

7.4 May 2022 Monthly Financial Report

Executive Summary

Purpose

The purpose of this report is to provide Council the Monthly Financial Report for May 2022. The Monthly Financial Report is designed to identify and explain major variances at an organisational level and is provided in **Attachment 1**.

Background

The year to date annual budget referred to in this report reflects the October 2021 Amended Budget, approved by Council on 25 October 2021 which includes the carry forward funding for 2020-21 priority projects and capital works forward commitments.

The 2021-22 Full Year Forecast reflects the final result of the full year review of the annual financials to be undertaken during the year.

Key Issues

Year to date actuals vs. October Amended Budget

Council's favourable operating result against year to date budget of \$39.04 million is \$20.10 million or 106% above the October Amended Budget of \$18.94 million primarily due to a number of factors which are outlined in **Section 2 of Attachment 1 - Financial Overview**.

Capital works actual expenditure is \$62.80 million which is \$19.58 million below year to date budget phasing of \$82.38 million. Year to date actual and commitments as at 31 May 2022 equates to \$105.69 million and includes committed expenditure for multi-year projects with the most significant being Kew Recreation Centre and Canterbury Community Precinct.

Priority projects expenditure of \$21.68 million is \$13.76 million below year to date budget phasing of \$35.44 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 \$109.85 million or \$54.01 million above year to date budget.

Officers' recommendation

That Council resolve to receive and note the Monthly Financial Report for May 2022 (**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 2022. 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 Boroondara Community Plan 2021-31, incorporating the 10-year Community Vision, Council Plan 2021-25 and Municipal Public Health and Wellbeing Plan 2021-25 (MPHWP). In particular, the Council Plan theme of Leadership & Governance and the strategy "Resources are responsibly allocated and used through sound financial and asset planning, procurement and risk management practices".

3. Background

The year to date annual budget referred to in this report reflects the October 2021 Amended Budget, approved by Council on 25 October 2021 which includes the carry forward funding for 2020-21 priority projects and capital works forward commitments.

The 2021-22 Full Year Forecast reflects the final result of the full year review of the annual financials to be undertaken during the year.

4. Outline of key issues/options

Year to date actual vs. year to date October Amended Budget

The favourable operating result against year to date budget of \$39.04 million is \$20.10 million or 106% above the October Amended Budget of \$18.94 million primarily due to a number of factors which are outlined in **Section 2 Financial Overview**.

Full year forecast vs. October Amended Budget

The 2021-22 Full Year Forecast of \$6.60 million represents an increase in the surplus result by \$7.33 million compared to the October 2021 Amended Budget deficit of (\$735,000).

Whilst the current forecast position indicates an improved surplus outcome, COVID-19 continues to cause unfavourable financial impacts on Council's revenue streams primarily in user fees and statutory fees and charges.

Balance Sheet and Cash Flow Statement

Cash and investment holdings are \$109.85 million as at 31 May 2022, or \$54.01 million higher than year to date budget of \$55.84 million. This represents an increase of \$14.90 million from 30 June 2021.

The Balance Sheet as at 31 May 2022 indicates a satisfactory result with total current assets of \$138.12 million and total current liabilities of \$71.07 million.

Please refer to **page 10** of **Attachment 1** for further detail.

Capital Works

Council's year to date performance in gross capital works expenditure is \$62.80 million which is \$19.58 million below year to date budget phasing of \$82.38 million. Year to date actual and commitments as at 31 May 2022 equates to \$105.69 million and includes committed expenditure for multi-year projects with the most significant being Kew Recreation Centre and Canterbury Community Precinct.

Priority Projects

Council's year to date performance in gross priority project expenditure is \$21.68 million which is \$13.76 million below year to date budget phasing of \$35.44 million (year to date actual and commitments as at 31 May 2022 equates to \$45.23 million).

Refer to page **3 and 4 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: **Amy Montalti, Chief Financial Officer**

Report officer: Sapphire Allan, Coordinator Management Accounting

Attachment 1

City of Boroondara

Monthly Financial Report

May
2022




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1. Executive Overview

1.1 Introduction and overview

The Monthly Performance Report for May 2022 has been prepared in accordance with Australian Accounting Standards.

This monthly report is designed to identify major variations against the October 2021 Amended Budget at an organisational level.

The year to date and annual budget referred to in this report reflects the October 2021 Amended Budget approved by Council on 25 October 2021 which includes the carry forward funding for final 2020-21 priority projects and capital works forward commitments.

The 2021-22 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 OCTOBER AMENDED BUDGET (3)	FORECAST VARIANCE (3) - (4)	STATUS FULL YEAR VARIANCE
	\$'000	\$'000	\$'000	\$'000	%		\$'000	\$'000	\$'000	
Surplus/(Deficit) for the year	9,012	39,035	18,939	20,096	106%	✓	6,599	(735)	7,334	✓
Recurrent income	253,495	242,641	239,968	2,673	1%	✓	244,929	243,851	1,078	✓
Recurrent expenditure	219,827	186,502	195,117	8,615	4%	✓	219,276	221,267	1,991	✓
Capital works										
Expenditure *	101,586	62,800	82,385	19,585	24%	✓	91,841	99,690	7,849	✓
Priority projects										
Expenditure *	32,061	21,679	35,440	13,761	39%	✓	33,912	39,639	5,727	✓
Closing cash and investments **	103,278	109,846	55,833	54,013	97%	✓	111,715	100,065	11,650	✓

* Please refer to page 11-12 and 13-14 for further explanation of variances.

