



Appendix 3a

16.2 2022–23 Quarterly Financial Report as at 31 December 2022

Quarterly Financial Report to 31 December 2022

Ordinary Meeting of Council

Wednesday 22 February 2023 at 7:00pm

Queenscliff Town Hall

Quarterly Financial Report 31 December 2022



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Introduction

Section 97 of the *Local Government Act 2020* requires a financial report to be presented to Council after the end of each quarter of the financial year, comparing and tracking expenditure and revenue against the adopted budget. The financial report also needs to include an explanation for any material variations.

An adopted budget can become outdated during the financial year, as new information comes to light and external influences or the receipt grant monies, impact anticipated financial positions. As a result, Council reporting focuses on quarterly reviews of the projected year-end forecast outcome.

It is important to note that Council has adopted a materiality threshold of 10% or a dollar variance of +/- \$100,000. Explanations have not been provided for variations below the materiality threshold, unless the variance is considered to be material because of its nature.

Gihan Kohobange
Manager, Finance and Corporate Services

Executive summary

The forecasted **accumulated cash result** at year-end is a **surplus of \$118,000** which is a \$149,000 reduction from the previous forecast mainly due to the additional budget allocations for some capital projects.

Additional income (tourist parks and interest income) more than the increase in operating expenses has a positive impact on the cash surplus for the year before making the following additional budget allocations in the quarter 2 forecast.

- \$254,000 PL lighthouse reserve upgrade (huts);
- \$181,000 Queenscliffe cultural hub; and
- \$70,000 Queenscliff sports and recreation precinct development work.

More details about the above capital project can be found in section 2.5.1 (page 15).

The final settlement in relation to the **sale of Murray Road land** is expected to be finalised soon. **\$3,500,000**, proceeds from the sale, has been set aside in a reserve account until a potential project/s is identified in the future in line with Council policy "CP044, Sale, Exchange or Transfer of Council Land".

Headline changes between the budget and quarter one year-end forecast, are included throughout this report with an explanation provided for all material variances.

Forecasted year-end result **meets all financial sustainability indicators specified in the Council Plan 2021–2025 except for the adjusted underlying result.**

Financial sustainability indicators – Council Plan

Policy Statement	Measure	Indicator	Notes	Target	Adopted Budget	Yearend Forecast - Sep	Yearend Forecast - Dec
Sustainable operating result							
Consistent operating results.	Our adjusted underlying result: The difference between recurrent income and recurrent expenses.	Our adjusted underlying result		> \$0	-\$397	-\$318	-\$123
Working capital							
Ensure Council maintains sufficient working capital to meet its obligations as they fall due.	Current assets vs current liabilities: The value of our current assets divided by our current liabilities.	Current assets vs current liabilities		> 1.0	3.77	2.66	4.35
Council maintains sufficient unrestricted cash to ensure ongoing liquidity as well as to address unforeseen cash imposts if required.	Level of unrestricted cash reserve against current liabilities: Our current liabilities as a percentage of our unrestricted cash reserves (based on the remaining maturity).	Level of unrestricted cash reserve against current liabilities		> 100%	359.9%	248.5%	414.5%
Borrowings							
That Council applies loan funding to new capital and maintains total borrowings in line with rate income and growth of the municipality.	Total borrowings against rate revenue: Our total borrowings as a percentage of our rate revenue.	Total borrowings against rate revenue		< 15%	0%	0%	0%
Commitment for asset renewals							
Allocate adequate funds towards renewal capital in order to replace assets and infrastructure as they reach the end of their service life.	Asset renewal and upgrade expenses against depreciation: The financial investment in asset renewal and upgrade work divided by the cost of depreciation (based on a three years rolling average).	Asset renewal and upgrade expenses against depreciation		> 100%	301.8%	308.8%	317.7%
Council generates sufficient revenue from rates plus fees and charges to ensure a consistent funding for renewal capital.	Council's contribution to asset renewal and upgrade: Council's contribution to asset renewal and upgrade expenses as a percentage of Own Source Revenue.	Council's contribution to asset renewal and upgrade		> 10%	19%	27%	24%

1. Statement of Income and Expenditure (Cash Results)

The Statement of Income and Expenditure includes conversion of the comprehensive result (included in the Comprehensive Income Statement given under section 2.1) into a cash result (by excluding non-cash items, such as depreciation expense, and including cash items, such as transfers to/from cash reserves and capital expenditure) in order to ascertain unrestricted surplus funds available from the annual rates budget.

The forecasted **accumulated cash result** at year-end is a **surplus of \$188,000** against the previous quarter forecast of \$336,000.

Statement of Income & Expenditure (Available Cash)	Actual	Yearend	Yearend	Actual	Variance from Q1 Forecast		
	2021- 22	Forecast - Sep	Forecast - Dec	YTD	\$'000	%	Notes
	\$'000	\$'000	\$'000	\$'000	\$'000	%	Notes
Cash inflows							
Recurrent income							
Rates	6,795	6,935	6,937	6,935	3	0.0%	
Waste management charges	1,161	1,199	1,199	1,192	0	0.0%	
Statutory fees and fines	204	134	134	119	0	0.0%	
User fees	2,020	1,857	2,079	996	223	12.0%	1
Grants - operating	1,545	730	743	448	13	1.8%	
Other income	193	261	345	311	84	32.1%	2
Total recurrent income	11,919	11,116	11,438	10,001	322	2.9%	
Non recurrent income							
Grants - capital	7,652	1,607	2,239	1,370	632	39.4%	3
Grants - operating	592	148	261	134	113	76.3%	4
Contributions - monetary - capital	0	35	0	0	(35)	(100.0%)	
Proceeds from asset sales	66	29	3,529	0	3,500	12069.0%	5
Total cash received	20,228	12,935	17,467	11,505	4,532	35.0%	
Cash outflows							
Operating expenses							
Employee costs	4,300	4,978	4,966	2,246	(12.5)	(0.3%)	6
Materials and services	5,548	5,964	6,081	2,767	117	2.0%	
- Materials and services - waste management	1,207	1,361	1,288	763	(72)	(5.3%)	7
- Materials and services - non recurrent	491	592	703	111	111	18.8%	8
- Materials and services - recurrent	3,849	4,012	4,089	1,892	77	1.9%	9
Bad and doubtful debts	0	3	3	0	0	0.0%	
Other expenses	288	377	375	123	(2)	(0.6%)	
Total operating expenses	10,137	11,322	11,424	5,135	102	0.9%	
Capital expenditure							
Capital expenditure - Asset Renewal	1,654	1,516	1,500	685	(16)	(1.0%)	
Capital expenditure - New and Upgrade	7,400	2,969	3,533	2,040	564	19.0%	
Total Capital expenses	9,054	4,485	5,033	2,725	549	12.2%	10

