

Finance and project management



The value we provide

- Ensure the financial sustainability and transparency of Council and that investments in projects deliver value for ratepayers.

What we do

- Develop financial strategy, policies and plans including the 10 year financial plan, annual budget, and 10 year project portfolio.
- Financial, procurement, contract management and project management advice, training and support.
- Fleet management, payroll, rating and property valuation services.
- Reporting on financial, procurement and project delivery performance including through the annual report and monthly CEO report.

Why we do it

- To fulfil mandatory duties described in the Local Government Act 1989.
- To deliver projects that support Council services.

Activities that support this service

- Contracts, procurement and fleet
- Financial services, compliance and systems
- Management accounting and financial analysis
- Project governance
- Project delivery
- Rates and valuations

Finance and project management



Our service at a glance

Service statistics	2018/19	2019/20
• Capital expenditure	\$34.8 million	\$22.3 million
• Value of operating projects	Not available	\$10.6 million

Service risk profile **Medium**

Strategic risks	Residual risk rating
• Failure to prevent fraud and corruption risks	Medium
• Council does not select the right projects and / or does not deliver them successfully	Medium
• Unable to successfully procure value for money goods and services to assist in the delivery of council projects and services or failure to appropriately manage contracts	Medium
• Failure to maintain our long-term financial sustainability	Low

Policies documents that support this service

[Code of Conduct for contractors 2017](#)

Rating Strategy 2018

Finance and project management



How much it costs to provide the service

		Budget 2020/21	
Operating costs	\$000	How the service is funded	\$000
Employee costs	7,105	Rates	(7,514)
Contracts	(658)	Parking revenue	947
Materials and other expenses	573	Reserves	(133)
Operating projects	0	Fees and charges (incl. statutory)	(1,602)
Total operating expenses	7,020	Grants	1,427
Capital projects	43	Other income (incl. interest income)	13,938
Total expenses	7,063	Total funding	7,063

(expenses include management overhead allocation, exclude depreciation and project expenditure)

Revenue from parking fees and fines is allocated on a proportionate basis across all service categories.

FTE=62.8

\$4.95 is returned by this service out of every \$100 of rates we receive

100% of costs are funded from fees and charges, grants or other income

Further revenue and expense information on the service

Activity	Expenses \$000	Revenue \$000
Financial services, compliance and systems	3,650	
<ul style="list-style-type: none"> Rent subsidy Property sales proceeds (net) Grants commission 		10,052 3,490 1,427
Project delivery (non-capitalisable costs)	1,877	0
Rates and valuations	1,303	337
Management accounting and financial analysis	943	0
Project governance	617	0
Contracts, procurement and fleet	186	380
Consolidations	(1,922)	(1,922)
Management expenses	367	0
Total	7,020	13,763

Expenses exclude depreciation. Management expenses consist of apportioned costs for the Executive Leadership Team (CEO and general managers) and all department managers.

Major contracts (annualised expense)	\$000
<ul style="list-style-type: none"> Banking and bill payment services Valuation services 	750 240

Major leases (\$000)	Most recent market rental estimate	Rent per year (\$ excl GST)
<ul style="list-style-type: none"> None 		

Major financial contributions	\$000
<ul style="list-style-type: none"> None 	

Finance and project management



Major assets

Council assets (June 2020)	Value \$000
• Financial assets - current	116,634
• Council corporate fleet cars (123)	Not separately valued

Our Council Plan 2017-27 priorities

Completed

- Upgrade the organisation's financial, procurement and asset management systems, processes and practices.
- Review our rating strategy and investment policy.

In progress

- Improve our enterprise planning frameworks.
- Continue to build organisational capability and maturity in project management.

Our projects (* means 100% and ** means partial grant and contribution funding)

Capital projects \$000	2020/21	2021/22	2022/23
Council Fleet Renewal Program (costs allocated across services)	914	1,225	1,122
Total capital projects	914	1,225	1,122
Operating projects \$000	2020/21	2021/22	2022/23
None	0	0	0
Total operating projects	0	0	0

How we are performing

Recent highlights

- Positive net operating result of \$6.9 million (2.9 percent of total revenue).
- An investment portfolio of \$95 million.
- Low levels of debt (5.8 per cent of rates revenue).
- A healthy working capital ratio of 360 per cent and Council can comfortably meet its short-term financial commitments.
- Permanent ongoing efficiency savings of over \$5.6 million (taking the total to over \$12.6 million over the last four budgets of this Council).
- Addressed the \$9.5 million income reduction in the last three months of 2019/20 caused by COVID-19 pandemic with expenditure cost containments, efficiency and project deferments and afforded a targeted \$2.8 million Economic and Social Emergency Relief Package to our community members impacted by COVID-19.
- Implementation of new project management system with much improved linkages to asset management, budgeting and benefits reporting systems.