** Please refer to page 10 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 2022 is satisfactory with a working capital ratio of 1.94 to 1 (including cash contingency for emergency response works and reserve funds of \$22.47 million).

Surplus Result

Year to date actual vs. October Amended Budget

The favourable operating result against year to date budget of \$39.04 million is \$20.10 million or 106% the October Amended Budget of \$18.94 million primarily due to a number of factors which are outlined in **Section 2 Financial Overview**.

Full Year Forecast vs. October Amended Budget

The 2021-22 Full Year Forecast of \$6.60 million represents an increase in the surplus result by \$7.33 million compared to the October 2021 Amended Budget deficit of (\$735,000).

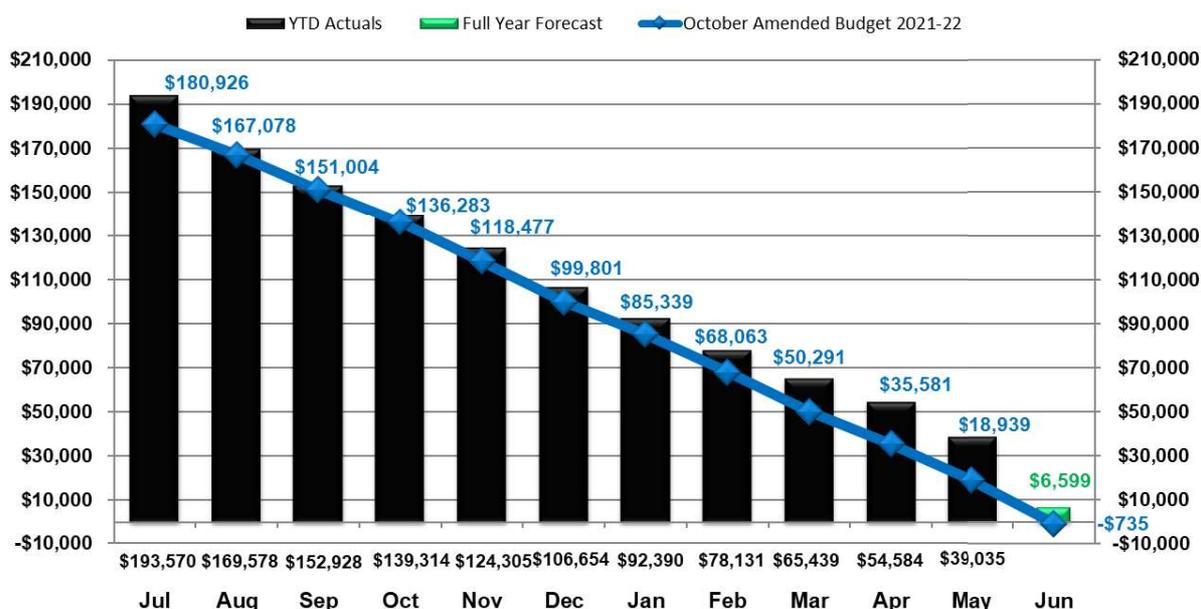
The full year forecast result is the subject of an extensive review undertaken with departments during the March quarter. Council’s 2021-22 initial financial position was heavily influenced by early COVID-19 impacts and Council officers continue to closely monitor the impacts on the financial position for the remainder of 2021-22.

Whilst the current forecast position indicates an improved surplus outcome, COVID-19 continues to cause unfavourable financial impacts on Council’s revenue streams primarily in user fees and statutory fees and charges. The 2021-22 full year forecast result estimates a further \$2.39 million reduction in budgeted revenue compared to the October 2021 Amended Budget bringing the total estimated net loss of recurrent operating revenue and expenditure impacts for the year to \$12.96 million.

The Victorian Local Government Grants Commission (VLGGC) has advised that approximately 75% of the 2022-23 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 \$3.93 million (75% of the 2022-23 VLGGC funding) brought forward payment.

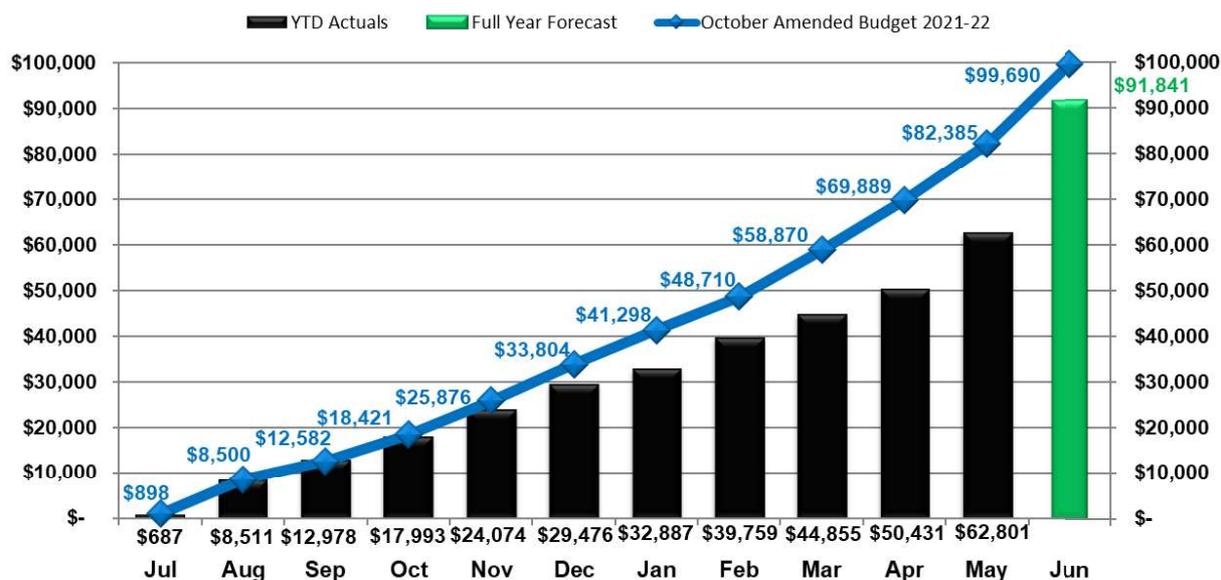
Please refer to the graphical representation below of actual year to date surplus result versus the October Amended Budget.

