 March 2018 (\$405,000)

Interest-bearing loans and borrowings as at 30 June 2012	2010/11 Year End	2011/12 YTD Actual	Decrease / (Increase)
Current			
Borrowings	(201,365)	(216,411)	(15,046)
Total Current	(201,365)	(216,411)	(15,046)
Non-current			
Borrowings	(1,303,914)	(1,070,748)	233,166
Borrowings - redemption	218,120	201,994	(16,126)
Net non-current borrowings	(1,085,794)	(868,754)	217,041
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)	(868,754)	358,995
Total interest-bearing loans and borrowings	(1,429,114)	(1,085,165)	343,949
Employee Provisions: Superannuation liability - 2012 call	0	(218,176)	(218,176)
Total bank loans and superannuation liability	(1,429,114)	(1,303,341)	125,773



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. At the April Council meeting, Council resolved to undertake bank borrowings in order to fund this repayment (in line with the original adopted budget). At balance date a loan has been approved but not yet drawn down (as cash balances did not warrant it at that stage).

A further 'call' on the Defined Benefits superannuation fund was advised on 31 July 2012, with the Borough's share being \$218,000. Options for the repayment of this additional 'call' are examined at the end of this report. Note that this new 'call' is included in Employee Provisions on the Balance Sheet, rather than Interest-bearing loans and borrowings, given Council has not yet resolved how this 'call' will be funded and therefore no new loans have been undertaken as at 30 June 2012.

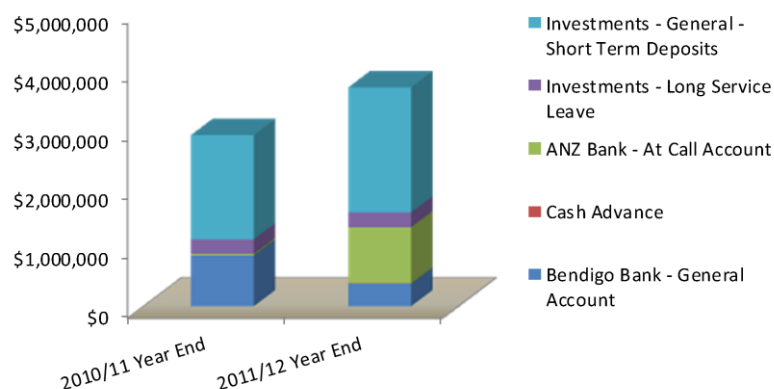
7. Cash and investments

General Ledger			
	2010/11 Year End	2011/12 Year End	Increase / Decrease
Cash and Investments as at 30 June 2012			
Current			
Bendigo Bank - General Account	860,846	384,818	(476,029)
Cash Advance	1,300	1,500	200
ANZ Bank - At Call Account	24,282	955,633	931,351
Total cash	886,429	1,341,951	455,522
Investments - Long Service Leave	250,000	250,000	0
Investments - General - Short Term Deposits	1,768,988	2,123,900	354,912
Total investments	2,018,988	2,373,900	354,912
Total Current	2,905,417	3,715,851	810,434
Non-current			
Share of Geelong Regional Library Corporation	276,131	246,081	(30,050)
Total Non-current	276,131	246,081	(30,050)
Total Cash and Investments	3,181,548	3,961,932	780,384

Current Investments Held : 30 June 2012		
Maturity	Interest	Amount
Long Service Leave		
27/09/12	5.50%	250,000
Total LSL		250,000
General		
01/10/12	5.50%	409,328
15/08/12	5.77%	319,608
08/08/12	4.00%	258,681
27/08/12	5.71%	202,811
22/09/12	4.55%	624,958
25/08/12	4.75%	308,513
Total Gen		2,123,900
TOTAL		2,373,900

Interest Income	
Bank	2011/12 Year End
LSL	
NAB LSL	(14,345)
Total LSL	(14,345)
General	
BBL	(21,165)
NAB	(48,495)
ANZ	(46,669)
CBA	(41,426)
Total Gen	(157,754)
Rates	(11,186)
Heritage Loans	(921)
Boat Ramp	(1,029)
TOTAL	(185,235)

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 due on 31 May 2012 has injected more cash into the general bank account, which has in turn been invested in additional short-term deposits during the month of June 2012.

