

7 Presentation of officer reports

7.1 May 2021 Monthly Financial Report

Abstract

The Monthly Financial Report for May 2021 is designed to identify and explain any major variances to budget at an organisational level for the period ending 31 May 2021.

Council's favourable operating result against year to date budget of \$22.07 million is \$14.53 million above the September Amended Budget of \$7.54 million primarily due to a number of factors which are outlined in **Section 2 of Attachment 1 - Financial Overview**.

Capital works actual expenditure is \$61.14 million which is \$18.79 million below year to date budget phasing of \$79.93 million, primarily due to timing of expenditure on multi-year projects. Priority projects expenditure of \$23.42 million is \$8.59 million below year to date budget phasing of \$32.01 million

Council's Balance Sheet and cash position are sound and depict a satisfactory result. At the end of May, Council's cash position stood at \$109.21 million or \$40.68 million above year to date budget.

Officers' recommendation

That Council resolve to receive and note the Monthly Financial Report for May 2021 (**Attachment 1**).

Responsible director: Phillip Storer, Chief Executive Officer

1. Purpose

The purpose of this report is to provide Council the Monthly Financial Report for May 2021. The Monthly Financial Report is designed to identify and explain major variances at an organisational level and is provided in **Attachment 1**.

2. Policy implications and relevance to community plan and council plan

This report is consistent with the Council Plan 2017-21 and the Boroondara Community Plan. In particular, the Council Plan theme of Civic Leadership & Governance and the strategy "Ensure sound financial management while allocating resources to deliver strategic infrastructure and services that meet community needs".

3. Background

The year to date annual budget referred to in this report reflects the September 2020 Amended Budget, approved by Council on 21 September 2020 which includes the carry forward funding for 2019-20 priority projects and capital works forward commitments.

4. Outline of key issues/options

Year to date actual vs. September Amended Budget

The favourable operating result against year to date budget of \$22.07 million is \$14.53 million or 193% above the September Amended Budget of \$7.54 million primarily due to a number of factors which are outlined in **Section 2 Financial Overview**.

Full year forecast vs. September Amended Budget

The 2020-21 Full Year Forecast of (\$7.91) million represents a reduction in the deficit outcome by \$5.58 million compared to the 2020-21 September Amended Budget deficit of (\$13.50) million.

Whilst the current forecast position indicates a reduced deficit outcome, COVID-19 continues to cause unfavourable financial impacts on Council's revenue streams primarily in user fees, statutory fees and fines and investment income.

Balance Sheet and Cash Flow Statement

Cash and investment holdings are \$109.21 million as at 31 May 2021, or \$40.68 million higher than year to date budget of \$68.53 million. This represents a decrease of \$5.13 million from 30 June 2020.

The Balance Sheet as at 31 May 2021 indicates a satisfactory result with total current assets of \$140.05 million and total current liabilities of \$48.76 million.

Please refer to **page 11 of Attachment 1** for further detail.

Capital Works

Council's year to date performance in gross capital works expenditure is \$61.14 million which is \$18.79 million below year to date budget phasing of \$79.93 million. Year to date actual and commitments as at 31 May 2021 equates to \$125.82 million and includes committed expenditure for multi-year projects with the most significant being Kew Recreation Centre, Canterbury Precinct and Camberwell Community Centre.

Priority Projects

Council's year to date performance in gross priority project expenditure is \$23.42 million which is \$8.59 million below year to date budget phasing of \$32.01 million (year to date actual and commitments as at 31 May 2021 equates to \$30.83 million).

Refer to **page 4 and 5 of Attachment 1** for graphical representation of capital works and priority projects year to date budget, actual and committed expenditure.

5. Consultation/communication

The Executive Leadership Team has reviewed and approved the report.

6. Financial and resource implications

Council's current operating and cash flow position is sound. Council continues to monitor and review the financial impacts of COVID-19 on Council's operating budget.

7. Governance issues

The implications of this report have been assessed in accordance with the requirements of the Victorian Charter of Human Rights and Responsibilities.

8. Social and environmental issues

There are no direct impacts resulting from this report.

Manager: Callista Clarke, Acting Chief Financial Officer

Report officer: Sapphire Allan, Management and Reporting Accountant

Attachment 1

City of Boroondara
Monthly Financial Report

   
www.boroondara.vic.gov.au

May
2021



Contents

1. Executive Overview	1
1.1 Introduction and overview	1
1.2 Key financial highlights and overview	1
2. Financial overview	6
2.1 Income Statement	6
2.2 Balance Sheet and Cash Flow Statement	11
2.3 Priority Projects	12
2.4 Capital Works	14
3. Financial statements	16
3.1 Income Statement	16
3.2 Balance Sheet	17
3.3 Statement of Cash Flows	18
3.4 Capital Works expenditure by asset group	19

Monthly Financial Report – May 2021

Attachment 1

1. Executive Overview

1.1 Introduction and overview

The Monthly Financial Report for May 2021 has been prepared in accordance with Australian Accounting Standards.

This monthly report is designed to identify major variations against the September Amended Budget at an organisational level.

The year to date and annual budget referred to in this report reflects the September 2020 Amended Budget approved by Council on 21 September 2020 which includes the carry forward funding for final 2019-20 priority projects and capital works forward commitments.

The March 2021 full year forecast reflects the final result of the full year review of the annual financials to be undertaken during the year.

1.2 Key financial highlights and overview

Key financial summary	ANNUAL ORIGINAL BUDGET	YTD ACTUAL (1)	YTD BUDGET (2)	YTD VARIANCE (1) - (2)	YTD VARIANCE (1) / (2) %	STATUS YTD VARIANCE	FULL YEAR FORECAST (3)	ANNUAL SEPTEMBER AMENDED BUDGET (3)	FORECAST VARIANCE (3) - (4)	STATUS FULL YEAR VARIANCE
	\$'000	\$'000	\$'000	\$'000			\$'000	\$'000	\$'000	
Surplus/(Deficit) for the year	(7,389)	22,067	7,539	14,528	193%	✓	(7,914)	(13,496)	5,582	✓
Recurrent income	239,819	227,126	230,863	(3,737)	-2%	—	229,924	234,866	(4,942)	—
Recurrent expenditure	215,600	186,272	192,853	6,581	3%	✓	214,275	214,970	695	✓
Capital works										
Expenditure *	82,052	61,144	79,936	18,792	24%	✓	79,857	88,364	8,507	✓
Priority projects										
Expenditure *	33,368	23,422	32,013	8,591	27%	✓	30,546	38,042	7,496	✓
Closing cash and investments **	65,194	109,207	68,528	40,679	59%	✓	68,950	59,239	9,711	✓

* Please refer to page 12-13 and 14-15 for further explanation of variances.