Total cash paid	19,191	15,807	16,458	7,860	651	4.1%	
Cash surplus / (deficit) from operations	1,037	(2,872)	1,009	3,645	3,882	(135.1%)	
Transfer from reserves	1,288	1,634	1,442	0	(192)	(11.8%)	11
Transfer to reserves <i>(for future year spending)</i>	(1,380)	(22)	(3,860)	0	(3,838)	17445.5%	12
Adjusted cash surplus / (deficit) for the year	946	(1,260)	(1,409)	3,645	(149)	11.8%	
Accumulated cash surplus b/fwd from prior year	651	1,596	1,596	1,596	0	0.0%	
Accumulated cash surplus	1,596	336	188	5,241	(149)	(44.2%)	

Notes to the Statement of Income and Expenditure

1.1 Income (Cash inflows)

1. User fees: Increase of \$223,000 is due to the additional income from tourist parks. Increase in park rates for 2022-23 and higher occupancy in other parks/sites have partially offset projected income losses due to the permanent closure of some sites at Victoria Park.
2. Other income: Increase of \$84,000 reflect additional interest income due to the higher interest rates on term deposits.
3. Grants - capital: The increase of \$632,000 is due to;
 - \$428,000, additional grant for additional work carried out/planned for boat ramp upgrade project (project is fully grant funded apart from \$16k council contribution for resealing work at the car park); and
 - \$204,000, recognition of a part of Rural Councils Transformation Program (RCTP) grant funding for EDRM and new corporate systems.
4. Grants – operating (non-recurrent): Increase of \$113,000 is due to the following new grant funding arrangements;
 - \$83,000, planning and building record digitisation project; and
 - \$30,000, COVID-19 rapid antigen test program.
5. Proceeds from asset sales: Increase of \$3,500,000 is due to the sale of Murray Road land.

1.2 Expenses (Cash outflows)

6. Employee costs: Net decrease of \$12,500 is due to;
 - \$173,000 savings due to temporary vacancies
 - i. Contract Officer (July 22 to Feb 23)
 - ii. Waste Management Officer (Oct 22 to March 23)
 - iii. Communication Coordinator (July 22 to Oct 22)
 - iv. Vegetation and foreshore officer (July22 to Sep 22)
 - Savings are offset by increase in employee cost due to
 - i. \$117,000 redundancy payments driven by restructuring of the aged care team to accommodate dedicated resources for the Disability Lived Experience initiative and additional support for Community Care staff
 - ii. \$40,000 ICT transformation project support (6 months temporary role, funded via the ICT project budget)
7. Material and services (waste management): Decrease of \$72,000 is mainly due to the shift in the timing of the cost associated with the kerbside transition project.
8. Materials and services (non-recurrent): Increase of \$111,000 is mainly due to;
 - \$95,000, new operating initiatives (\$83,000 record digitalisation project, \$12,000 DisAbility Lived Experience initiative;

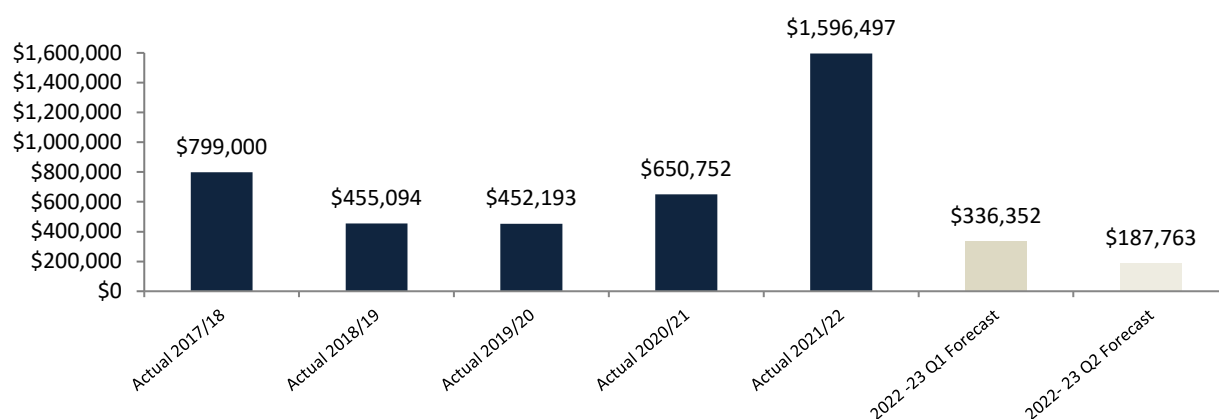
- \$35,000, 100% grant funded operating project carried over from 2021–22, Local Council Outdoor Eating and Entertainment program (unspent grant is carried over to 2022-23 via the cash surplus);
9. Materials and services (recurrent): Increase of \$77,000 is mainly due to;
- \$52,000, increase in fixed price service contracts (Service Steam) due to the CPI adjustment and the increase in the scope of work;
 - \$43,000, increased number of tree inspections and tree management costs;
 - \$25,000, increase in vegetation management & weed control costs;
 - \$19,000, increase in Council membership fees (\$11,000 Geelong Plan Refresh, \$3,000 VLGA new membership);
 - \$12,000, increase in insurance premiums over and above initial budget;
 - \$11,000, increase in Environmental Health tobacco/ vape signage & food sampling costs to meet legislative requirements;
- Above increase are partially offset by
- (\$36,000), estimated savings in cleaning expenses (particularly public spaces, Qhub/ Library & Tourist Park);
 - (\$26,000), estimated savings in Crown Land building maintenance and provisional day work costs (\$10k, Service Steam performs day work);
 - (\$20,000), estimated savings in events; and
 - (\$16k,000), estimated decrease in overall IT/ corporate system operational costs due to the change in the timing of the ICT transformation project.
10. Capital expenditure: details about the movement in the capital expenditure budget is provided in section 2.5.

1.3 Transfers from / (to) reserves

This section explains the movement in reserve transfers from the previous forecast. A summary of the reserve balances as at 30 June 2023 is provided in **Appendix A** of this report.

11. Transfers from reserves: Decrease of 192,000 is due to;
- \$120,000, carry forward of project work to future years (\$60,000 Princess Park kiosk toilet upgrade design, \$20,000 Toch H toilet renewal, \$40,000 Weeroona Parade toilet design); and
 - \$72,000, movement in waste management reserves.
12. Transfers to reserves: Increase of \$3,800,000 is due to;
- \$3,500,000, sale proceeds from the sale of Murray Road land;
 - \$250,000, Carry forward design and construction work of a new toilet in Hesse Street to the following financial year;
 - \$110,000, Carry forward construction work of Toch H toilet renewal to the following financial year; and
 - \$22,000, change in the timing of the M/V replacement.

Accumulated Cash Result



2. Financial statements

This section includes quarterly reporting against the five key financial statements in accordance with both the *Local Government Act 2020* and the Local Government Model Financial Report. Figures reported on the financial statements are impacted by one-off accounting adjustments.