Surplus/(Deficit) Result 2021-22
Surplus Result vs October Amended Budget \$'000



Capital Works

**Capital Works Projects 2021-22
Cumulative Budget vs Actual Expenditure
All Projects - \$'000**



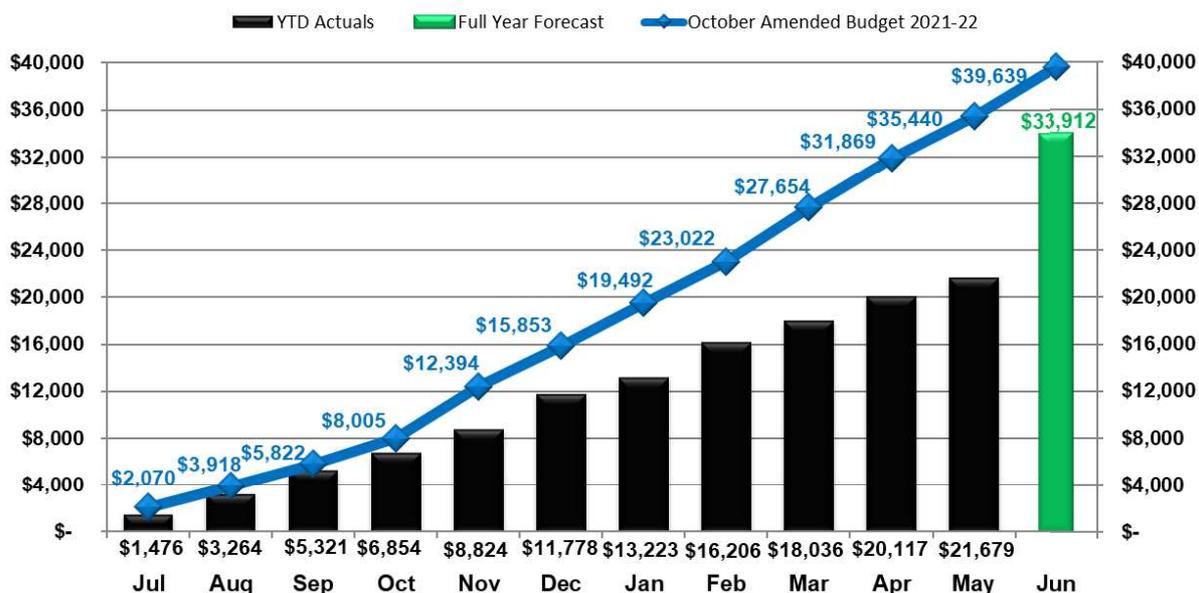
Council's year to date performance in gross capital works expenditure is \$62.80 million which is \$19.58 million below year to date budget phasing of \$82.38 million.

Capital works committed expenditure as at 31 May 2022 is \$42.89 million (year to date actual and commitments equates to \$105.69 million) and includes committed expenditure for 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.

Priority Projects

**Priority Projects 2021-22
Cumulative Budget vs Actual Expenditure
All Projects - \$'000**



Council's year to date performance in gross priority project expenditure is \$21.68 million which is \$13.76 million below year to date budget phasing of \$35.44 million.

Priority projects committed expenditure as at 31 May 2022 is \$23.55 million (year to date actual and commitments equates to \$45.23 million).

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

2. Financial overview

2.1 Income Statement

The year to date surplus result of \$39.04 million is \$20.10 million above the October Amended Budget surplus of \$18.94 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 below budget by (\$1.15 million) comprising recurrent income of \$2.67 million above budget and non-recurrent income of (\$3.82 million) below budget, while year to date total recurrent and non-recurrent expenditure is \$22.38 million (\$8.62 million + \$13.76 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) \$524,000	P	Higher than budgeted income: <ul style="list-style-type: none"> \$540,000 - rates and charges income, primarily in interest on rates. 	\$75,000

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 \$293,000	T/P	Higher than budgeted income: <ul style="list-style-type: none"> \$515,000 - parking management income. \$318,000 - street furniture permits income - COVID-19 fee relief ended 31st March 2022 and decision was made to restart all existing permits on a new annual cycle. \$115,000 - tree control fines income. Partially offset by lower than budgeted income: <ul style="list-style-type: none"> (\$299,000) - lodgement fee income, primarily in scheme control income. (\$287,000) - trade permits income. (\$98,000) registrations income. 	(\$66,000)
	P		\$40,000
	P		(\$100,000)
	T		(\$372,000)
User fees (\$882,000)	T/P	Lower than budgeted income: <ul style="list-style-type: none"> (\$412,000) - other service fees and charges, primarily in general waste due to reduced usage in the transfer station during COVID-19 restrictions. (\$302,000) - lodgement fees, primarily in swimming pool and spa registrations income. (\$252,000) - fines income, primarily in revenue and property services. (\$118,000) - other charges income, primarily in green waste due to reduced usage in the transfer station during COVID-19 restrictions. Partially offset by higher than budgeted income: <ul style="list-style-type: none"> \$187,000 - parking meter charges. \$80,000 - statutory siting fees. 	(\$1.59 million)
	P		(\$310,000)
	P		(\$250,000)
	P		(\$140,000)
	P		(\$50,000)
Grants - operating \$3.98 million	P	Higher than budgeted income: <ul style="list-style-type: none"> \$3.93 million - grants operating - primarily due to 75% of the Victorian Local Government Grants Commission (VLGGC) 2022-23 funding allocation brought forward to the current financial year. 	\$3.93 million
Contributions Cash (\$1.13 million)	T	Lower than budgeted income: <ul style="list-style-type: none"> (\$1.14 million) - developers open space contributions behind year to date planned budget phasing. 	

