

| Rural City of Wangaratta | 21/22 Adopted Budget | 21/22 Adopted Q1 Forecast | 21/22 Projected Full Year Forecast | Projected Full Year to Budget Variance | Commitments | 21/22 YTD Actual | 21/22 YTD Budget | YTD Variance Fav/(Unfav) | YTD Variance Fav/(Unfav) | Ref |
|---|-------------------------|---------------------------------|--|--|--------------------|---------------------|---------------------|--------------------------------|--------------------------------|-----|
| Income Statement for the period ending 31st January 2022 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | |
| Income | | | | | | | | | | |
| Rates and charges | 36,782,616 | 36,841,445 | 36,866,171 | 24,726 | 0 | 36,810,442 | 36,791,686 | 18,756 | 0% | |
| Statutory fees and fines | 1,263,608 | 1,284,649 | 1,443,999 | 159,350 | 0 | 786,121 | 713,584 | 72,537 | 10% | 1 |
| User fees | 11,948,895 | 11,064,015 | 10,905,828 | (158,187) | 28,060 | 5,757,321 | 6,040,407 | (283,086) | (5%) | 2 |
| Contributions - cash | 174,000 | 406,800 | 375,400 | (31,400) | 0 | 296,118 | 296,968 | (851) | (0%) | |
| Contributions - non-monetary | 1,700,000 | 1,700,000 | 1,700,000 | 0 | 0 | 0 | 0 | 0 | 0% | |
| Grants - Operating | 17,722,680 | 19,345,950 | 20,276,544 | 930,593 | 0 | 8,405,579 | 10,088,477 | (1,682,898) | (17%) | 3 |
| Grants - Capital | 10,207,477 | 11,734,065 | 12,366,732 | 632,667 | (0) | 5,610,348 | 4,249,349 | 1,360,999 | 32% | 4 |
| Reimbursements | 129,500 | 230,937 | 234,599 | 3,662 | 0 | 61,753 | 63,938 | (2,185) | (3%) | |
| Other revenue | 162,923 | 174,187 | 252,953 | 78,766 | 16,486 | 173,551 | 115,093 | 58,458 | 51% | 5 |
| Net gain/(loss) on sale/disposal of property, infrastructure | 182,830 | 182,830 | 182,830 | 0 | (3,007) | (321,210) | (247,236) | (73,974) | (30%) | 6 |
| Total Income | 80,274,529 | 82,964,878 | 84,605,055 | 1,640,177 | 41,539 | 57,580,022 | 58,112,266 | (532,244) | (1%) | |
| Expenses | | | | | | | | | | |
| Employee benefits | 28,778,369 | 28,909,677 | 28,733,685 | 175,993 | 67,973 | 15,723,679 | 16,327,623 | 603,944 | 4% | 7 |
| Materials and services | 22,840,592 | 24,868,509 | 25,948,277 | (1,079,769) | 1,755,709 | 13,805,686 | 13,050,404 | (755,282) | (6%) | 8 |
| Depreciation and amortisation | 17,355,000 | 17,355,000 | 18,680,000 | (1,325,000) | 0 | 12,144,585 | 10,759,649 | (1,384,936) | (13%) | 9 |
| Finance costs | 692,850 | 692,850 | 692,850 | 0 | 43,187 | 410,837 | 408,683 | (2,154) | (1%) | |
| Other expenses | 435,777 | 658,377 | 2,823,081 | (2,164,704) | 226,228 | 790,672 | 255,752 | (534,920) | (209%) | 10 |
| Total Expenses | 70,102,588 | 72,484,413 | 76,877,893 | (4,393,480) | 2,093,097 | 42,875,459 | 40,802,111 | 2,073,348 | 5% | |
| Surplus / (deficit) for the year | 10,171,941 | 10,480,465 | 7,727,163 | (2,753,303) | (2,051,558) | 14,704,563 | 17,310,155 | (2,605,592) | (15%) | |
| Adjusted Underlying Operating Position | | | | | | | | | | |
| Grants - Capital (non-recurrent) | 8,593,432 | 10,120,020 | 10,812,687 | 692,667 | (0) | 5,169,995 | 4,238,787 | 931,208 | 22% | |
| Contributions - cash | 50,000 | 50,000 | 0 | (50,000) | 0 | 5,000 | 0 | 5,000 | 0% | |
| Contributions - non-monetary | 1,700,000 | 1,700,000 | 1,700,000 | 0 | 0 | 0 | 0 | 0 | 0% | |
| Total Adjustments | 10,343,432 | 11,870,020 | 12,512,687 | 642,667 | (0) | 5,174,995 | 4,238,787 | 936,208 | 22% | |
| Adjusted Underlying Operating Surplus/(deficit) for the year | (171,491) | (1,389,555) | (4,785,524) | (3,395,970) | (2,051,558) | 9,529,568 | 13,071,368 | (3,541,800) | (27%) | |