2.1 Comprehensive Income Statement

Comprehensive Income Statement	Adopted Budget	Yearend Forecast - Sep	Yearend Forecast - Dec	Actual YTD	Variance from Q1 Forecast		
	\$'000	\$'000	\$'000	\$'000	\$'000	%	Notes
Income							
Rates and charges	8,134	8,134	8,136	8,134	3	0.0%	
Statutory fees and fines	134	134	134	135	0	0.0%	
User fees	1,910	1,857	2,079	1,284	223	12.0%	
Grants - operating	649	878	1,004	622	126	14.3%	
Grants - capital	1,583	1,607	2,239	1,370	632	39.4%	
Contributions - monetary - capital	35	35	0	0	(35)	(100.0%)	
Other income	261	261	345	276	84	32.1%	
Net gain on disposal of PPE and infrastructure	0	0	735	1	735	0.0%	1
Total income	12,705	12,906	14,673	11,822	1,767	13.7%	
Expenses							
Employee costs	4,978	4,978	4,966	2,810	(13)	(0.3%)	
Materials and services	5,780	5,964	6,081	3,250	117	2.0%	
Depreciation	1,456	1,456	1,456	0	0	0.0%	
Bad and doubtful debts	3	3	3	0	0	0.0%	
Other expenses	357	377	375	146	(2)	(0.6%)	
Total expenses	12,574	12,778	12,880	6,206	102	0.8%	
Surplus / (deficit) for the year	132	127	1,792	5,616	1,665	1309.4%	
Other comprehensive income							
Net asset revaluation increment / (decrement)	0	0	0	0	0	0.0%	

Total comprehensive result	132	127	1,792	5,616	1,665	1309.4%
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Notes to the Comprehensive Income Statement

1. \$735,000, represents the accounting profits from the sale of Murray Road land.

Underlying result

An indicator of the sustainable operating result required to enable Council to continue to provide core services and meet its objectives, the underlying result is calculated by adjusting the operating surplus/(deficit) for the year by deducting non-recurrent capital funding.

Council has forecasted an underlying deficit of \$447,000 based on the Local Government Performance Reporting Framework definition (LGPRF measure) for the 2022–23 financial year which is mainly driven by the timing of Financial Assistance Grant (FAG) and non-recurrent operating projects. The improvement in the underlying result compared to the previous quarter forecast is mainly due to the accounting profits from the sale of Murray Road land and additional income from tourist parks.

The LGPRF based underlying result is impacted by the timing of recurrent operating grants (especially FAG), non-recurrent operating grants and non-recurrent operating expenses included in the budget/forecast of a particular year. As a result, the underlying result is more meaningful when it is assessed excluding the impact of non-recurrent operating income and expense items and adjusted for the timing of recurrent operating grants where applicable as defined in the Council Plan of the Borough.

The forecasted adjusted underlying result based on the Council Plan definition (Council Plan measure) for the year 2022–23 is a deficit of \$123,000 (-1.15%). There is an improvement in the forecasted underlying result against the previous forecast, mainly due to the additional income from tourist parks.

Underlying Result	Adopted Budget	Yearend Forecast - Sep	Yearend Forecast - Dec	Actual YTD	Variance from Q1 Forecast	
	\$'000	\$'000	\$'000	\$'000	\$'000	%

Based on the LGPRF measure						
Surplus / (deficit) for the year	132	127	1,792	5,616	1,665	1309.4%
Less: Grants - capital (non-recurrent)	(1,583)	(1,607)	(2,239)	(1,370)	(632)	39.4%
Less: Contributions - monetary - capital	(35)	(35)	0	0	35	(100.0%)
Adjusted underlying surplus / (deficit)	(1,486)	(1,515)	(447)	4,246	1,068	-70.5%

Adjusted Underlying Result - %	-13.4%	-13.4%	-3.60%	40.62%
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Based on the Council Plan measure						
Adjusted underlying surplus / (deficit) - LGPRF	(1,486)	(1,515)	(447)	4,246	1,068	-70.5%
Adjusted for;					0	0.0%
Allocating FAG to the year they relate	483	499	499	499	0	0.0%
Annualised Road to Recovery grant (R2R)	40	40	40	40	0	0.0%
Removal of non-recurrent operating grant	(31)	(135)	(248)	(134)	(113)	83.9%
Removal of non-recurrent operating project-related costs	397	592	703	111	111	18.8%
Removal of waste management cost to be recovered in future years	136	136	64	(442)	(72)	(53.0%)
Removal of employee cost of temporary staff	64	64	0	0	(64)	(100.0%)

Removal of the impact of the sale of assets	0	0	(735)	(1)	(735)	0.0%
Adjusted underlying surplus / (deficit)	(397)	(318)	(123)	4,319	195	-61.3%

Adjusted Underlying Result - %	-3.8%	-3.05%	-1.15%	44.75%
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2.2 Balance Sheet

The value of the net assets of Council is forecasted to be at \$184 million as at 30 June 2023. Cash and investments (including other financial assets) are forecasted to be at \$5.3 million.

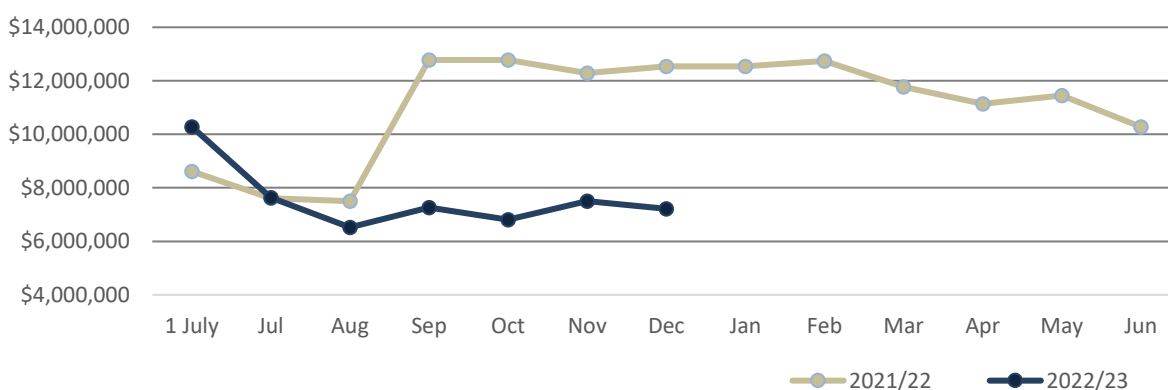
Balance Sheet Forecast at the quarter ended	Adopted Budget	Yearend Forecast - Sep	Yearend Forecast - Dec	Actual YTD	Variance from the Q1 forecast	
	\$'000	\$'000	\$'000	\$'000	\$'000	%
Assets						
Current assets						
Cash and cash equivalents	6,821	4,285	8,233	2,682	3,948	92.1%
Other financial assets	1,000	1,000	1,000	4,533	0	0.0%
Trade and other receivables	255	255	255	4,147	0	0.0%
Non-current assets classified as held for sale	0	2,577	0	2,576	(2,577)	(100.0%)
Inventories	5	4	4	4	0	0.0%
Other assets	225	225	225	46	0	0.0%
Total current assets	8,306	8,346	9,717	13,989	1,371	16.4%
Non-current assets						
Investments in associates	165	160	160	160	0	0.0%
Property, infrastructure, plant and equipment	143,294	176,714	177,073	175,689	359	0.2%
Total non-current assets	143,459	176,874	177,233	175,849	359	0.2%
Total assets	151,765	185,219	186,949	189,837	1,730	0.9%
Liabilities						
Current liabilities						
Trade and other payables	973	1,083	1,149	71	66	6.1%
Trust funds and deposits	47	50	50	13	0	0.0%
Provisions	1,104	957	957	888	0	0.0%
Interest-bearing loans and borrowings	0	0	0	0	0	0.0%
Unearned income	80	80	80	357	0	0.0%
Total current liabilities	2,203	2,170	2,236	1,330	66	3.1%
Non-current liabilities						
Provisions	109	116	116	87	0	0.0%
Interest-bearing loans and borrowings		0	0	0	0	0.0%
Total non-current liabilities	109	116	116	87	0	0.0%
Total liabilities	2,312	2,286	2,352	1,416	66	2.9%
Net assets	149,453	182,933	184,597	188,421	1,664	0.9%
Equity						
Accumulated surplus	99,967	103,116	100,750	106,992	(2,366)	(2.3%)
Revaluation Reserve	43,498	76,675	76,675	76,675	0	0.0%
Other reserves	5,988	3,142	7,172	4,754	4,030	128.3%
Total equity	149,453	182,933	184,597	188,421	1,664	0.9%