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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
Rental income \$88,000	T	Higher than budgeted income: <ul style="list-style-type: none"> \$98,000 - leasing income, primarily in the Hawthorn Arts Centre. 	(\$244,000)
Other Income (\$200,000)	T/P	Lower than budgeted income: <ul style="list-style-type: none"> (\$288,000) - fresh food market cost reimbursements 	
	T	Partially offset by higher than budgeted income: <ul style="list-style-type: none"> \$123,000 - asset protection income. 	\$23,000

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
Employee costs \$1.81 million	P	Lower than budgeted expenditure: <ul style="list-style-type: none"> \$4.05 million - salaries and associated costs primarily due to staff vacancies across the organisation. 	\$3.18 million
	T/P	<ul style="list-style-type: none"> \$183,000 - fringe benefits tax expense across the organisation. 	\$37,000
	P	<ul style="list-style-type: none"> \$123,000 - apprentices and traineeships across the organisation. 	\$118,000
	P	Partially offset by higher than budgeted expenditure: <ul style="list-style-type: none"> (\$1.96 million) - temporary staff filling vacancies across the organisation. 	(\$1.82 million)
	P	<ul style="list-style-type: none"> (\$643,000) - overtime, casuals and relievers filling vacancies across the organisation. 	(\$401,000)
Amortisation - right of use assets \$505,000	P	Lower than budgeted expenditure: <ul style="list-style-type: none"> \$489,000 - 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". 	\$553,000

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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 \$333,000	T	Lower than budgeted expenditure: <ul style="list-style-type: none"> \$385,000 - bad and doubtful debts expense primarily in parking management. 	(\$133,000)
Other expenses \$354,000	T/P	Lower than budgeted expenditure: <ul style="list-style-type: none"> \$375,000 - grants and subsidies behind planned budget phasing, primarily in Senior Citizen Centre grants. 	\$324,000
	T/P	<ul style="list-style-type: none"> \$237,000 - conferences and training across the organisation. 	\$153,000
	P	Partially offset by higher than budgeted expenditure: <ul style="list-style-type: none"> (\$349,000) - 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. 	(\$398,000)
Materials and services \$5.56 million	T/P	Lower than budgeted expenditure: <ul style="list-style-type: none"> \$940,000 - waste recycling disposal expense. \$770,000 - professional services and advice expense. \$644,000 - licencing and maintenance contracts expense. \$539,000 - specialist tree work, high voltage works and block tree pruning in Environmental Sustainability and Open Space. \$408,000 - application support expense. \$400,000 - trade services expense across the organisation. \$356,000 - capital works in progress (items expensed due to not meeting the asset capitalisation criteria - this is a non-cash accounting entry). 	\$836,000
	T/P		(\$138,000)
	T/P		\$2,000
	T/P		\$196,000
	T		(\$290,000)
	T/P		
T			

Monthly Financial Report – May 2022

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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 \$5.56 million cont.	T/P	Lower than budgeted expenditure: <ul style="list-style-type: none"> • \$329,000 - legal fees expense. • \$226,000 - tipping fees expense. • \$206,000 - consultants expense. • \$196,000 - postage expense. • \$195,000 - landscape contractor expense. • \$190,000 - fleet excess claims expense. • \$169,000 - painting expense. • \$147,000 - stump removal expense. • \$134,000 - printing expense. • \$129,000 - telephone, internet and data sim cards. • \$127,000 - line marking expense. • \$124,000 - non-staff catering expense. • \$122,000 - other rates and taxes expenses. • \$118,000 - electricity expense. • \$116,000 - concrete expenses. • \$104,000 - gas supply and maintenance expense. • \$96,000 - mechanical equipment maintenance expense. • \$91,000 - petrol expense. • \$83,000 - externally managed facilities operation expense. • \$80,000 - catering expenses. • \$79,000 - photocopying expenses. • \$78,000 - promotional expenses. • \$77,000 - catering (staff and celebratory functions expense. • \$76,000 - carpentry expenses. Offset by higher than budgeted expenditure: <ul style="list-style-type: none"> • (\$1.20 million) - trade services - Boroondara's Leisure and Aquatic Facilities payments. • (\$302,000) - recruitment costs expense. • (\$265,000) - plumbing services expense. • (\$248,000) - drainage cleaning and maintenance expense. • (\$162,000) - building cleaning expense. • (\$114,000) - security and cash collection expense. • (\$101,000) - distillate expense. 	\$156,000
	P		\$377,000
	T/P		(\$281,000)
	T/P		\$147,000
	T/P		\$70,000
	T/P		\$184,000
	T/P		\$29,000
	P		\$150,000
	P		\$141,000
	T/P		\$41,000
	T/P		\$88,000
	T/P		\$81,000
	T/P		(\$1,000)
	P		\$259,000
	T		(\$310,000)
	T/P		\$72,000
	P		\$54,000
	T/P		\$112,000
	T/P		\$77,000
	T/P		\$46,000
	T/P		\$38,000
	T/P		\$24,000
	T/P		\$24,000
	T		
	P		(\$1.20 million)
	T/P		(\$240,000)
	T/P		(\$163,000)
P	(\$231,000)		
P	\$6,000		
P	(\$32,000)		
P	\$36,000		

2.2 Balance Sheet and Cash Flow Statement

Cash and investment holdings are \$109.85 million as at 31 May 2022 which has increased by \$14.90 million from 30 June 2021.