** Please refer to page 11 for further details and explanation of closing cash and investments.

Status legend:

✓	Above budgeted revenue or under budgeted expenditure.
—	Below budgeted revenue or over budgeted expenditure by <10%.
✗	Below budgeted revenue or over budgeted expenditure by >10%.

The overall financial position at 31 May 2021 is satisfactory with a working capital ratio of 2.87 to 1 (including cash contingency for emergency response works and reserve funds of \$20.89 million).

Monthly Financial Report – May 2021

Attachment 1

Surplus/(Deficit) Result**Year to date actual vs. September Amended Budget**

The favourable operating result against year to date budget of \$22.07 million is \$14.53 million or 193% above the September Amended Budget of \$7.54 million primarily due to a number of factors which are outlined in **Section 2 Financial Overview**.

Full year forecast vs. September Amended Budget

The 2020-21 Full Year Forecast of (\$7.91) million represents a reduction in the deficit outcome by \$5.58 million compared to the 2020-21 September Amended Budget deficit of (\$13.50) million.

The full year forecast result is the subject of an extensive review undertaken with departments during the March quarter. Council's 2020-21 initial financial position was heavily influenced by early COVID-19 impacts and Council officers continue to closely monitor the impacts on the financial position for the remainder of 2020-21.

Whilst the current forecast position indicates a reduced deficit outcome, COVID-19 continues to cause unfavourable financial impacts on Council's revenue streams primarily in user fees, statutory fees and fines and investment income. The 2020-21 full year forecast result estimates a further \$7.20 million reduction in budgeted revenue compared to the September Amended Budget 2020 bringing the total estimated net loss of recurrent operating revenue and expenditure impacts for the year to \$18.60 million.

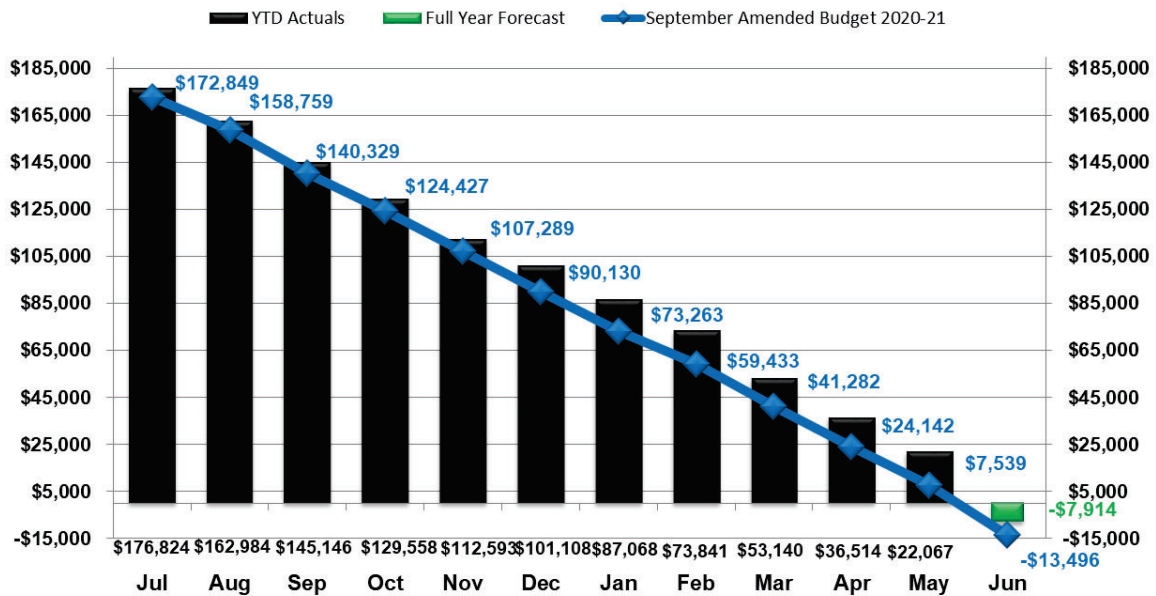
The Victorian Local Government Grants Commission (VLGGC) has advised that approximately 50% of the 2021-22 financial assistance grants will be brought forward by the Commonwealth Government and paid to councils before the end of the current financial year. The forecast result includes \$2.40 million (50% of the 2021-22 VLGGC funding) brought forward payment.

Other variances included in the 2020-21 March Full Year Forecast result include an increase in capital grants income of \$6.98 million offset by the loss on disposal of property, infrastructure, plant and equipment. The disposal of assets relates to the building, pool and play areas for the multi-year project Kew Recreation Centre (\$5.28) million (non-cash accounting entry).

In addition to the above variances, \$9.98 million has been identified in net forward commitments for priority projects to be completed in 2021-22 primarily due to expenditure delays as a result of COVID-19.

Closing cash and investments are forecast to be \$66.56 million which is \$7.32 million above the Annual September Amended Budget of \$59.24 million. This is primarily due to items noted above and the recognition of capital works forward commitments of \$15.17 million and priority projects forward commitments of \$9.98 million which will be carried forward to 2021-22, and offset by reduced income and higher expenditure in materials and services as previously noted.