8. Aged Creditors

Supplier invoices are generally paid on a fortnightly basis, with the majority of payments made by electronic funds transfer. Efforts continue to reduce the number of payments made by cheque, with approximately 40 per month remaining for this payment method at present.

Given the frequency of supplier payments, the Borough seldom has invoices outstanding for 30+ days. Most, if not all, invoices are classed as 'current' in the aged analysis.

Aged Creditors as at 30 June 2012

Creditor Aged Analysis					
Supplier/Expenditure type	Current	30+ Days	60+ Days	90+ Days	Total
Australian Taxation Office	\$ 88,462	\$ -	\$ -	\$ -	88,462
Audit - External	\$ 24,400	\$ -	\$ -	\$ -	24,400
Bank Loans - Interest	\$ 20,431	\$ -	\$ -	\$ -	20,431
Various Suppliers	\$ 463,643	\$ -	\$ -	\$ -	463,643
TOTAL CREDITORS	\$ 596,937	\$ -	\$ -	\$ -	\$ 596,937

Creditors : Aged Profile
(100% Current)



9. Summary and Recommendations

The final 2011-12 financial reports as audited and certified by the Victorian Auditor General's Office will encompass:

- The Annual Financial Report (comparing results with the previous year)
- The Standard Statements (comparing the results with the Budget), and
- The Annual Performance Statement (comparing performance against targets set in the Council Plan)

This quarterly report is part of the reporting framework which provides Council and the community with information (both financial and non-financial) in a different but complementary format to that presented in the above listed reports. Essentially the quarterly reports are "management" reports in that they provide information by each management area with commentary on items of interest and variances from budget.

The focus of the quarterly reports is to report against budget as required in the Act. The Income statement provides an underlying result which is net of Capital income and abnormal items as well as adjustments for grants that do not have matching expenditure reported. The final result for the 2011-12 financial year against the budget adopted in June 2011 shows Council achieved an increase of \$279k over the budgeted underlying surplus. A major factor that impacts on the year end result is the incomplete projects that are to be finalised in the following year. Essentially expenditure that was budgeted to occur, did not (and is then forecast to be incurred in the following year...impacting on the next years budgeted result).

In order to determine a more realistic result, the budget is converted to a cash calculation for the income and expenditure items (thus excluding non-cash items such as depreciation but including cash items such as loan redemption and capital expenditure, which are non-operating items, not included in a normal income statement). This cash result accumulates each year and provides Council with an indication of unencumbered available cash (real savings against budget).

The accumulated cash result as at 30 June 2012 is \$306,000. The amount carried forward from the previous years was \$258,000 and added to this is \$48,000 surplus generated in the 2011-12 year.

As mentioned in this report, the 2012-13 budget needs to be considered when determining the options going forward. Council budgeted for a \$166,000 deficit for the 2012-13 year on the basis that the estimated accumulated surplus at the Mid Year point would be available to fund priority projects in 2012-13. The accumulated surplus estimated for 30 June 2013, given the \$306,000 surplus less the budgeted 2012-13 deficit would then be \$140,000 surplus.

However, two major items will impact next year. Firstly the \$150,000 loan budgeted in 2011-12 has not been drawn down as yet. Cash balances have been high and savings in interest are generated by not drawing down until required. Once drawn down the cash available increases to \$140,000 plus \$150,000 = \$290,000.

The other major item that requires action is the recently announced increase in Council's liability for the Defined Benefits superannuation fund of \$218,000. The date payment is required is 1 July 2013 (the 2013/14 budget year).

Options for extinguishing this liability are as follows:

1. Repayment directly to Vision Super over 15 years incurring annual interest of 7.5%;
2. Possible low interest borrowings being explored by the MAV with the State Government;
3. Undertaking bank borrowings in addition to the \$150,000 loan;
4. Utilising the \$150,000 loan and the balance from the cash surplus (during the 2012-13 year).

Advice from Vision Super indicates that payment before the due date will save 7.5% p.a., in that the amount owed will be discounted back to the actual payment date. For example, if Council chose to repay the liability at 30 September 2012, the amount would reduce by around \$11,000.

Other potential savings or budget pressures for 2012-13 will be reported to Council in the September quarterly report.

Given the size of the accumulated surplus and the amount of the superannuation liability, it is recommended that the \$150,000 loan be drawn down and the superannuation liability be extinguished in full at 30 September 2012.

10. Capital report **refer Attachment 1**

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

12. Program report **refer Attachment 3**