Notes

Councils Quarter 2 Forecast Review compares year to date performance to the endorsed Quarter 1 Forecast Review and provides a revised full year forecast position based on factors including additional grant funding and changes to business conditions.

The Quarter 2 Forecast Review projects a decrease to Council's accounting surplus of \$2.75m. This is largely influenced by the impact of revised depreciation and other expenses forecasts. The depreciation forecast has increased following the revaluation of Council's infrastructure assets in 20/21. Other expenses has increased due to the identification of completed capital works projects (mostly from 20/21) with components that do not meet the asset recognition criteria and therefore need to be expensed. This type of expenditure would previously have been identified at year end and therefore not included in a budget forecast. Council have improved their asset accounting processes which results in earlier identification of such impact.

When income relating to capital is deducted from the surplus to calculate Council's true operating position, the Quarter 1 Forecast result was a \$1.39m adjusted underlying deficit. The Quarter 2 Forecast now projects a \$4.76m adjusted underlying deficit, a \$3.40m difference. Depreciation and asset write offs (further detailed below) account for \$3.49m unfavourable movement, with \$94k net favourable movement occurring over the remainder of the income statement.

1. Statutory Fees and Fines
Favourable year to date variance of \$73k or 10% largely due to favourable issue of compliance infringements and planning permits. This is reflected in the adjusted full year forecast, with an additional \$100k of Parking Compliance income, \$52k of Planning fees and \$10k of Animal Management Infringements expected to be received compared to the Q1 Forecast.

2. User Fees
Unfavourable year to date variance of \$283k or 5%. This is largely due to unfavourable year to date user fee income for WSAC \$162k, Cemetery \$50k, Parking \$53k, Home Care \$53k and Family Day Care \$44k, but is offset by favourable Transfer Station receipts of \$33k and Building Permits \$21k.

The projected full year forecast for user fees has decreased by \$158k to \$10.91m. This unfavourable projected forecast is due to the continued impacts of COVID on the operation of the WSAC facility \$153k, reduced utilisation of Family Day Care \$115k and reduced Parking Meter income \$50k, offset partially by a projected increase to Leasing and Licencing \$56k, Building and Swimming Pool Permits \$45k and Home Care \$51k.

3. Grants - Operating
Unfavourable year to date variance of \$1.68m or 17% largely due to the timing of receipt of Home Care and Community Care funding \$2.08m, which is anticipated to be a timing difference only, as the full year forecast for funding of these programs has increased by \$450k reflective of new clients and the utilisation of unspent funds carried forward for existing clients. This unfavourable year to date variance is offset by favourable timing differences relating to grant funding for the Grit and Resilience Program \$140k, Bushfire Resilience Funding \$94k, Business Concierge Program \$60k and Kerbside Reform \$54k.