Surplus/(Deficit) Result 2020-21 Surplus Result vs September Amended Budget \$'000



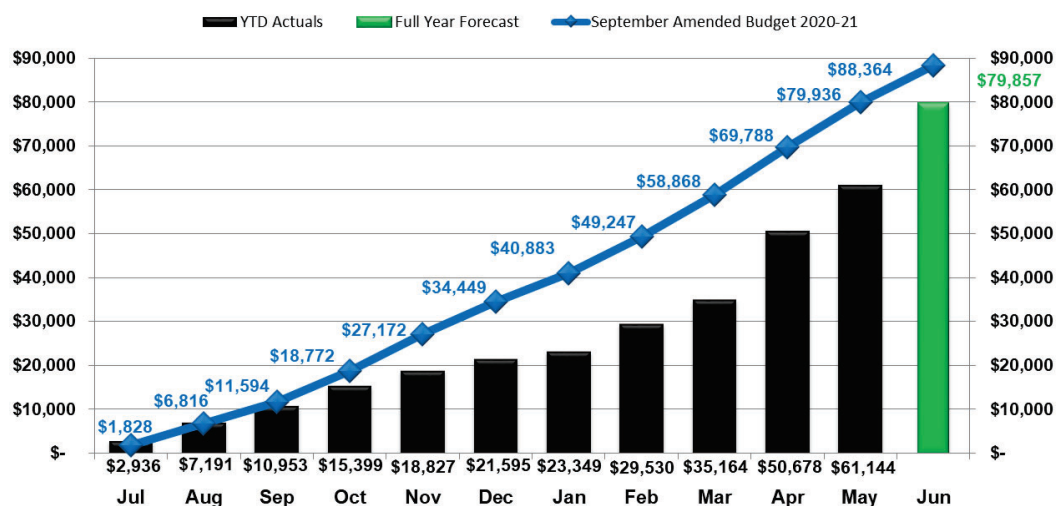
Please refer to the graphical representation above of actual year to date surplus result versus the September Amended Budget.

Monthly Financial Report – May 2021

Attachment 1

Capital Works

Capital Works Projects 2020-21 Cumulative Budget vs Actual Expenditure All Projects - \$'000



Council's year to date performance in gross capital works expenditure is \$61.14 million which is \$18.79 million behind year to date budget phasing of \$79.93 million. The difference relates to timing of expenditure on various projects.

Capital works committed expenditure as at 31 May 2021 is \$64.68 million (year to date actual and commitments equates to \$125.82 million) and includes committed expenditure on multi-year projects with the most significant being Kew Recreation Centre and Canterbury Community Precinct.

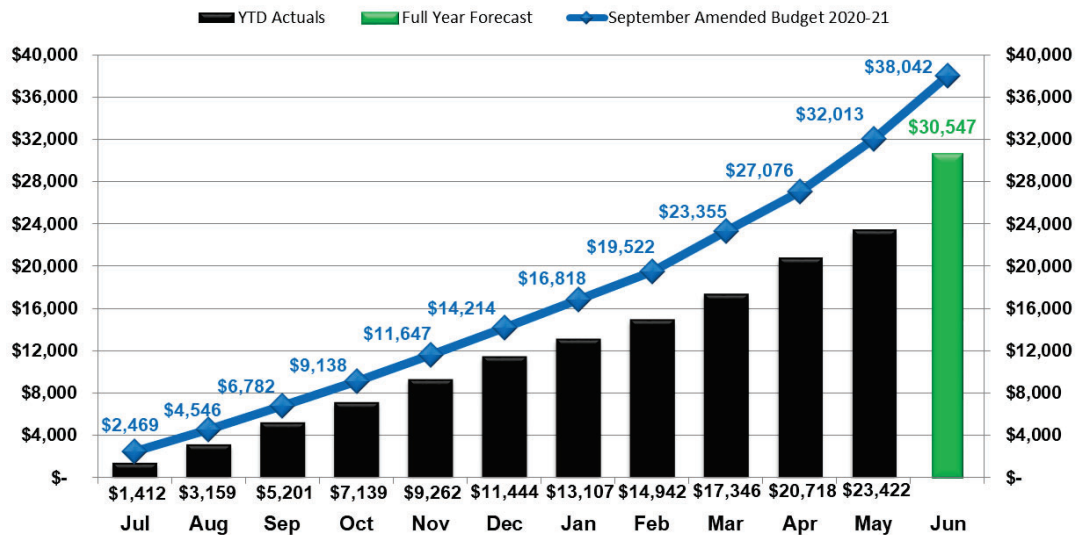
Please refer to **Section 2.4 Capital Works** for further explanation.

Monthly Financial Report – May 2021

Attachment 1

Priority Projects

Priority Projects 2020-21
Cumulative Budget vs Actual Expenditure
All Projects - \$'000



Council's year to date performance in gross priority project expenditure is \$23.42 million which is \$8.59 million below year to date budget phasing of \$32.01 million. The difference relates to timing of expenditure on various projects.

Priority projects committed expenditure as at 31 May 2021 is \$7.41 million (year to date actual and commitments equates to \$30.83 million).

Please refer to **Section 2.3 Priority Projects** for further explanation.

Monthly Financial Report – May 2021

Attachment 1

2. Financial overview

2.1 Income Statement

The year to date surplus result of \$22.07 million is \$14.53 million above the September Amended Budget surplus of \$7.54 million. The favourable result against year to date budget is due to a number of factors which are outlined below.

Year to date total recurrent and non-recurrent income is ahead of budget by \$3.27 million comprising recurrent income of (\$3.74 million) and non-recurrent income of \$7.01 million. The increase in non-recurrent income is primarily due to additional capital grants of \$4.00 million being received from the State Government North East Link project.

The year to date total recurrent and non-recurrent expenditure is \$15.17 million (\$6.58 million + \$8.59 million) below budget.

The following table includes explanations on major income and expenditure line variances over \$75,000 against the year to date budget.

Definitions

Timing (T) = Year to date expenditure or income level is less/more than anticipated in the budget phasing. Anticipated this variance will correct by end of financial year without management action.

Permanent (P) = The dollars outlined as a permanent variance are anticipated to add/reduce the end of year result.

Forecast = Where a permanent variance has been determined, an expected full year forecast variance has been noted.

Phasing = When anticipated spread of expenditure/income across the financial year is expected to be spent/received.