Cash & Cash Equivalents and Other Financial Assets

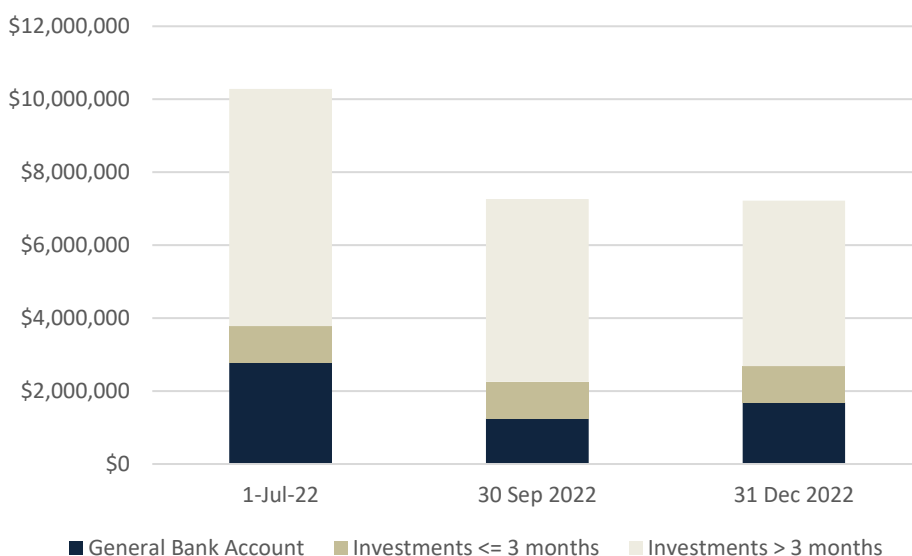
Council's cash and cash equivalents includes short term investments with maturities of less than 90 days, with other financial assets (investments with maturities between 3-12 months).

Total financial assets (including cash and cash equivalents) at 31 December 2022 is \$7.2 million.

Cash balance - prior year comparison



Cash and investments



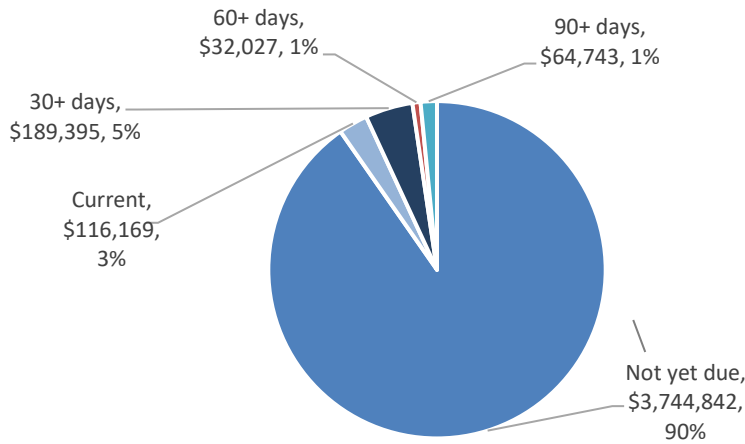
Trade and other receivables

Trade and other receivables stands at **\$4.1 million at 31 December 2022** of which more than 90% is represented by outstanding rates & charges and sundry debtors not yet due.

Rates are required to be paid by instalments in September, November, February and May each year. All rates are deemed collectible, with no provision for doubtful debts.

Sundry debtors, including unpaid infringements, government grants, property leases, aged services and tourist park fees, are followed up by finance in conjunction with the relevant program area.

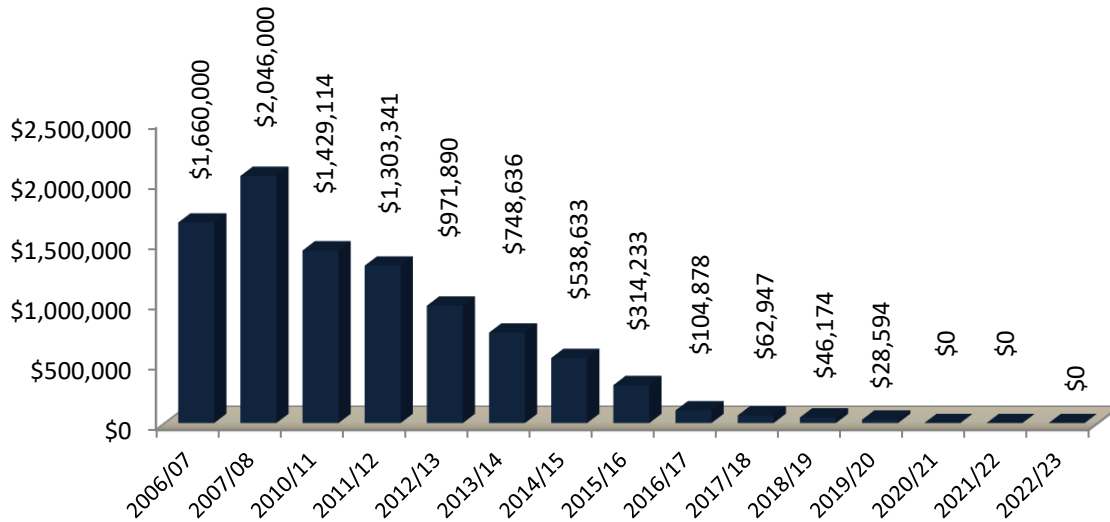
Trade and other receivables ageing analysis



Interest-bearing loans and borrowings

Council has a **debt free balance sheet**. Council had been in a phase of debt reduction since 2008-09, as illustrated in the chart below.