How we are performing

Recent challenges

- The COVID-19 pandemic called for us to be agile and flexible and to support the community where most needed. During the pandemic, Council adapted to innovate new ways of keeping safe and connected while maintaining our high standard of service delivery. In response to the COVID-19 pandemic:
 - VAGO Financial year-end audit process undertaken remotely.
 - Adjusted payment of suppliers on seven-day terms (usually 30 days) to support businesses.
 - Adjusted the Rates Financial Hardship Policy.
- Restrictions put in place as a result of the pandemic have had a large impact on construction and project delivery activities. This has been particularly significant in small, non-essential work such as renewal activities.
- The short-term impact of COVID-19 has some measures outside low risk rating, and there is an overall medium risk rating on Victorian Auditor General's Office (VASO) financial sustainability indicators. However, the medium to long-term outlook remains low. The financial sustainability risk rating is being monitored carefully and appropriate risk management strategies have been implemented.
- Reduction in our average rates collection (98 per cent), due to COVID-19 impacting the collection of the final quarter of Rates (April 2020 to June 2020).
- Return on financial investments was slightly below target this year.
- A cumulative cash deficit balance of \$0.28 million at 30 June 2020.

Financial sustainability (VAGO) indicators

Measure	2017/18 result	2018/19 result	2019/20 result	2020/21 target	2026/27 projection
Net result Net result greater than 0 %	3.2%	3.1%	2.9%	(7.9%)	5.4%
Adjusted underlying result Adjusted underlying result greater than 5 %	(3.4%)	(3.4%)	(2.9%)	(10.9%)	2.0%
Working capital Working capital ratio greater than 100 %	265%	268%	360%	227%	275%
Internal financing Net cashflow from operations to net capital expenditure greater than 100 %	149%	107%	143%	71%	116%
Indebtedness Indebtedness ratio less than 40 %	5.2%	5.3%	5.5%	1.5%	1.6%
Capital replacement Capital to depreciation greater than 150 %	103%	135%	87%	123%	154%
Infrastructure renewal gap Renewal and upgrade to depreciation greater than 100 %	87%	108%	72%	117%	131%
Overall financial sustainable risk rating	Low	Low	Medium	Medium	Low

Finance and project management



Financial performance indicators

Measure	2017/18 result	2018/19 result	2019/20 result	2020/21 target	Metro councils 2019/20
Efficiency savings as a percentage of operating expense (excluding depreciation)	1.0%	1.0%	2.6%	>1.5%	No comparison available
Return on financial investments	2.60%	2.65%	1.35	50 basis points above the 90 day BBSW swap rate	
Percentage of significant priority projects on track	61%	90%	87%	>80%	
Project management maturity score	20.4	23.0	21.7	>21.0	
Rates collection rate	98%	98%	94.7%	>98%	
Average residential rate per residential property assessment	New in 2020	New in 2020	\$1,755	\$1,755	\$1,795
Expenses per property assessment	\$3,006	\$3,072	\$3,143	\$3,128	\$2,774
Unrestricted cash compared to current liabilities	(50%)	(86%)	(208%)	(82%)	77%
Loans and borrowings compared to rates	6.8%	7.2%	5.8%	5.7%	12.4%
Loans and borrowings repayments compared to rates	0.82%	0.67%	0.27%	0.26%	3.52%
Rates concentration	57.5%	57.6%	57.7%	62.3%	69.0%
Rates revenue compared to property values	0.20%	0.18%	0.19%	0.19%	0.23%

Sustainable capacity indicators

Measure	2017/18 result	2018/19 result	2019/20 result	2020/21 target	Metro councils 2019/20
Expenses per head of municipal population	\$1,961	\$1,978	\$1,989	\$1,974	\$1,292
Infrastructure per head of municipal population	\$5,660	\$6,288	\$6,176	\$6,234	\$6,276
Population density per length of road	417	426	436	459	301
Own-source revenue per head of municipal population	\$1,786	\$1,806	\$1,827	\$1,701	\$1,194

Finance and project management



Measure	2017/18 result	2018/19 result	2019/20 result	2020/21 target	Metro councils 2019/20
Recurrent grants per head of municipal population	\$100.75	\$97.92	\$93.40	\$78.62	\$120.10
Relative socio-economic disadvantage of the municipality	10.0	10.0	10.0	10.0	7.8