Year to date actual vs. year to date budget variations.

Income			
Income line	Expected variance (P)ermanent (T)iming	Explanation Year to date actual vs year to date budget variations	Full Year Forecast permanent variance from Amended Budget
Rates and charges (including waste) \$504,000	P	Higher than budgeted income: <ul style="list-style-type: none"> \$504,000 - rates and charges income, primarily in supplementary rates and interest on rates. 	\$119,000

Monthly Financial Report – May 2021

Attachment 1

Income			
Income line	Expected variance (P)ermanent (T)iming	Explanation Year to date actual vs year to date budget variations	Full Year Forecast permanent variance from Amended Budget
Statutory Fees and Fines (\$3.22 million)	P	Lower than budgeted income:	(\$3.76 million)
	P	• (\$2.64 million) - parking management income due to COVID-19 impacts.	
	P	• (\$352,000) - swimming pool and spa registration income due to COVID-19.	(\$371,000)
	P	• (\$284,000) - infringement court charges income due to COVID-19 impacts - offset with infringement court filing fees expenditure.	(\$292,000)
	P	• (\$221,000) - swimming pool and spa service fees and charges due to COVID-19.	(\$228,000)
	P	Partially offset by higher income:	
	P	• \$104,000 - tree control fines income.	\$60,000
	P	• \$97,000 - scheme control service fees and charges income.	\$70,000
User Fees (\$1.26 million)	P	Lower than budgeted income:	(\$1.02 million)
	P	• (\$770,000) - other service fees and charges, primarily in Leisure Aquatic Facilities due to lower contract payments.	
	P	• (\$613,000) - parking meter charges - fees waived due to COVID-19.	(\$924,000)
	P	Partially offset by higher income:	
	P	• \$118,000 - internal building permits income.	\$22,000
Contributions - cash \$891,000	T	Higher than budgeted income:	
	T	• \$889,000 - developers open space contributions ahead of year to date planned budget phasing.	
Rental Income (\$205,000)	T/P	Lower than budgeted income:	\$4,000
	T/P	• (\$207,000) - leasing income, primarily in sportsground income due to the waiver of all sporting club fees until 31 December 2020.	
Interest (\$438,000)	P	Lower than budgeted income:	(\$500,000)
	P	• (\$438,000) - interest on investments - due to low investment earnings that are continuing in the current environment.	

Monthly Financial Report – May 2021

Attachment 1

Expenditure			
Expense line	Expected variance (P)ermanent (T)iming	Explanation Year to date actual vs year to date budget variations	Full Year Forecast permanent variance from Amended Budget
Bad and Doubtful debts (\$162,000)	P	Higher than budgeted expenditure: <ul style="list-style-type: none"> • (\$147,000) - bad and doubtful debts primarily in Strategic and Statutory Planning. 	(\$224,000)
Amortisation - right of use assets \$609,000	P	Lower than budgeted expenditure: <ul style="list-style-type: none"> • \$592,000 - a review was undertaken of right of use assets and has been reflected in the Full Year Forecast. The favourable variance has been partially offset by increase in short term assets below in "other expenses". 	\$686,000
Other Expenses \$740,000	T/P	Lower than budgeted expenditure: <ul style="list-style-type: none"> • \$355,000 - grants and subsidies behind planned budget phasing, primarily in Senior Citizen Centre grants. 	\$45,000
	P	<ul style="list-style-type: none"> • \$288,000 - conferences and training across the organisation. 	\$261,000
	T/P	<ul style="list-style-type: none"> • \$135,000 - subscriptions and publications expenses. 	\$6,000
	T/P	<ul style="list-style-type: none"> • \$120,000 - special rates expenditure behind planned budget phasing. 	\$31,000
	T	<ul style="list-style-type: none"> • \$97,000 - internal audit fees behind planned budget phasing. 	
	P	Partially offset by higher than budgeted expenditure: <ul style="list-style-type: none"> • (\$303,000) - leased assets across the organisation that are short term (less than 12 months) or low value in nature. In accordance with the requirements of the new accounting standard AASB 16 - Leases short term or low value leases will be expensed to the income statement. 	(\$278,000)

Monthly Financial Report – May 2021

Attachment 1

Expenditure			
Expense line	Expected variance (P)ermanent (T)iming	Explanation Year to date actual vs year to date budget variations	Full Year Forecast permanent variance from Amended Budget
Materials and services \$5.40 million	P	Lower than budgeted expenditure: <ul style="list-style-type: none"> \$1.77 million - trade services - due to more people returning (post lockdown) to use Boroondara's Leisure and Aquatic Facilities earlier than initially predicted, resulting in lower support payments. 	\$1.05 million
	T/P	<ul style="list-style-type: none"> \$689,000 - professional services and advice. 	\$165,000
	T/P	<ul style="list-style-type: none"> \$658,000 - trade services expense across the organisation. 	(\$482,000)
	T/P	<ul style="list-style-type: none"> \$505,000 - specialist tree work, park tree pruning and block tree pruning in Environmental Sustainability and Open Space. 	\$130,000
	T/P	<ul style="list-style-type: none"> \$425,000 - electricity expense. 	\$168,000
	P	<ul style="list-style-type: none"> \$290,000 - infringement court filing fees, offset with infringement court charges income. 	\$292,000
	P	<ul style="list-style-type: none"> \$280,000 - petrol expense. 	\$294,000
	P	<ul style="list-style-type: none"> \$207,000 - consultant expense. 	\$27,000
	T/P	<ul style="list-style-type: none"> \$184,000 - printing expense. 	\$98,000
	T/P	<ul style="list-style-type: none"> \$182,000 - landscape contractor expense. 	\$175,000
	T/P	<ul style="list-style-type: none"> \$171,000 - postage expense. 	\$123,000
	T/P	<ul style="list-style-type: none"> \$168,000 - tipping fee expense including FOGO waste disposal. 	(\$959,000)
	T/P	<ul style="list-style-type: none"> \$132,000 - furniture maintenance. 	\$103,000
	T/P	<ul style="list-style-type: none"> \$106,000 - concrete expense. 	\$20,000
	T/P	<ul style="list-style-type: none"> \$102,000 - other rates and taxes. 	\$58,000
	T/P	<ul style="list-style-type: none"> \$92,000 - gas supply and maintenance expense. 	\$40,000
	T/P	<ul style="list-style-type: none"> \$90,000 - catering (non-staff) expense. 	\$64,000
	T/P	<ul style="list-style-type: none"> \$84,000 - legal fees expense. 	\$29,000
	T/P	<ul style="list-style-type: none"> \$76,000 - line-marking expense. 	\$50,000