Outstanding Loan in \$



2.3 Statement of Changes in Equity

Other reserves held by Council include annual asset renewal, carry forwards, waste management, defined benefits superannuation fund liability and unallocated cash surpluses from previous years. Funds are generally transferred out of reserves following the completion of carry forward projects and/or by Council resolution to allocate funds to projects.

Statement of Changes in Equity	Adopted Budget	Yearend Forecast - Sep	Yearend Forecast - Dec	Actual YTD	Variance from the Q1 forecast	
	\$'000	\$'000	\$'000	\$'000	\$'000	%
Accumulated Surplus						
Opening Balance 1st July	98,674	101,376	101,376	101,376	0	0.0%
Adjustment on change in accounting policy						
Surplus / (deficit) for the year	132	127	1,792	5,616	1,665	1309.4%
Transfer to other reserves	(22)	(22)	(3,860)	0	(3,838)	17445.5%
Transfer from other reserves	1,184	1,634	1,442	0	(192)	(11.8%)
Closing Balance 30th June - Accumulated Surplus	99,967	103,115	100,750	106,992	(2,365)	(2.3%)
Revaluation Reserve						
Opening Balance 1st July	43,498	76,675	76,675	76,675	0	0.0%
Net asset revaluation increment/(decrement)	0	0	0	0	0	0.0%
Closing Balance 30th June - Revaluation Reserve	43,498	76,675	76,675	76,675	0	0.0%
Other Reserves						
Opening Balance 1st July	7,149	4,754	4,754	4,754	0	0.0%
Transfer to other reserves	22	22	3,860	0	3,838	17445.5%
Transfer from other reserves	(1,184)	(1,634)	(1,442)	0	192	(11.8%)
Closing Balance 30th June - Other Reserves	5,988	3,142	7,172	4,754	4,030	128.3%
Total Equity						
Opening Balance 1st July	149,321	182,805	182,805	182,805	0	0.0%
Surplus / (deficit) for the year	132	127	1,792	5,616	1,665	1309.4%
Closing Balance 30th June - Total Equity	149,453	182,932	184,597	188,421	1,665	0.9%

2.4 Statement of Cash Flows

A cash flow statement summarises the amount of cash and cash equivalents entering and leaving the Council.

Statement of Cash Flows	Adopted Budget	Yearend Forecast - Sep	Yearend Forecast - Dec	Actual YTD	Variance from the Q1 forecast	
	\$'000	\$'000	\$'000	\$'000	\$'000	%
Cash flows from operating activities						
<i>Receipts</i>						
Rates and charges	8,134	8,100	8,103	4,447	3	0.0%
Statutory fees and fines	134	128	128	117	0	0.0%
User fees	1,910	1,855	2,078	994	223	12.0%
Grants - Operating	649	782	908	194	126	16.1%
Grants - Capital	1,583	969	1,601	732	632	65.3%
Contributions - monetary - capital	35	35	0	0	(35)	(100.0%)
Interest received	30	10	90	(32)	80	809.9%
Other receipts	231	28	32	460	4	13.6%
Total receipts	12,705	11,907	12,939	6,911	1,032	8.7%
<i>Payments</i>						
Employee costs	(4,949)	(5,122)	(5,109)	(2,415)	13	(0.2%)
Materials and services	(5,788)	(5,760)	(5,865)	(3,019)	(105)	1.8%
Short-term, low value and variable lease payments	(18)	(18)	(18)	0	0	0.0%
Other payments	(357)	(372)	(370)	(194)	2	(0.5%)
Total payments	(11,112)	(11,272)	(11,363)	(5,628)	(90)	0.8%
Net cash provided by operating activities	1,593	635	1,577	1,284	942	148.4%
Cash flows from investing activities						
Payments for property, infrastructure, plant and equipment	(4,182)	(5,663)	(6,157)	(4,352)	(494)	8.7%
Proceeds from sale of property, infrastructure, plant and equipment	29	29	3,529	0	3,500	12069.0%
Proceeds from sale of investments	0	5,506	5,506	1,973	0	0.0%
Loans and advances made	0	0	0	0	0	0.0%
Repayment of loans and advances	0	0	0	0	0	0.0%
Net cash provided by / (used in) investing activities	(4,153)	(128)	2,878	(2,379)	3,006	(2346.3%)
Cash flows from financing activities					0	0.0%
Net cash provided by / (used in) financing activities	0	0	0	0	0	0.0%
Net increase / (decrease) in cash and cash equivalents	(2,560)	507	4,455	(1,095)	3,948	779.4%

Cash and cash equivalents at the beginning of the financial year	9,380	3,778	3,778	3,778	0	0.0%
Cash and cash equivalents at the end of the financial year	6,821	4,285	8,233	2,683	3,948	92.1%

2.5 Statement of Capital Works

2.5.1 Capital Project Wise

The forecasted total capital work budget the 2022–23 financial year is \$4.5 million. The forecasted capital expenditure for the year is summarised under each capital project in the below statement.

Statement of Capital Works	Yearend Forecast - Sep \$'000	Yearend Forecast - Dec \$'000	Actual YTD \$'000	Variance from the Q1 forecast		
				\$'000	%	Notes
Priority capital works						
Queenscliff sports and recreation precinct development	811	881	768	70	8.7%	1
Boat ramp upgrade project	601	1,030	745	428	71.2%	2
Queenscliffe cultural hub	416	597	505	181	43.5%	3
PL lighthouse reserve upgrade	364	618	338	254	69.7%	4
ICT transformation project	304	446	18	142	46.5%	5
New toilet in Hobson street	250	0	0	(250)	(100.0%)	6
Toch H toilet renewal - design and construct	180	50	0	(130)	(72.2%)	7
Electronic vehicle charging stations	135	135	0	0	0.0%	
New tree management system	120	50	0	(70)	(58.3%)	8
Local roads and community infrastructure program - phase 2 and 3	87	87	5	0	0.0%	
Princess park kiosk toilet renewal - design	60	0	0	(60)	(100.0%)	9
Town Hall AV upgrade project (QMF)	58	58	1	0	0.0%	
Hesse street streetscape	50	50	0	0	0.0%	
Hesse Street link to boat ramp	50	50	0	0	0.0%	
Weeroona parade toilet renewal - design	40	0	0	(40)	(100.0%)	10
New fence at Narrows Beach	40	40	0	0	0.0%	
Bike Track - concept design	16	16	0	0	0.0%	
Edgewater close drainage upgrade	15	10	0	(5)	(33.3%)	
Improvements - Council land	0	0	50	0	#DIV/0!	11
Soak pit upgrade and ocean outfall improvements	0	5	5	5	#DIV/0!	
Commonwealth road safety program 2021	0	6	6	6	#DIV/0!	
Total priority capital works	3,598	4,128	2,441	530	14.7%	
Annual asset renewal program	771	793	284	22	2.9%	
Staff cost capitalised	116	113	0	(3)	(3.0%)	
Total capital works expenditure	4,485	5,033	2,725	549	12.2%	

Notes to the Statement of Capital Works

1. Queenscliff sports and recreation precinct development: The estimated overspend of \$70,000 of the current year's project work consists of a \$20,000 additional civil contract claim (being considered by the Council) and \$50,000 road reconstruction work within the QTP which was not a part of the original scope of work. This is the last stage of a multiyear project of \$4.5 million with 74% grant funding.
2. Boat ramp upgrade project: The project cost has been revised to reflect subsequent variations to the project approved by BBV. Council contribution of \$16k for resealing work at the car park. Total cost of the projected is estimated to be \$4.4 million (99.6% grant funded).