Total cash and investment holdings are \$54.01 million higher than year to date budget primarily due to:

- Lower payments for property, infrastructure, plant and equipment of \$20.79 million due to timing of cash outflows relating to the capital works program.
- Lower than budgeted materials and services of \$20.19 million due to timing of cash outflows.
- Higher than budgeted rates and charges \$8.02 million due to timing of rates receivables.
- Grants - operating higher than budget \$2.59 million due to 75% of the 2022-23 Victorian Local Government Grants Commission (VLGGC) allocation being received in May 2022.
- Employee costs are lower than budgeted primarily due to staff vacancies across the organisation.

Partially offset by:

- Capital Grants lower than budget (\$4.67 million) due to timing and being behind planned budget phasing.
- Lower than budgeted user charges and other receipts from customers of (\$1.24 million) due to timing and settlement of debtors.

The Balance Sheet as at 31 May 2022 indicates a satisfactory result with total current assets of \$138.12 million and total current liabilities of \$71.07 million.

The working capital ratio of 1.94 to 1 (includes a 0.5% or \$830,000 cash contingency for emergency response works and reserve funds of \$22.47 million) reflects the increase in current debtors resulting from the striking of the rates which will reduce by 30 June 2022 as Council funds its operating programs and capital works. The rate debt will be repaid over the remainder of the financial year in accordance with the payment options chosen by ratepayers.

During the 2021-22 year, the city encountered severe winds bringing down trees and causing damage across a number of Council locations. Actual expenditure as at 31 May 2022 is \$702,000. Considering these events, the cash contingency will be reduced by this amount.

2.3 Priority Projects

Council's year to date performance in gross priority project expenditure is \$21.68 million which is \$13.76 million below year to date budget phasing of \$35.44 million, primarily due to expenditure delays, the most significant being:

- **81084 - System Development and Implementation- \$6.44 million**
This is a multi-year project. This variance has arisen due to a delay completing negotiations for the core applications system implementation work that is part of the Transforming Boroondara program. Negotiations are now complete, and work has commenced. Works will be accelerated, and the variance is expected to be reduced by the end of the 2021-22 financial year. A proposed forward commitment of \$3.79 million has been reflected in the Full Year Forecast.
- **81082 - BC1 Program Resources - \$2.78 million**
The current variance is predominately attributed to recruitment for roles across the program taking longer in the COVID-19 environment. Alternative resourcing arrangements have been used to fill gaps where appropriate. In addition, some resourcing commitments have been deferred due to the later than expected start of the core systems implementation work.
- **81033 - Energy Safe Victoria (ESV) power line clearance program - \$1.26 million**
The considerable underspend has been caused by a combination of factors including: the off-cycle pruning program costing around half of what was forecasted due to lower numbers of trees requiring pruning and engineering solutions being delayed due to lack of progress with powerline companies. The cyclic removals program has been delayed until 2022-23 due to the lack of contractor capacity and higher risk works taking priority. The Energy Safe Victoria audit has been delayed, and it is anticipated that compliance works will be completed in the 2022-23 financial year. A proposed forward commitment of \$317,000 has been reflected in the Full Year Forecast.
- **80931 - North East Link - \$1.00 million**
The North East Link (NEL) is a multi-year project expected to be completed by 2028. The project has been delayed due to COVID-19 related shutdowns across the construction sector, as well as the North East Link Program amending the design and delivery program and schedule, which has resulted in less expenditure than anticipated.
- **80968 - Boroondara Customer First Delivery and project support- \$605,000**
This is a multi-year project. The current variance is a result of deferral of contract spending relating to the Transforming Boroondara program. Carry forward into the 2022-23 financial year is now expected, although the project schedule has not been impacted.
- **80955. Tree Strategy Action Plan Implementation - \$513,000**
Tree renewal projects have undergone a more extensive consultation program than originally anticipated, delaying their implementation. Works will now be completed by October 2022. A proposed forward commitment of \$694,000 has been reflected in the Full Year Forecast.

- **81026 - Placemaking Implementation - \$407,000**
Placemaking coordination and implementation for Camberwell Junction, Glenferrie and Maling Road placemaking projects have experienced notable delays, resulting from the Federal Government decision to withdraw funding for commuter parking projects. Revisions are being made in regard to the vision for Camberwell Junction, the draft place plan for Glenferrie and key projects within the adopted Maling Road place plan, and this work will continue into the 2022-23 financial year.
- **80977 - Enterprise Change and Communications - \$387,000**
Project activity is currently on schedule. The variance is attributed to recruitment of roles in the program's change and governance teams which is currently being undertaken. This variance is expected to reduce as resources are on-boarded.

Priority projects committed expenditure as at 31 May 2022 is \$23.54 million (year to date actual and commitments equates to \$45.22 million).