Monthly Financial Report – May 2021

Attachment 1

Expenditure			
Expense line	Expected variance (P)ermanent (T)iming	Explanation Year to date actual vs year to date budget variations	Full Year Forecast permanent variance from Amended Budget
Materials and services cont. \$5.40 million	T/P	Offset by higher than budgeted expenditure:	
		• (\$799,000) - high voltage tree works in Environmental Sustainability and Open Space.	(\$290,000)
	T	• (\$193,000) - capital works in progress (items expensed due to not meeting the asset capitalisation criteria - this is a non-cash accounting entry).	
	P	• (\$190,000) - telephone, internet and data cards expense.	(\$288,000)
	T/P	• (\$188,000) - stump removal expense.	(\$169,000)
	T/P	• (\$176,000) - online subscriptions expense.	(\$154,000)
	T/P	• (\$113,000) - plumbing expense.	(\$71,000)
	P	• (\$111,000) - drainage cleaning and maintenance expense.	(\$201,000)
	T/P	• (\$99,000) - fleet excess claims expense.	(\$44,000)
	P	• (\$88,000) - asphalt expense.	(\$178,000)
	T/P	• (\$87,000) - water supply expense.	\$15,000
	T/P	• (\$82,000) - recruitment expense.	\$1,000

2.2 Balance Sheet and Cash Flow Statement

Cash and investment holdings are \$109.21 million as at 31 May 2021 which has decreased by \$5.13 million from 30 June 2020.

Total cash and investment holdings are \$40.68 million higher than year to date budget primarily due to:

- Materials and services are lower than budget due to timing of outflows \$16.79 million.
- Lower payments for property, infrastructure, plant and equipment of \$15.25 million due to timing of cash outflows relating to the capital works program.
- Capital grants are higher than budgeted \$5.37 million, primarily due to additional grant funding being received.
- Higher than budgeted rates and charges of \$1.90 million due to timing.

Partially offset by:

- Lower than budgeted user charges and other receipts from customers (\$3.31 million) due to timing and settlement of debtors.
- Lower than budgeted statutory fees and fines (\$2.95 million) primarily due to parking related income.

The Balance Sheet as at 31 May 2021 indicates a satisfactory result with total current assets of \$140.05 million and total current liabilities of \$48.76 million.

The working capital ratio of 2.87 to 1 (includes a 0.5% or \$810,000 cash contingency for emergency response works and reserve funds of \$20.89 million).

During the 2020-21 year, the city encountered storm events which amounted to forecast expenditure of \$146,000. Considering these events, the cash contingency will be reduced by this amount.

Monthly Financial Report – May 2021

Attachment 1

2.3 Priority Projects

Council's year to date performance in gross priority project expenditure is \$23.42 million which is \$8.59 million below year to date budget phasing primarily due to expenditure delays, the most significant being:

- **81084. System Development & Implementation - (\$2.90 million)**
The current favourable variance is attributed to the timing of key system implementation contracts being awarded, that are expected in the last quarter of the 2020-21 financial year. Due to this delay, this will result in a favourable variance for the end of the financial year, and is required to be carried forward as committed expenditure against existing contracts. A proposed forward commitment of \$3.31 million has been reflected in the Full Year Forecast.
- **81082. BC1 Program Resources - (\$1.79 million)**
Resource recruitment continues with new project staff on-boarded as required, however recruitment of further key resources is still to occur. Due to the delay in recruitment of key resources, a proposed forward commitment of \$561,000 has been reflected in the Full Year Forecast.
- **81081. BC1 Program Delivery Partner - (\$889,000)**
Program requirements for the services of the external delivery partner has been approved as required. A favourable variance is expected at the end of this financial year that will be carried forward as committed expenditure against the Delivery Partner contract. A proposed forward commitment of \$1.93 million has been reflected in the Full Year Forecast.
- **80968. Boroondara Customer First Delivery and project support - (\$646,000)**
Project activity remains on schedule. Due to a slight delay in Council receiving invoices based on deliverables completed, and remote working driving a reduction in onsite spend, this has resulted in a favourable variance. A proposed forward commitment of \$1.58 million has been reflected in the Full Year Forecast.
- **80955. Tree Strategy Action Plan Implementation - (\$577,000)**
Due to COVID-19, all non-essential tree renewal works scheduled for 2020-21 have been delayed. The Tree Management Guidelines are scheduled for delivery during 2021 and it is anticipated the project will be largely completed by end of 2021, with some renewal works to be completed during the 2021-22 financial year. A proposed forward commitment of \$354,000 has been reflected in the Full Year Forecast.
- **80850. Municipal Wide Heritage Assessment - (\$458,000)**
The Municipal Wide Heritage Gap Study is a five year project which has been delayed in the 2019-20 and 2020-21 financial years due to continuing COVID-19 restrictions. This specifically impacted on reporting on project milestones for the planning scheme amendments associated with the Hawthorn, Hawthorn East, Ashburton and Glen Iris heritage gap studies. The project is progressing with the final three studies of Hawthorn East, Glen Iris and Ashburton, which are at varying stages of the implementation process. A proposed forward commitment of \$328,000 has been reflected in the Full Year Forecast and is required to resource new heritage assessments prompted through community nominations for heritage protection.

Monthly Financial Report – May 2021

Attachment 1

- **81074. New Swimming Pool & Spa Building Regulations resources - (\$289,000)**
Due to COVID-19, the Victorian State Government pushed back the deadline for pool and spa owners to register their pools and spas to 1 November 2020, from the previous date of 1 June 2020. As a result, recruitment was temporarily delayed for some key resources and there has been difficulty in filling some positions due to the shortage of Registered Building Surveyors and Inspectors in Victoria. There is now only one key resource position to fill and the position will be readvertised and recruitment process will continue.

