



## MANAGEMENT COMMENT ON THE FINANCIAL REPORT

services in addition to the funds allocated by council from other sources of revenue (Refer Note 3.2 of Financial Report). Contributions received of \$3.8M were mainly for open space development at Keysborough and other capital works.

Fees Charges and Fines - Revenue from these sources was \$9.6M for the year (\$8.8M in 2002-2003). The major sources of revenue are:

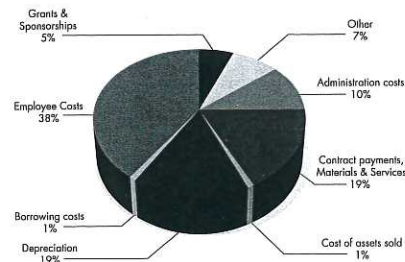
- Hire of council facilities.....\$2.9M
- Parking fees and fines.....\$2.3M
- Statutory and other fees (Community services, building permits, animal registrations etc.) .....\$4.3M

Other Income (\$5.0M) - This item of income is related to recovery of costs associated with parking fines, fees for provision of valuation data to State Revenue Office, National Competition Policy payment and assets previously not recognised.

### >RECURRENT EXPENDITURE

Total recurrent expenditure for 2003-2004 including depreciation and cost of assets sold was \$82.7M (\$79.0M in 2002-2003).

The major items of expenditure are depicted in the graph:



Employee Costs (\$32.0M) - Salaries costs include salary on-costs such as WorkCover premium, provision for Long Service Leave entitlements and council's superannuation contributions on behalf of employees. The expense for the year includes the impact of the Enterprise Bargaining Agreement (refer note 6 of the Standard Statements).

Contract payments, materials & services (\$15.5M) - Included in this category are the following major costs relating to:

- Waste collection and disposal .....\$4.6M
- Parks services .....\$1.5M
- Home and community care.....\$2.1M
- Street lighting.....\$1.0M
- Building and fleet maintenance .....\$2.9M

Grants and sponsorships - (\$3.9M) - Council provides grants to various sporting and cultural bodies to assist in promoting the city's diversity. It also provides an annual amount towards council's Family Day Care program.

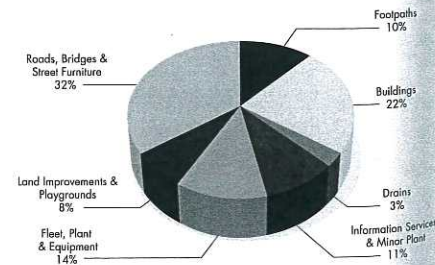
Administration costs (\$8.0M) - Administration costs include information management expenses (\$1.7M), and insurance costs (\$1.5M). (Refer to note 4.6 in the Financial Report.)

Other Expenses (\$6.6M) - Includes professional fees for various services (\$3.8M) and borrowing costs (\$1.1M). (Refer to notes 4.5, 4.7 and 4.8 in the Financial Report.)

Depreciation (\$15.8M) - The depreciation expense reflects the diminution in the value of assets due to wear and tear and obsolescence. It has no impact on the cash position of council. Cash flow is impacted only at the time of purchase of assets.

### >CAPITAL EXPENDITURE

The major items of expenditure are depicted in the chart below.



Council spent \$13.9M on capital expenditure during the year. \$11.5M of this was spent on renewing and upgrading its infrastructure assets and city improvement (Refer note 10 of the Standard Statements). It also spent \$2.4M in replacing its fleet and other plant utilised in maintenance and cleaning of the city's roads, drains and other infrastructure assets.

### >CASH FLOWS

(Refer Standard Statement of Cash Flows)

Net inflows from operating activities - council generated a net cash inflow from operating activities of \$17.7M. This was less than the budgeted surplus due to the non-receipt of grants for major capital projects and higher than expected payments for salary related expenses.

Note: The specific line items making up the cash flows from operations in the Financial Report differs from the Standard Statements in that the cash flows in the Financial Report is inclusive of Goods and Services Tax.

Net outflows from investing activities - Investing activities refer mainly to council's sale and purchase of fixed assets. Council spent a net amount of \$12.5M in purchase of assets.

Financing activities - Financing activities refer to council's borrowings. Council did not borrow the planned amount of \$5.0M for the Dandenong Town Hall refurbishment as the project was delayed and expenditure not incurred as planned. Council met its loan repayment obligations (\$0.6M) on existing loans.

### >COUNCIL'S FINANCIAL POSITION

Council's financial position improved by \$59.0M during the year, made up of the operating surplus and revaluation of land and buildings. The net worth of Council at 30 June 2004 was \$776M (\$717M in 2003), made up of the following assets and liabilities:

#### Council's assets (what council owns) comprise:

	\$M	%
Roads & Bridges	220	27.4
Drainage	102	12.7
Land	318	39.6
Buildings	81	10.1
Footpaths & Bikepaths	54	6.7
Plant/Furniture, Playground Equipment	17	2.1
Cash and Other Assets	11	1.4
<b>Total</b>	<b>803</b>	<b>100.0</b>

#### Council's liabilities (what council owes) comprise:

	\$M	%
Long term borrowing	6	23.1
Creditors	10	38.5
Superannuation obligations	4	11.5
Employee entitlements	7	26.9
<b>Total</b>	<b>27</b>	<b>100.0</b>

The difference between the assets and liabilities of \$776M is the net worth of the council to its ratepayers and community.

Note: The above financial report summary does not form part of the statutory reporting and hence not subject to audit certification. It has been written to assist the Greater Dandenong community in better understanding the financial operations and financial position of their council. As stated in the overview, these comments must be read in conjunction with the Financial Report and Standard Statements that immediately follow these comments in this Annual Report.