Refer to **page 4 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 \$62.80 million which is \$19.58 million below year to date budget phasing of \$82.38 million, primarily due to expenditure delays, the most significant being:

- **71636 & 71637 - Roads Resheeting and Full Road Reconstruction and Kerb Replacements - \$1.89 million**
Road resheeting and refurbishment works are behind schedule due to an industry shortage of available contract crews. It is now anticipated that the overall program will be completed by August 2022. It is anticipated that a carry forward will be required for this project at year end.
- **72769, 72770, 72771 & 72772 - Canterbury Community Precinct - \$1.34 million**
This is a multi-year project. There have been a number of COVID-19 restrictions, with most recent being supply chain delays in steel that have resulted in the works program being slightly delayed. The delayed program will extend the work scheduled, however the project is anticipated to remain on schedule for stage 1 works completion by late 2022, and stage 2 works extended to early 2023. A proposed forward commitment of \$2.00 million has been reflected in the Full Year Forecast.
- **72915 - Freeway Golf course reconfiguration works - \$1.19 million**
Works are slightly behind schedule due to delays in relocation of the Yarra East Main Sewer due to limited access to the site. Majority of the physical works have been completed to enable grass to establish prior to reopening the golf course in late 2022.
- **72712 - Willsmere Park Pavilion- \$1.03 million**
This is a multi-year project. Design and broader consultation has been delayed due to site constraint challenges, resulting in higher than anticipated costs. The resulting design and community consultation will extend the design program until early 2023. A proposed forward commitment of \$1.12 million has been reflected in the Full Year Forecast.
- **72836 - Victoria Park regional playground - \$957,000**
This is a multi-year project and construction is well advanced. The project is tracking slightly behind forecast due to weather and delays in supply of equipment. It is anticipated that a carry forward will be required for this project at year end with completion now scheduled for late July 2022.
- **72585 - Walmer Street bridge - \$830,000**
Walmer Street Bridge has been delayed due to external statutory approvals to ensure heritage and environmental values are protected. Works are anticipated to commence July-August 2022.
- **72901 - Climate Action Plan - emissions reduction work - \$814,000**
This is a multi-year project. A variety of projects are scheduled in accordance with the Climate Action Plan Implementation and were due to be delivered in the 2021-22 financial year. Key projects include further solar panel installations on Council facilities and electric charging stations in Council owned public car parks for community use. However, some of these initiatives have now been delayed due to impacts of COVID-19 and contractor availability. It is anticipated that a carry forward will be required for this project at year end, with all projects to be completed early in the 2022-23 financial year.

- **72939 - Concrete Drain relining - \$777,000**
Concrete drain relining was impacted with COVID-19 related delays in shipping of materials. With supply chain issues continuing, the program is anticipated that a carry forward will be required for this project at year end with completion scheduled for September 2022.
- **72693 - Hawthorn Rowing Ramp - \$769,000**
This is a multi-year project. Manufacture of the pontoon is completed, with installation works delayed due to the availability of specialised contractors. A carry forward is now anticipated for this project at year end with the installation now scheduled for July 2022 and works being completed by August 2022.
- **71794 - Future Information Technology expenditure - \$603,000**
Works have been delayed due to COVID-19 restrictions, which also continues to impact supply chains and limit the availability of equipment, and therefore impact on the progress of the program. There is expected to be an underspend at the end of the 2021-22 financial year.
- **72918 - Balwyn Pedestrian operated signals - \$564,000**
This is a multi-year project. Funding was confirmed and received from the North East Link Project in early 2021. Officers commenced working on the project in line with the Department of Transport's (DoT's) requirements to deliver this project. In principle approval has been received from the DoT and the detailed design, including tender documentation is due to be completed by June 2022. Installation of the pedestrian signals is expected to commence in late 2022. A proposed forward commitment of \$400,000 has been reflected in the Full Year Forecast.
- **72863 - Fordham Avenue Kindergarten - \$559,000**
Works have been delayed to accommodate the kindergartens requirements for staged works to be delivered over multiple term holidays over 12 months. The final packaged works will be completed in the summer holidays in late 2022 to early 2023. This staged approach minimises disruption to the kindergartens program. A proposed forward commitment of \$850,000 has been reflected in the Full Year Forecast.
- **72665 - Library IT Hardware Renewal- \$517,000**
The renewal project has been considerably delayed due to the impacts of COVID-19 and associated limited availability of products and equipment. As a result, with the project progressing slower than anticipated, it is likely to continue over the next couple of financial years. Further underspend is expected for the 2021-22 financial year due to limited contractor availability and will need to be carried forward. A proposed forward commitment of \$500,000 has been reflected in the Full Year Forecast.

Capital works committed expenditure as at 31 May 2022 is \$42.89 million (year to date actual and commitments equates to \$105.69 million).

Refer to **page 3 Executive overview** for graphical representation of capital works year to date budget and actual expenditure.