Priority projects committed expenditure as at 31 May 2021 is \$7.41 million (year to date actual and commitments equates to \$30.83 million).

Refer to **page 5 Executive overview** for graphical representation of priority projects year to date budget, actual and committed expenditure.

2.4 Capital Works

Council's year to date performance in gross capital works expenditure is \$61.14 million which is \$18.79 million behind year to date budget phasing primarily due to expenditure delays, the most significant being:

- **72769-72772. Canterbury Precinct - (\$6.74 million)**
This is a multi-year project. Contract was awarded September 2020 however there were delays in commencement of construction due to external authority approvals required to issue building permits. Construction commenced in March 2021 to renovate three existing buildings and construct a new single storey extension to the former bowls club building, including a basement carpark. Project is planned for completion mid to late 2022. Due to the delay in commencement of construction, a proposed forward commitment of \$6.53 million has been reflected in the Full Year Forecast.
- **72585. Walmer Street bridge - (\$1.80 million)**
The Heritage Council made a determination to heritage list the river bridge in December 2020 and this determination has impacted the delivery of this project to ensure the structural works maintain the heritage values. Re-design works and construction to occur in 2021-22, pending statutory approvals. A proposed forward commitment of \$2.40 million has been reflected in the Full Year Forecast.
- **72693. Hawthorn Rowing Ramp - (\$1.20 million)**
The Hawthorn Rowing Ramp is one of the most popular along the Yarra and used by local schools and the public. Council has been working with Melbourne Water (MW) as the approving authority to guide the design. MW had a number of strict conditions that required a number of additional hydraulic studies that delayed commencement of works. Approvals have now been obtained and fabrication of the pontoon offsite is almost completed. Works are scheduled for completion in September 2021.
- **71636. Roads Resheeting & 71637. Full Road Reconstruction & Kerb replacements - (\$847,000)**
Road reconstruction works are scheduled and underway after minor delays with recent COVID-19 restrictions. It is anticipated that all programmed works will be completed by the end of the financial year.
- **72768. Diversity Inclusion and Participation (DIP) Pavilion program - (\$796,000)**
Multiple individual projects sit within the broader DIP program. Contracts have recently been awarded for pavilion improvement works to increase participation in sport at Dorothy Laver Reserve East, Howard Dawson Reserve, Victoria Road Reserve and St James Park. Following requests by sports clubs to minimise disruption to football season, the works will commence in September 2021 and be completed early 2022. A proposed forward commitment of \$1.07 million has been reflected in the Full Year Forecast.
- **72901. Climate Action Plan - emissions reduction work - (\$645,000)**
Due to COVID-19 restrictions, there were delays with awarding the contract and contractors being able to access sites for investigations. The sites required substantial onsite investigations and as the contractors were not considered essential workers during COVID-19, they faced higher than expected workloads once restrictions lifted. Lighting upgrade works commenced mid-April with solar photovoltaic (PV) works due to commence in May.

Monthly Financial Report – May 2021

Attachment 1

- **72012. Shopping Centre Improvement Plan - Implementation - (\$464,000)**
Due to COVID-19 restrictions, works in shopping centres were delayed following requests from business owners. Works commenced in April 2021 with a planned completion date of August 2021. A proposed forward commitment of \$200,000 has been reflected in the Full Year Forecast.
- **72797. Rathmines Reserve - (\$442,000)**
A tender was awarded at the Council meeting held on 22 February 2021, to undertake extensive internal alterations and additions to provide four change rooms and amenities, dual Umpires Rooms, First Aid Room, enlarged social room, public toilet facilities and improved kiosk and kitchen. Construction is due to commence in June 2021 with completion anticipated in early 2022. A proposed forward commitment of \$200,000 has been reflected in the Full Year Forecast.

Project with significant expenditure over budget:

- **72607, 72686 & 72776 - Kew Recreation Centre - \$4.05 million**
This is a multi-year project. Due to COVID-19 restrictions, there was a delay in commencement of demolition works that have since been completed. Construction work commenced in early April 2021 with completion scheduled for 2023. During excavation works, a diesel pit was discovered which had contaminated a substantial amount of surrounding soil. This was not identified during the environmental or geotechnical reports conducted for the site. The volatile soil, classified as a Category A contamination, was required to be removed off site under Environmental Protection Authority Victoria regulations and has led to greater expenditure than anticipated. For 2020-21, this is expected to result in over expenditure for this project by approximately \$1.85 million.

Capital works committed expenditure as at 31 May 2021 is \$64.68 million (year to date actual and commitments equates to \$125.82 million) and includes committed expenditure for multi-year projects with the most significant being Kew Recreation Centre and Canterbury Community Precinct.

Refer to **page 4 Executive overview** for graphical representation of capital works year to date budget and actual expenditure.

Capital Works Income

Capital Works income is \$10.52 million and is \$5.70 million above year to date budget phasing of \$4.82 million primarily due to additional grant funding of \$4.00 million being received from the State Government North East Link Project to implement initiatives with the most significant being Freeway Golf Course works \$2.50 million and Balwyn Road pedestrian signals \$700,000.