Permanent differences arising that result in a forecast adjustment in addition to Home Care and Community Care already noted include additional grant funding for the Gun Club Rehabilitation \$140k, new grant funding awarded for COVID Safe Outdoor Activation \$115k, Maternal & Child Health \$80k, COVID Business Concierge \$60k and Australia Day \$30k. A correction to a forecast error at Quarter 1 also results in a \$271k favourable movement to Operating Grants. Unfavourable forecast adjustments have been made for Family Day Care due to reduced utilisation \$141k and Grit and Resilience \$53k due to rephasing of income, with the program spanning multiple years.

4. Grants - Capital
Capital Grants year to date actual is \$1.36m or 32% favourable to year to date adopted position. Timing of receipt of capital funding is the main cause of this variance, however award of additional grant funding is reflected in the full year forecast adjustment, including new funding of \$460k for the COVID Safe Outdoor Activation Program, \$122k for Aerodrome Wildlife Fencing and \$40k for the Myrthee Memorial Hall Facilities Upgrade.

5. Other Revenue
Favourable year to date variance of \$58k or 51% largely due to unbudgeted fuel tax rebates. The projected full year forecast has increased by \$79k due to more favourable investment conditions.

6. Net Gain/(Loss) on Sale/Disposal of Property, Infrastructure & Plant
Unfavourable year to date variance of \$74k or 30% due to uncertainty around the timing of disposals throughout the financial year. While a permanent difference is not yet indicated, this will continue to be monitored over the course of the year.

7. Employee Benefits
Favourable year to date variance of \$604k or 4%, largely due to the impact of vacancies in teams. Vacancies and under utilisation of paid parental leave resulted in total favourable forecast adjustment of \$873k, which includes programs such as WSAC, Executive Leadership and Support, Family Day Care and Economic Development. This favourable adjustment was however largely offset by increases to employee costs totalling \$697k required due to changed operating conditions, including Aged and Community Care \$217k (funded), Long Day Care \$284k due to additional staffing required to backfill for isolation, and other minor adjustments, resulting in net movement of favourable \$175k to projected full year employee costs.

8. Materials and Services
Year to date position is \$755k or 6% greater than year to date budget. Unfavourable year to date variances include ICT Strategy \$172k, Facilities and Maintenance \$371k, plant operating expenditure \$208k, EPA Levy \$171k, Ovens and Murray Multicultural Regional Partnership \$150k, Start Up Shake Up \$82k, favourable Asset Data Collection \$150k, Gun Club Rehabilitation \$106k and Training \$111k.

The full year forecast variance of \$1.08m is impacted by additional works required for the Gun Club Rehabilitation of \$140k which will be funded by DELWP, and other grant funding obligations including COVID Safe Outdoor Activation \$115k, Australia Day \$30k, Ovens and Murray Regional Partnership \$150k and Community Activation and Social Isolation Initiative \$38k. Budget increases for Plant and Fleet operating expenses \$382k, Home Care and Community Care \$174k, WSAC Operations and Maintenance \$83k, Drainage \$81k, Unsealed Roads \$75k, Governance Management \$57k are projected as a result of changes to operating conditions. There forecast increases are offset by savings identified Family Day Care Providers \$141k, People and Culture \$74k, Printing and Stationary \$35k and Sealed Roads \$25k. A review of all budgets has occurred by Managers, resulting in other individually immaterial adjustments.

9. Depreciation
A review of the depreciation forecast and asset useful lives has been undertaken, resulting in an increase to the full year forecast of \$1.325m.

10. Other Expenses
Other expenses includes the write off of assets that can occur through the capitalisation process, as works are identified as not having been completed on Council assets. Part of the \$535k or 209% year to date variance is due to unbudgeted asset write offs undertaken year to date \$316k. An assessment of pending capitalisations has been undertaken, resulting in \$2.12m of works in progress identified to be written off, as reflected in the full year forecast adjustment. This largely relates to utilities works undertaken as part of the Railway Precinct project, for which Council received cash contributions from the responsible authorities. The balance of the year to date variance is largely due to the timing of the MAV WorkCare wind up costs incurred by Council \$220k.