Monthly Financial Report – May 2022

Attachment 1

3. Financial statements

3.1 Income Statement

	ANNUAL ORIGINAL BUDGET	YTD ACTUAL (1)	YTD BUDGET (2)	YTD VARIANCE (1) - (2)	YTD VARIANCE %	FULL YEAR FORECAST (3)	ANNUAL OCTOBER AMENDED BUDGET (3)	FULL YEAR FORECAST VARIANCE (3) - (4)
	\$'000s	\$'000s	\$'000s	\$'000s	%	\$'000s	\$'000s	\$'000s
Recurrent income								
Rates and charges	199,247	199,922	199,398	524	0%	199,484	199,398	86
Statutory fees and fines	16,515	10,029	9,736	293	3%	10,166	10,648	(482)
User fees	15,751	8,502	9,384	(882)	-9%	8,951	11,164	(2,213)
Grants - operating	11,227	15,413	11,437	3,976	35%	15,690	11,630	4,060
Contributions - cash	5,150	3,987	5,115	(1,128)	-22%	5,565	5,576	(11)
Rental income	2,690	2,228	2,140	88	4%	2,160	2,450	(290)
Other income	2,415	2,329	2,529	(200)	-8%	2,696	2,735	(39)
Interest	500	231	229	2	1%	217	250	(33)
Total recurrent income	253,495	242,641	239,968	2,673	1%	244,929	243,851	1,078
Recurrent expenditure								
Employee costs	93,353	79,746	81,558	1,812	2%	92,243	93,499	1,256
Materials and services	73,270	60,591	66,153	5,562	8%	73,702	73,951	249
Bad and doubtful debts	1,790	773	1,106	333	30%	2,643	2,510	(133)
Depreciation and amortisation ¹	37,023	34,040	34,040	-	0%	37,149	37,149	-
Amortisation - right of use assets	4,095	3,247	3,752	505	13%	3,542	4,095	553
Borrowing costs	2,121	1,148	1,148	-	0%	2,121	2,121	-
Finance costs - leases	341	263	312	49	16%	290	342	52
Other expenses	7,834	6,694	7,048	354	5%	7,586	7,600	14
Total recurrent expenditure	219,827	186,502	195,117	8,615	4%	219,276	221,267	1,991
Net recurrent operating surplus	33,668	56,139	44,851	11,288	25%	25,653	22,584	3,069
Non-recurrent income								
Priority projects income	2,233	1,874	2,279	(405)	-18%	2,267	3,129	(862)
Capital works income	7,935	3,833	7,249	(3,416)	-47%	16,290	15,954	336
Total non-recurrent income	10,168	5,707	9,528	(3,821)	-40%	18,557	19,083	(526)
Non-recurrent expenditure								
Priority projects expenditure	32,061	21,679	35,440	13,761	39%	33,912	39,639	5,727
Total non-recurrent expenditure	32,061	21,679	35,440	13,761	39%	33,912	39,639	5,727
Net non recurrent operating surplus (deficit)	(21,893)	(15,972)	(25,912)	9,940	-38%	(15,355)	(20,556)	(5,201)
Net gain (loss) on disposal of property, infrastructure, plant and equipment	(2,763)	(1,132)	-	(1,132)	100%	(3,699)	(2,763)	(936)
Surplus/(Deficit) for the year ²	9,012	39,035	18,939	20,096	106%	6,599	(735)	7,334

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 \$39.04 million as per the budget is due to the striking of full year annual rates in August 2021. The surplus result will reduce over the course of the year as Council delivers services to the community. In addition, the favourable result against year to date budget of \$20.10 million or 106% is due to timing differences for income and expenditure. Refer to Section 2 Financial Overview for details on Council's financial performance.

Monthly Financial Report – May 2022

Attachment 1

3.2 Balance Sheet

	31 May 2022	30 Jun 2021	31 May 2021
	\$'000	\$'000	\$'000
Current assets			
Cash and cash equivalents ¹	109,846	82,942	109,129
Other financial assets ¹	-	12,009	-
Trade and other receivables	26,978	24,562	29,710
Prepayments	1,296	2,682	1,206
Total current assets	138,120	122,195	140,045
Non-current assets			
Financial assets	4	4	4
Property, plant and equipment, infrastructure	4,063,434	4,038,119	3,573,601
Right of use assets	8,608	10,533	10,710
Intangible assets	594	584	348
Investment property	8,745	8,745	8,935
Total non-current assets	4,081,385	4,057,985	3,593,598
Total assets	4,219,505	4,180,180	3,733,643
Current liabilities			
Trade and other payables	20,840	22,809	15,837
Interest-bearing liabilities	-	1,674	-
Provisions	20,325	20,723	20,439
Trust funds and deposits	16,556	9,342	8,013
Unearned income	10,209	11,219	1,329
Lease liabilities	3,144	3,144	10,833
Total current liabilities	71,074	68,911	56,451
Non-current liabilities			
Provisions	2,024	2,024	2,042
Interest-bearing liabilities	21,539	21,539	23,213
Provision for investments in joint ventures	6,727	6,727	2,974
Lease liabilities	5,591	7,464	-
Total non-current liabilities	35,881	37,754	28,229
Total liabilities	106,955	106,665	84,680
Net assets	4,112,550	4,073,515	3,648,963
Equity			
Accumulated surplus	964,415	926,851	959,652
Asset revaluation reserve	3,125,668	3,125,778	2,668,425
Reserves ²	22,467	20,886	20,886
Total equity	4,112,550	4,073,515	3,648,963
Working capital ratio	1.94		

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 (\$14.03 million) and Defined Benefits Superannuation future call up reserve (\$8.00 million).