Monthly Financial Report – May 2021

Attachment 1

3. Financial statements

3.1 Income Statement

	ANNUAL ORIGINAL BUDGET	YTD ACTUAL	YTD BUDGET	YTD VARIANCE	YTD VARIANCE	FULL YEAR FORECAST	ANNUAL SEPTEMBER AMENDED BUDGET	MARCH FORECAST VARIANCE
	\$'000s	(1) \$'000s	(2) \$'000s	(1) - (2) \$'000s	%	(3) \$'000s	(3) \$'000s	(3) - (4) \$'000s
Recurrent income								
Rates and charges	192,534	192,688	192,184	504	0%	192,503	192,384	119
Statutory fees and fines	14,056	6,601	9,823	(3,222)	-33%	6,692	11,182	(4,490)
User fees	11,577	7,398	8,653	(1,255)	-15%	7,847	10,089	(2,242)
Grants - operating	11,611	10,829	10,850	(21)	0%	13,385	11,053	2,332
Contributions - cash	4,424	5,654	4,763	891	19%	5,180	5,181	(1)
Contributions - non-monetary	-	29	-	29	100%	-	-	-
Rental income	2,070	1,497	1,702	(205)	-12%	1,825	1,827	(2)
Other income	2,047	1,952	1,972	(20)	-1%	1,992	2,150	(158)
Interest	1,500	478	916	(438)	-48%	500	1,000	(500)
Total recurrent income	239,819	227,126	230,863	(3,737)	-2%	229,924	234,866	(4,942)
Recurrent expenditure								
Employee costs	91,608	81,782	81,763	(19)	0%	91,570	90,779	(791)
Materials and services	70,533	59,316	64,716	5,400	8%	72,098	72,771	673
Bad and doubtful debts	1,746	931	769	(162)	-21%	1,822	1,846	24
Depreciation and amortisation ¹	37,873	32,749	32,749	-	0%	35,740	35,740	-
Amortisation - right of use assets	4,307	3,337	3,946	609	15%	3,621	4,307	686
Borrowing costs	1,342	1,233	1,233	-	0%	1,342	1,342	-
Finance costs - leases	337	295	308	13	4%	326	337	11
Other expenses	7,854	6,629	7,369	740	10%	7,756	7,848	92
Total recurrent expenditure	215,600	186,272	192,853	6,581	3%	214,275	214,970	695
Net recurrent operating surplus	24,219	40,854	38,010	2,844	7%	15,649	19,896	(4,247)
Non-recurrent income								
Priority projects income	1,046	1,818	504	1,314	261%	2,398	1,218	1,180
Capital works income	4,188	10,519	4,821	5,698	118%	13,882	6,906	6,976
Total non-recurrent income	5,234	12,337	5,325	7,012	132%	16,280	8,124	8,156
Non-recurrent expenditure								
Priority projects expenditure	33,368	23,422	32,013	8,591	27%	30,546	38,042	7,496
Total non-recurrent expenditure	33,368	23,422	32,013	8,591	27%	30,546	38,042	7,496
Net non recurrent operating surplus (deficit)	(28,134)	(11,085)	(26,688)	15,603	-58%	(14,266)	(29,918)	(15,652)
Net gain (loss) on disposal of property, infrastructure, plant and equipment	(3,474)	(7,702)	(3,783)	(3,919)	104%	(9,297)	(3,474)	(5,823)
Surplus/(Deficit) for the year ²	(7,389)	22,067	7,539	14,528	193%	(7,914)	(13,496)	5,582

Note: All numbers are rounded to the nearest thousand.

1. Depreciation and amortisation primarily relates to property, plant, equipment and infrastructure assets.
2. The year to date surplus result of \$22.07 million is \$14.53 million or 193% above the September Amended Budget of \$7.54 million primarily due to permanent timing differences for income and expenditure which have been recognised in the full year forecast. Refer to **Section 2 Financial Overview** for details on Council's financial performance.

Monthly Financial Report – May 2021

Attachment 1

3.2 Balance Sheet

	31 May 2021 \$'000	30 Jun 2020 \$'000	30 May 2020 \$'000
Current assets			
Cash and cash equivalents ¹	109,207	99,259	140,140
Other financial assets ¹	-	15,078	-
Trade and other receivables	29,632	21,347	23,550
Prepayments	1,206	1,956	1,228
Total current assets	140,045	137,640	164,918
Non-current assets			
Financial assets	4	4	4
Property, plant and equipment, infrastructure	3,573,600	3,555,629	3,413,497
Right of use assets	10,710	10,269	9,803
Intangible assets	348	348	980
Investment property	8,935	8,915	9,086
Total non-current assets	3,593,597	3,575,165	3,433,370
Total assets	3,733,642	3,712,805	3,598,288
Current liabilities			
Trade and other payables	12,978	19,125	16,119
Interest-bearing liabilities	-	1,573	-
Provisions	20,440	19,364	18,842
Trust funds and deposits	10,871	5,752	4,893
Unearned income	1,329	1,569	32
Lease liabilities	3,139	3,139	9,835
Total current liabilities	48,757	50,522	49,721
Non-current liabilities			
Provisions	2,042	2,042	1,987
Interest-bearing liabilities	23,213	23,213	24,785
Provision for investments in joint ventures	2,974	2,974	2,579
Lease liabilities	7,694	7,159	-
Total non-current liabilities	35,923	35,388	29,351
Total liabilities	84,680	85,910	79,072
Net assets	3,648,962	3,626,895	3,519,216
Equity			
Accumulated surplus	959,651	939,324	966,176
Asset revaluation reserve	2,668,425	2,668,868	2,534,337
Reserves ²	20,886	18,703	18,703
Total equity	3,648,962	3,626,895	3,519,216
Working capital ratio	2.87		

Note: All numbers are rounded to the nearest thousand.

1. Cash reflects balances in the general ledger not actual bank account balances.
2. Reserve funds comprise of Strategic Acquisition Fund (\$434,000), Open Space Development Fund (\$12.45 million) and Defined Benefits Superannuation future call up reserve (\$8.00 million).