3. Queenscliffe cultural hub:

The project has now been practically completed and is within the defects liability period.

In total, \$6.4 million has been spent on the project of which \$5.7 million is funded through state and federal grants. Total Council contribution has been \$743,000 (12%).

Based on the actual cost incurred, the project has reported an additional cost overrun of \$91,000 when compared to the quarter 1 total project cost estimate.

At the practical completion stage, the project has reported cost variations and expenditures outside of the original budget (\$5.8 million), totaling \$854,000 mainly due to;

- \$668,000 construction cost variation;
 - Client/Tenant lead change - \$89,000
 - Latent conditions - \$229,000
 - Design omissions - \$336,000
 - Authority requirements – \$19,000
 - Other - \$15,000
- Variation to project consultants' contracts due to changes to the scope of work and extension of the project period - \$92,000
- Expenditure incurred by Council outside of the original project budget - \$74,000 (mainly for Community engagement activities and QHM display fitout).

The original budget included a construction contingency of \$276,000 and hence the overall cost overrun of the project is \$578,000 (10% of the original budget) at the practical completion stage when compared against the original project budget of \$5.8 million.

It is estimated that the Council will have to incur a further \$90,000 for a mechanical screen for ventilation noise attenuation and to upgrade audio and visual equipment to enable hybrid meetings at the auditorium.

The additional cash surplus forecasted for the current financial year will be used to allocate additional funding required to cover already incurred additional cost overrun of \$91,000 and future expenditure of \$90,000.

4. Point Lonsdale lighthouse reserve upgrade: The forecast has been adjusted to reflect the Council's contribution of \$254,000 approved by the Council in Sep 2022.
5. ICT transformation project: The forecast has been adjusted to reflect changes to the project scope as the project is now being managed as a collaborative project of three Councils funded partly by the Rural Councils Transformation Program (RCTP). This is a multi-year project of

\$718,000 and the overall Council's contribution is reduced by \$218,000 mainly due to RCTP funding.

6. New toilet in Hobson street: The design and construction phases of the project has been moved to 2023-24 as the location for the new toilet has not yet been finalised by the Council.
7. Toch H toilet renewal - design and construct: The tender will be out by end of March 2023. The design phase is to be completed by the end of 2022-23 FY. The construction phase will happen in 2023-24.
8. New tree management system: BoQ has selected a product (Konect) and will have implemented and appointed a panel of arborists by the end of June 2023. Expect \$70,000 savings form the initial budget allocation.
9. Princess park kiosk toilet renewal – design: Council will review the scope of the project as a part of the overall toilet strategy of the Council. The project has been moved to future years.
10. Weeroona parade toilet renewal – design: Council will review the scope of the project as a part of the overall toilet strategy of the Council. The project has been moved to future years.
11. Improvements - Council land: \$50,000 **actual** expenditure reflects the cost incurred in the current financial year in relation to the Murray Road land. Total cost incurred in selling the land will be offset against the sales proceeds.

2.5.2 Asset Type Wise

The forecasted capital expenditure for the 2022–23 year is summarised under each asset type in the below statement.

Statement of Capital Works	Yearend Forecast - Sep	Yearend Forecast - Dec	Actual YTD	Variance from the Q1 forecast	
	\$'000	\$'000	\$'000	\$'000	%
Property					
Land improvements	0	0	50	0	0.0%
Total land	0	0	50	0	0.0%
Buildings	1,621	1,366	996	(255)	(15.7%)
Building improvements	0	0	0	0	0.0%
Leasehold improvements	0	0	0	0	0.0%
Heritage buildings	0	0	0	0	0.0%
Total buildings	1,621	1,366	996	(255)	(15.7%)
Total property	1,621	1,366	1,046	(255)	(15.7%)
Plant and equipment				0	0.0%
Plant, machinery and equipment	168	190	52	22	13.1%
Fixtures, fittings and furniture	63	63	1	0	0.0%
Computers and telecommunications	469	541	34	72	15.3%
Total plant and equipment	700	794	88	94	13.4%
Infrastructure				0	0.0%
Roads	271	279	64	8	2.9%
Footpaths and cycleways	85	96	31	11	12.6%
Drainage	131	141	55	11	8.1%
Recreational, leisure and community facilities	540	585	390	46	8.5%
Parks, open space and streetscapes	492	770	430	278	56.6%
Off street car parks	71	121	88	51	71.2%
Other infrastructure	575	880	532	306	53.2%

Total infrastructure	2,164	2,873	1,591	710	32.8%
Total capital works expenditure	4,485	5,033	2,725	549	12.2%
Represented by:				0	0.0%
New asset expenditure	1,720	1,903	927	182	10.6%
Asset renewal expenditure	1,516	1,500	685	(16)	(1.0%)
Asset upgrade expenditure	1,248	1,630	1,113	382	30.6%
Total capital works expenditure	4,485	5,033	2,725	549	12.2%

3. Local Government Performance Reporting Framework (LGPRF)

The Victorian government established the Local Government Performance Reporting Framework (LGPRF) in 2014, to ensure that all councils are measuring and reporting on their performance in a consistent way.

In addition to the performance information required to be disclosed in the performance statement, councils are also required to disclose other performance-related information in the report of operations in the annual report, including:

- a statement that reviews the performance of Council against the Council Plan, including results achieved in relation to the strategic indicators included in the Council Plan;
- a governance and management checklist; and
- other prescribed indicators and measures of service performance, results achieved and an explanation of material variances.

3.1 Performance of Council against the Council Plan

To ensure the Borough remains a safe haven for locals and visitors alike; where history, culture and the natural environment meet in ways that delight and surprise an involved and caring community, Council's decision-making and priorities focus around five portfolios as set out in the Council Plan for years 2021-2025.

Council delivers services and initiatives under 25 major service categories. Each contributes to the achievement of strategic objectives set out under each portfolio.

This section provides a brief description of the services and initiatives funded in the Budget for the 2022–23 year and how these will contribute to achieving the strategic objectives outlined in the Council Plan under each portfolio.