Monthly Financial Report – May 2022

Attachment 1

3.3 Statement of Cash Flows

	ANNUAL ORIGINAL BUDGET	YEAR TO DATE			ANNUAL OCTOBER AMENDED BUDGET
		YTD ACTUAL	OCTOBER AMENDED BUDGET	VARIANCE	
	\$'000	(1)	(2)	(unfav)	\$'000
	\$'000	\$'000	\$'000	(1) - (2)	\$'000
Cash flows from operating activities					
Rates and waste charges ¹	205,549	197,446	189,429	8,017	197,004
Statutory fees and fines	13,556	8,803	8,629	174	7,534
User charges and other fines ²	17,325	9,368	10,612	(1,244)	12,572
Grants - operating ³	14,567	17,131	14,540	2,591	5,251
Grants - capital ⁴	7,935	2,495	7,194	(4,699)	15,724
Contributions - monetary	5,150	4,297	5,169	(872)	5,806
Interest received	500	206	231	(25)	250
Other receipts	5,616	5,205	5,134	71	5,704
Net GST refund	16,615	14,092	15,566	(1,474)	19,053
Trust funds and deposits taken ⁵	100	7,214	-	7,214	100
Employee costs ⁶	(103,055)	(92,202)	(94,760)	2,558	(105,578)
Materials and services ⁷	(104,969)	(83,493)	(103,680)	20,187	(117,400)
Short-term, low value and variable lease payments	(597)	(861)	(550)	(311)	(597)
Other payments	(8,073)	(6,805)	(7,418)	613	(7,999)
Net cash provided by/(used in) operating activities	70,219	82,896	50,096	32,800	37,424
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment ⁸	(101,586)	(61,593)	(82,386)	20,793	(99,690)
Proceeds from sale of property, plant and equipment	4,720	2	-	2	4,720
Net proceeds / (payments) for investments	-	12,009	12,009	-	12,009
Net cash used in investing activities	(96,866)	(49,582)	(70,377)	20,795	(82,961)
Cash flows from financing activities					
Finance costs	(2,121)	(1,261)	(1,261)	-	(1,408)
Proceeds from borrowings	70,000	-	-	-	70,000
Repayment of borrowings	(1,674)	(1,674)	(1,673)	(1)	(1,674)
Interest paid - lease liability	(342)	(264)	(308)	44	(342)
Repayment of lease liabilities	(4,438)	(3,211)	(3,586)	375	(3,916)
Net cash provided by (used in) financing activities	61,425	(6,410)	(6,828)	418	62,660
Net increase (decrease) in cash and cash equivalents	34,778	26,904	(27,109)	54,013	17,123
Cash and cash equivalents at beginning of year	68,950	82,942	82,942	-	82,942
Cash and cash equivalents at end of year	103,728	109,846	55,833	54,013	100,065

Note: All numbers are rounded to the nearest thousand.

1. Rates and waste charges are higher than budget \$8.02 million due to timing of rates receivables.
2. Lower than budgeted user charges and other receipts from customers of (\$1.24 million) due to timing and settlement of debtors.
3. Grants - operating higher than budget of \$2.59 million due to 75% of the 2022-23 Victorian Local Government Grants Commission (VLGMC) allocation being received in May 2022.
4. Capital grants lower than budgeted (\$4.70 million) due to timing and being behind of planned budget phasing.
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. Employee costs are \$2.56 million lower than budgeted primarily due to staff vacancies across the organisation.
7. Materials and services are lower than budgeted due to timing of cash outflows \$20.19 million.
8. Payments for property, plant and equipment differs from that presented in the capital works statement due to settlement of the 30 June 2021 creditors and forward commitment expenditure. Works delivered in the 2020-21 financial year have previously been brought to account and accrued against the 2020-21 capital works statement.

Monthly Financial Report – May 2022

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 OCTOBER AMENDED BUDGET (3)	FULL YEAR FORECAST VARIANCE (3) - (4)
	\$'000s	\$'000s	\$'000s	\$'000s	%	\$'000s	\$'000s	\$'000s	\$'000s
Infrastructure									
Bridges	2,461	173	1,059	886	84%	3,295	1,065	1,065	-
Drainage	4,539	2,880	3,933	1,053	27%	1,303	4,966	4,774	(192)
Footpaths and cycleways	3,110	1,572	2,635	1,063	40%	97	2,858	2,854	(4)
Off street carparks	2,510	478	1,368	890	65%	280	1,568	1,855	287
Parks, open space and streetscapes	6,486	3,916	7,652	3,736	49%	3,402	8,590	9,046	456
Recreational, leisure & com facilities	3,721	3,325	6,484	3,159	49%	2,396	6,195	6,759	564
Roads	11,196	7,766	10,810	3,044	28%	227	11,443	12,091	648
Total Infrastructure	34,023	20,110	33,941	13,831	41%	11,000	36,685	38,444	1,759
Plant and Equipment									
Computers and telecommunications	1,381	456	1,772	1,316	74%	362	1,563	1,864	301
Fixtures, fittings and furniture	1,187	1,006	2,085	1,079	52%	334	1,860	2,380	520
Library books	990	770	905	135	15%	76	990	990	-
Plant machinery and equipment	1,338	978	1,296	318	25%	332	1,394	1,383	(11)
Total Plant and Equipment	4,896	3,210	6,058	2,848	47%	1,104	5,807	6,617	810
Property									
Building	20,255	8,913	13,347	4,434	33%	5,431	13,080	17,269	4,189
Building improvements	57	16	93	77	83%	61	93	93	-
Major Projects	42,355	30,551	28,946	(1,605)	-6%	25,291	36,176	37,267	1,091
Total Property	62,667	39,480	42,386	2,906	7%	30,783	49,349	54,629	5,280
Total capital works expenditure	101,586	62,800	82,385	19,585	24%	42,887	91,841	99,690	7,849
Represented by:									
Asset renewal expenditure	64,144	41,810	55,553	13,743	25%	21,052	55,893	61,246	5,353
Asset upgrade expenditure	5,152	1,984	4,442	2,458	55%	4,530	4,596	4,868	272
New asset expenditure	18,108	12,700	18,640	5,940	32%	13,163	19,623	20,751	1,128
Asset expansion expenditure	14,182	6,306	3,750	(2,556)	-68%	4,142	11,729	12,825	1,096
Total capital works expenditure	101,586	62,800	82,385	19,585	24%	42,887	91,841	99,690	7,849

Note: All numbers are rounded to the nearest thousand.