Monthly Financial Report – May 2021

Attachment 1

3.3 Statement of Cash Flows

	ANNUAL ORIGINAL BUDGET \$'000	YEAR TO DATE			ANNUAL SEPTEMBER AMENDED BUDGET \$'000
		ACTUAL (1) \$'000	SEPTEMBER AMENDED BUDGET (2) \$'000	VARIANCE (unfav) (1) - (2) \$'000	
Cash flows from operating activities					
Rates and waste charges ¹	192,434	184,669	182,765	1,904	188,854
Statutory fees and fines ²	11,140	6,103	9,053	(2,950)	7,837
User charges and other fines ³	13,131	6,214	9,519	(3,305)	11,496
Grants - operating	13,283	12,794	12,265	529	12,867
Grants - capital ⁴	4,188	10,185	4,820	5,365	6,571
Contributions - monetary	4,424	6,139	4,767	1,372	5,516
Interest received	1,500	579	913	(334)	1,000
Other receipts	4,529	3,772	4,039	(267)	4,375
Net GST refund	15,343	14,052	15,312	(1,260)	17,257
Trust funds and deposits taken ⁵	100	5,119	-	5,119	100
Employee costs	(101,804)	(93,040)	(94,133)	1,093	(101,940)
Materials and services ⁶	(103,769)	(82,956)	(99,745)	16,789	(105,777)
Short-term, low value and variable lease payments	(616)	(716)	(561)	(155)	(616)
Other payments	(7,875)	(6,904)	(7,526)	622	(8,057)
Net cash provided by/(used in) operating activities	46,008	66,011	41,488	24,523	39,483
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment ⁷	(82,053)	(64,688)	(79,936)	15,248	(88,364)
Proceeds from sale of property, plant and equipment	1,570	38	-	38	1,570
Net cash used in investing activities	(80,483)	(64,650)	(79,936)	15,286	(86,794)
Cash flows from financing activities					
Finance costs	(1,342)	(1,362)	(1,322)	(40)	(1,342)
Repayment of borrowings	(1,572)	(1,573)	(1,572)	(1)	(1,572)
Interest paid - lease liability	(337)	(296)	(309)	13	(337)
Repayment of lease liabilities	(4,536)	(3,260)	(4,158)	898	(4,536)
Net cash provided by (used in) financing activities	(7,787)	(6,491)	(7,361)	870	(7,787)
Net increase (decrease) in cash and cash equivalents	(42,262)	(5,130)	(45,809)	40,679	(55,098)
Cash and cash equivalents at beginning of year	107,456	114,337	114,337	-	114,337
Cash and cash equivalents at end of year	65,194	109,207	68,528	40,679	59,239

Note: All numbers are rounded to the nearest thousand.

1. Rates and waste charges are higher than budget \$1.90 million due to timing.
2. Lower than budgeted statutory fees and fines (\$2.95 million) primarily due to parking related income.
3. Lower than budgeted user charges and other receipts from customers (\$3.31 million) due to timing and settlement of debtors.
4. Higher than budgeted capital grants received of \$5.37 million due to additional grants being received during the year.
5. Trust funds and deposits includes the fire services property levy received which relates to the timing of fire services property levy and levy interest amounts received and subsequently remitted to the State Revenue Office (SRO) which are to be made in four payments in accordance with Section 41(1) of the FSPL Act. An instalment is due and payable to the Commissioner of State Revenue 28 days after the due date of rates instalments. Levy monies are to be remitted to the SRO by the following dates each financial year - 28 October; 28 December; 28 March; and 28 June.
6. Materials and services are lower than budget due to timing of outflows \$16.79 million.
7. Payments for property, plant and equipment differs from that presented in the capital works statement due to settlement of the 30 June 2020 creditors and forward commitment expenditure. Works delivered in the 2019-20 financial year have previously been brought to account and accrued against the 2019-20 capital works statement.

Monthly Financial Report – May 2021

Attachment 1

3.4 Capital Works expenditure by asset group

	ANNUAL ORIGINAL BUDGET	YTD ACTUAL (1)	YTD BUDGET (2)	YTD VARIANCE (1) - (2)	YTD VARIANCE %	COMMIT	FULL YEAR FORECAST (3)	ANNUAL SEPTEMBER AMENDED BUDGET (3)	FULL YEAR FORECAST VARIANCE (3) - (4)
	\$'000s	\$'000s	\$'000s	\$'000s	%	\$'000s	\$'000s	\$'000s	\$'000s
Infrastructure									
Bridges	2,463	7	1,863	1,856	100%	-	36	2,463	2,427
Drainage	4,395	3,706	5,380	1,674	31%	668	5,461	5,651	190
Footpaths and cycleways	2,982	2,244	2,911	667	23%	170	3,187	3,073	(114)
Off street carparks	664	525	635	110	17%	62	930	681	(249)
Parks, open space and streetscapes	7,996	3,621	5,638	2,017	36%	1,121	7,634	6,956	(678)
Recreational, leisure & com facilities	2,771	2,171	4,383	2,212	50%	1,418	6,323	4,455	(1,868)
Roads	10,283	9,323	10,598	1,275	12%	859	12,520	11,486	(1,034)
Total Infrastructure	31,554	21,597	31,408	9,811	31%	4,298	36,091	34,765	(1,326)
Plant and Equipment									
Computers and telecommunications	1,744	776	1,777	1,001	56%	210	1,460	1,922	462
Fixtures, fittings and furniture	1,623	310	1,534	1,224	80%	445	1,685	1,705	20
Library books	985	676	887	211	24%	93	835	985	150
Plant machinery and equipment	1,627	2,533	2,652	119	4%	105	2,783	2,711	(72)
Total Plant and Equipment	5,979	4,295	6,850	2,555	37%	853	6,763	7,323	560
Property									
Building	14,576	9,508	12,439	2,931	24%	4,091	12,183	14,108	1,925
Building improvements	311	290	335	45	13%	-	332	335	3
Major Projects	29,632	25,454	28,904	3,450	12%	55,437	24,488	31,833	7,345
Total Property	44,519	35,252	41,678	6,426	15%	59,528	37,003	46,276	9,273
Total capital works expenditure	82,052	61,144	79,936	18,792	24%	64,679	79,857	88,364	8,507
Represented by:									
Asset renewal expenditure	50,649	40,304	49,247	8,943	18%	37,042	52,885	53,545	660
Asset upgrade expenditure	5,451	1,822	6,319	4,497	71%	1,104	4,279	7,073	2,794
New asset expenditure	17,009	10,726	13,772	3,046	22%	18,562	13,820	15,562	1,742
Asset expansion expenditure	8,943	8,292	10,598	2,306	22%	7,971	8,873	12,184	3,311
Total capital works expenditure	82,052	61,144	79,936	18,792	24%	64,679	79,857	88,364	8,507

Note: All numbers are rounded to the nearest thousand.