Portfolio	Strategic Objective	Portfolio Holder
Health and wellbeing	To support community wellbeing and encourage an active lifestyle.	Cr Donnie Grigau
Environment	To protect our environment and address climate change issues.	Cr Isabelle Tolhurst
Local economy	To support a prosperous and diverse local economy.	Cr Ross Ebbels

Heritage, planning and infrastructure	To protect our distinctive coastal, cultural and built environment, and provide sustainable, suitable infrastructure.	Cr Michael Grout
Governance and finance	To provide a financially viable Council that is accountable, transparent and practices good governance.	Cr Fleur Hewitt

Portfolio 1: Health and wellbeing.

To support community wellbeing and encourage an active lifestyle. The key service objectives for each program area are described below.

Service area	Key service objective/s		Yearend Forecast - Sep	Yearend Forecast - Dec	Variance from the Q1 forecast	
			\$'000	\$'000	\$'000	%
Aged Services	The Aged Services program provides care and assistance to older residents and those requiring respite so that their homes remain their safe haven.	Inc	596	626	30	5.0%
		Exp	(722)	(823)	(100)	13.9%
		Surplus/ (deficit)	(127)	(197)	(70)	55.6%
Recreation, Arts, Culture and Community	The Recreation, Arts, Culture and Community program promotes community wellbeing by supporting people and communities to be involved, healthy and active.	Inc	13	13	0	0.0%
		Exp	(153)	(153)	(0)	0.0%
		Surplus/ (deficit)	(140)	(140)	(0)	0.0%
Community Events	The Community Events program promotes community wellbeing, celebrates the significance of the Borough and stimulates the local economy through conducting events directly or facilitating, supporting and administering a range of recreation, arts and cultural events planned and implemented by community organisations or commercial businesses.	Inc	7	7	0	0.0%
		Exp	(191)	(207)	(16)	8.3%
		Surplus/ (deficit)	(185)	(201)	(16)	8.6%
Maternal and Child Health (MCH)	The Maternal and Child Health program (MCH) plays a key role in supporting and monitoring the health and wellbeing of local families with children from birth to school age.	Inc	59	59	0	0.0%
		Exp	(75)	(75)	0	0.0%
		Surplus/ (deficit)	(16)	(16)	0	0.0%
Kindergarten	Kindergarten assists in supporting the wellbeing of pre-school children and providing a safe learning environment to enable children to gain early life skills and knowledge and assist their transition to school.	Inc	0	0	0	0.0%
		Exp	(1)	(3)	(2)	224.0%
		Surplus/ (deficit)	(1)	(3)	(2)	224.0%
Environmental Health	The Environmental Health program monitors and maintains a safe environment for public health and wellbeing.	Inc	43	43	0	0.0%
		Exp	(115)	(120)	(4)	3.7%
		Surplus/ (deficit)	(73)	(77)	(4)	5.8%
Local Laws, Safety and Amenity	The Local Laws, Safety and Amenity program promotes community wellbeing and safety in various settings and through monitoring public behaviour consistent with Council's Local Laws.	Inc	74	74	0	0.0%
		Exp	(326)	(329)	(3)	0.9%
		Surplus/ (deficit)	(253)	(256)	(3)	1.2%
Library	The Library program promotes community wellbeing by encouraging active participation and life-long learning opportunities in a safe, inclusive setting.	Inc	0	0	0	0.0%
		Exp	(238)	(260)	(22)	9.3%
		Surplus/ (deficit)	(238)	(260)	(22)	9.3%
TOTAL	Income		790	820	30	3.8%
	Expenditure		(1,822)	(1,970)	(148)	8.1%
	Surplus/ (deficit)		(1,032)	(1,150)	(118)	11.4%

Portfolio 2: Environment.

To protect our environment and address climate change issues. The key service objectives for each program area are described below.

Service area	Key service objective/s		Yearend Forecast - Sep	Yearend Forecast - Dec	Variance from the Q1 forecast	
			\$'000	\$'000	\$'000	%
Environmental Sustainability	The Environmental Sustainability program sees the Borough playing its part in protecting the natural environment for future generations.	Inc	31	31	0	0.0%
		Exp	(317)	(312)	5	(1.6%)
		Surplus/ (deficit)	(286)	(281)	5	(1.8%)
Coastal Protection	The Coastal Protection program seeks to preserve and enhance the Borough's globally significant, highly-valued coast as an iconic environmental asset for current and future generations.	Inc	350	352	3	0.7%
		Exp	(519)	(399)	120	(23.1%)
		Surplus/ (deficit)	(169)	(47)	122	(72.3%)
Waste Management and Recycling	The Waste Management and Recycling program seeks to promote local action in order to protect the environment for future generations. Note full cost recovery of waste management, including recycling, is achieved via application of waste charges to ratepayers in accordance with Council's Rating Strategy.	Inc	1,224	1,224	0	0.0%
		Exp	(1,361)	(1,288)	72	(5.3%)
		Surplus/ (deficit)	(136)	(64)	72	(53.0%)
TOTAL	Income		1,605	1,608	3	0.2%
	Expenditure		(2,197)	(2,000)	197	(9.0%)
	Surplus/ (deficit)		(591)	(392)	199	(33.7%)

Portfolio 3: Local economy.

To support a prosperous and diverse local economy. The key service objectives for each program area are described below.

Service area	Key service objective/s		Yearend	Yearend	Variance from the	
			Forecast -	Forecast -	Q1 forecast	
			Sep	Dec	\$'000	%
			\$'000	\$'000	\$'000	%
Tourist Parks	The Tourist Parks and Boat Ramp Services program ensures the Borough remains a special place for visitors while increasing tourism's contribution to the local economy.	Inc	1,598	1,816	217	13.6%
		Exp	(913)	(914)	(1)	0.1%
		Surplus/ (deficit)	686	902	216	31.5%
Visitor Information Centre	The Visitor Information Centre program promotes the Borough as a special place for visitors, and supports local tourism and related businesses with dissemination of information to build a diverse and vibrant local economy.	Inc	81	81	0	0.0%
		Exp	(334)	(301)	33	(9.8%)
		Surplus/ (deficit)	(253)	(221)	33	(12.9%)
Tourism and Economic Development	The Tourism and Economic Development program seeks to build on the Borough's unique heritage, rich culture and significant natural environment to strengthen the diversity and vibrancy of the local economy.	Inc	48	48	0	0.0%
		Exp	(278)	(308)	(30)	10.8%
		Surplus/ (deficit)	(231)	(261)	(30)	13.1%
TOTAL	Income		1,727	1,945	217	12.6%
	Expenditure		(1,525)	(1,524)	1	(0.1%)
	Surplus/ (deficit)		202	421	219	108.3%

Portfolio 4: Heritage, planning and infrastructure.

To protect our distinctive coastal, cultural and built environment, and provide sustainable, suitable infrastructure. The key service objectives for each program area are described below.

Service area	Key service objective/s		Yearend	Yearend	Variance from	
			Forecast - Sep	Forecast - Dec	the Q1 forecast	
			\$'000	\$'000	\$'000	%
Design and Project Management	The Design and Project Management program seeks to achieve excellence of design and delivery of projects which enhance the Borough as a special place.	Inc	0	0	0	0.0%
		Exp	(362)	(252)	110	(30.4%)
		Surplus/ (deficit)	(362)	(252)	110	(30.4%)
Land Use Planning	The Land Use Planning program ensures that the Borough conserves its unique heritage, that the built environment is enhanced by design excellence, and that local amenity is protected against inappropriate land use and development.	Inc	92	92	0	0.0%
		Exp	(801)	(757)	45	(5.6%)
		Surplus/ (deficit)	(710)	(665)	45	(6.3%)
Heritage Conservation Advice	The Heritage Conservation Advice program aims to retain the unique heritage and rich culture captured in the Borough's built form.	Inc	0	0	0	0.0%
		Exp	(20)	(20)	0	0.0%
		Surplus/ (deficit)	(20)	(20)	0	0.0%
Building Control	The Building Control program ensures that building construction and maintenance is such that the community remains safe.	Inc	260	260	0	0.0%
		Exp	(284)	(272)	12	(4.2%)
		Surplus/ (deficit)	(24)	(12)	12	(49.3%)
Asset Management and Appearance of Public Places	The Asset Management and Appearance of Public Places program ensures the safety and functionality of public places and infrastructure. This program promotes community wellbeing and encourages people to be active in public settings.	Inc	27	31	4	14.2%
		Exp	(1,275)	(1,386)	(111)	8.7%
		Surplus/ (deficit)	(1,248)	(1,356)	(107)	8.6%
Street Lighting	The Street Lighting program assists in the provision of a safe environment for motorists, pedestrians and cyclists.	Inc	0	0	0	0.0%
		Exp	(32)	(28)	4	(12.5%)
		Surplus/ (deficit)	(32)	(28)	4	(12.5%)
Powerline Safety	The Powerline Safety program assists in the provision of a safe environment and protection of the Borough's significant vegetation from fire by maintaining clear zones around powerlines to standards as set by legislation.	Inc	0	0	0	0.0%
		Exp	(51)	(51)	0	0.0%
		Surplus/ (deficit)	(51)	(51)	0	0.0%
TOTAL	Income		378	382	4	1.0%
	Expenditure		(2,826)	(2,766)	60	(2.1%)
	Surplus/ (deficit)		(2,448)	(2,384)	63	-2.6%

Portfolio 5: Governance and finance.

To provide a financially viable Council that is accountable, transparent and practices good governance. The key service objectives for each program area are described below.

Service area	Description of services provided		Yearend	Yearend	Variance from the	
			Forecast - Sep	Forecast - Dec	Q1 forecast	
			\$'000	\$'000	\$'000	%
Council Governance	The Council Governance program supports the Mayor and Councillors to maintain a cohesive Council and a well-governed Borough.	Inc	0	0	0	0.0%
		Exp	(248)	(267)	(19)	7.7%
		Surplus/ (deficit)	(248)	(267)	(19)	7.7%
Organisational Performance and Compliance	The Organisational Performance and Compliance program supports the Chief Executive Officer and Executive Management Team to maintain a cohesive, well-managed and highly performing organisation.	Inc	(1)	14	16	-1184.8%
		Exp	(881)	(902)	(21)	2.3%
		Surplus/ (deficit)	(883)	(888)	(5)	0.6%
Community Engagement and Customer Service	The Community Engagement and Customer Service program aims to facilitate community involvement in decision-making, and to deliver high quality customer service.	Inc	0	83	83	0.0%
		Exp	(745)	(776)	(31)	4.2%
		Surplus/ (deficit)	(745)	(693)	52	-6.9%
Financial and Risk Management	The Financial and Risk Management program seeks to ensure the ongoing independence and financial sustainability of the Borough.	Inc	7,015	7,833	817	11.6%
		Exp	(2,786)	(2,915)	(129)	4.6%
		Surplus/ (deficit)	4,230	4,918	688	16.3%
TOTAL	Income		7,014	7,930	916	13.1%
	Expenditure		(4,660)	(4,860)	(200)	4.3%
	Surplus/ (deficit)		2,354	3,070	716	30.4%

3.2 Governance and Management Checklist

The Governance and Management Checklist measures whether a council has strong governance and management frameworks in place covering community engagement, planning, monitoring, reporting and decision making. It includes 24 qualitative measures against which Council is assessed each financial year. An update against the checklist is presented on a half yearly basis (with December and June quarterly financial reports) and included at **(Appendix 3b)**.

3.3 Prescribed indicators, measures and results of service performance

The Performance Statement must include the results achieved in relation to prescribed:

- sustainable capacity;
- service performance; and
- financial performance.

Councils must provide an explanation of any material variations in the results between the current year and other years disclosed, to enable the reader to form an understanding of the reason for the variation. An update against the performance measures will be presented on a half yearly basis (with December and June quarterly financial reports) and included at **(Appendix 3c)**.

Appendix A – Forecasted reserve balances as at 30 June 2023.

Reserve description	Actual Balance as at 1 July 2022	Q1 Forecasted Balance as at 30 June 2023	Q2 Forecasted Balance as at 30 June 2023	Change \$ (Q1 vs Q2)
<u>Carry forward capital expenditure reserve</u>				
Queenscliff Sports and Recreation Precinct	447,083	0	0	0
Royal park oval upgrade	360,000	360,000	360,000	0
ICT transformation project	234,399	89,186	89,186	0
New bike track/park	195,900	179,765	179,765	0
Princess park kiosk toilet upgrade	60,000	0	60,000	60,000
Town hall audio visual equipment upgrade project (with QMF)	57,900	0	0	0
Hesse Street streetscape	50,000	0	0	0
Weeroona Parade toilet	40,000	0	40,000	40,000
Queenscliffe Cultural Hub	36,354	0	0	0
Toc H Toilet upgrade	20,000	0	130,000	130,000
New Toilet in Hesse Street			250,000	250,000
Murray Road land sale proceeds			3,500,000	3,500,000
Total - carry forward capital expenditure reserve	1,501,636	628,951	4,608,951	3,980,000
<u>Carry forward operating expenditure reserve</u>				
Marine coastal management plan	210,800	0	0	0
Review of planning scheme (Heritage Provisions)	126,418	93,418	93,418	0
Total - carry forward operating expenditure reserve	337,218	93,417	93,417	0
Asset replacement reserve	1,379,017	1,359,017	1,337,017	(22,000)
Defined Benefits Superannuation Liability	40,000	40,000	40,000	0
Standard kerbside waste reserve*	(9,084)	(140,954)	(51,555)	89,399
Public waste reserve	37,885	33,475	16,344	(17,131)
Unallocated cash reserves / general reserve	1,463,047	1,123,660	1,123,660	0
Total	4,749,718	3,137,567	7,167,835	4,030,268