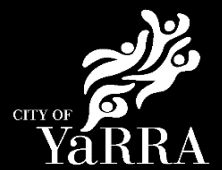


# Financial Report

For the period  
1 July 2022 to 30 September 2022



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Yarra City Council acknowledges the Wurundjeri Woi Wurrung people as the Traditional Owners and true sovereigns of the land now known as Yarra. We also acknowledge the significant contributions made by other Aboriginal and Torres Strait Islander people to life in Yarra. We pay our respects to Elders from all nations and to their Elders past, present and future.

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# Summary

## 1. Executive Summary

Income Statement	YTD Budget \$M	YTD Actuals \$M	YTD Variance \$M	Annual Budget \$M	Annual Forecast \$M	Annual Variance \$M
<b>Revenue from ordinary Activities</b>						
Rates and charges	123.8	123.6	(0.2) ▬	125.2	125.2	- ▬
Statutory fees and fines	9.1	8.6	(0.5) ▼	35.8	35.2	(0.5) ▼
User Fees	8.0	8.6	0.6 ▲	33.2	33.2	0.0 ▬
Grants - Operating	4.4	6.9	2.5 ▲	16.2	19.7	3.5 ▲
Grants - Capital	0.4	1.2	0.8 ▲	11.8	12.6	0.8 ▲
Contributions - Other monetary	1.6	1.6	(0.0) ▼	7.0	6.9	(0.1) ▬
Reimbursements	0.4	0.7	0.3 ▲	1.0	1.0	- ▬
Other Income	0.1	0.4	0.2 ▲	0.7	0.7	0.0 ▬
Net gain/(loss) on disposal	0.0	0.3	0.2 ▲	0.1	0.1	- ▬
<b>Total Revenue</b>	<b>147.9</b>	<b>151.9</b>	<b>4.0 ▲</b>	<b>230.9</b>	<b>234.6</b>	<b>3.7 ▲</b>
<b>Expenses from ordinary activities</b>						
Employee Costs	27.0	26.1	0.9 ▲	103.1	103.1	0.0 ▬
Materials and services	18.2	18.0	0.2 ▲	82.7	86.8	(4.1) ▼
Depreciation & Amortisation	6.2	6.1	0.0 ▬	24.8	24.8	- ▬
Amortisation - right of use assets	0.3	0.3	(0.0) ▼	1.2	1.2	- ▬
Bad and doubtful debts	1.3	0.9	0.4 ▲	5.1	4.6	0.4 ▲
Borrowing costs	0.3	0.3	0.0 ▬	1.0	1.0	- ▬
Interest Exp - Leases	0.0	0.0	0.0 ▲	0.1	0.1	- ▬
Other expenses	0.2	0.2	0.1 ▲	0.7	0.8	(0.0) ▼
<b>Total expenses</b>	<b>53.5</b>	<b>51.9</b>	<b>1.7 ▲</b>	<b>218.7</b>	<b>222.4</b>	<b>(3.7) ▼</b>
<b>Net Result</b>	<b>94.3</b>	<b>100.0</b>	<b>5.7 ▲</b>	<b>12.2</b>	<b>12.2</b>	<b>0.0 ▬</b>

### Operating Performance

Variance analysis is prepared based on a comparison of YTD actuals, YTD budget and end of year forecast. YTD actual results to YTD budget is favourable by \$5.7m. This result is driven by the following:

#### Revenue

**a) Statutory Fees** are unfavourable YTD, driven by decreased parking meter and infringement notices revenue. (\$0.502m), as a result of unforeseen public holiday and weather events which reduced activity.

**b) User Fees** are favourable YTD in compliance (\$0.281m), construction management support (\$0.206m) and recreation & leisure services (\$0.194m).

**c) Grants - Operating** are favourable YTD due to unbudgeted grant income (\$2.079m) carried forward from 2021/22. Further, impacts to the YTD variance is unbudgeted funding for Cremorne Precinct Digital Infrastructure Upgrade (\$1.000m), Vic. Street Pop-Up Community Space (\$0.510m) and Live music on the road again (\$0.254m). Forecasts have been revised to reflect unbudgeted grant income as well as the associated expenses largely in materials and services.

**d) Grants - Capital** are favourable YTD due to unbudgeted grant income (\$0.656m YTD) carried forward from 2021/22. Revenue is recognised progressively throughout the year as the projects are delivered. Associated expenses are captured in the capital works program. Also impacting the YTD variance is unbudgeted funding for LRCI Program Phase 2/3 (\$0.389m), Collingwood College Early Childhood Centre (\$0.299m) and Richmond Kindergarten Early Learning Facility (\$0.250m).

#### Expenses

**e) Employee Costs** are favourable YTD largely due to temporary vacancies. Full year forecast expected to align to budget.

**f) Materials & Services** annual forecasts have been updated to reflect unbudgeted grant income (\$2.079m) carried forward from 2021/22 as well as expenses associated with additional grant funding including, the Cremorne Precinct Digital Infrastructure Upgrade (\$0.885m), Victoria Street Pop-Up Community Space (\$0.410m) and Live music on the road again (\$0.254m). \$1.273m of the increase in this forecast is due to expected cost pressures in utilities (\$0.248m) and contracts in city works (\$1.025m). The increase in forecast expenses is offset by decreases in expenditure such as insurance (\$0.305m).

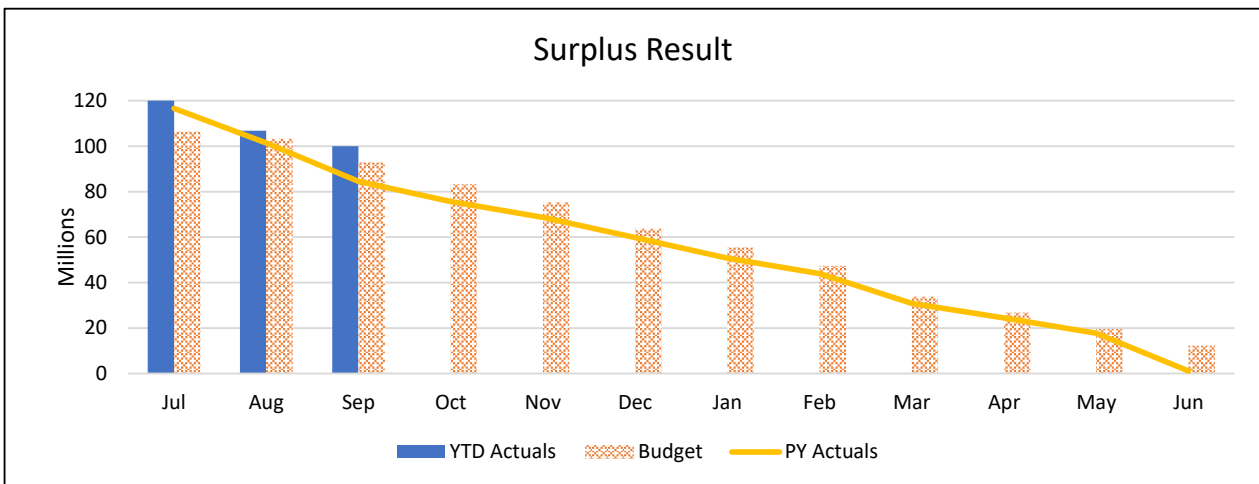
**g) Bad and doubtful debts** are favourable to budget due an updated assessment of the closing debtor balance at the end of the quarter.

## Capital Works Program

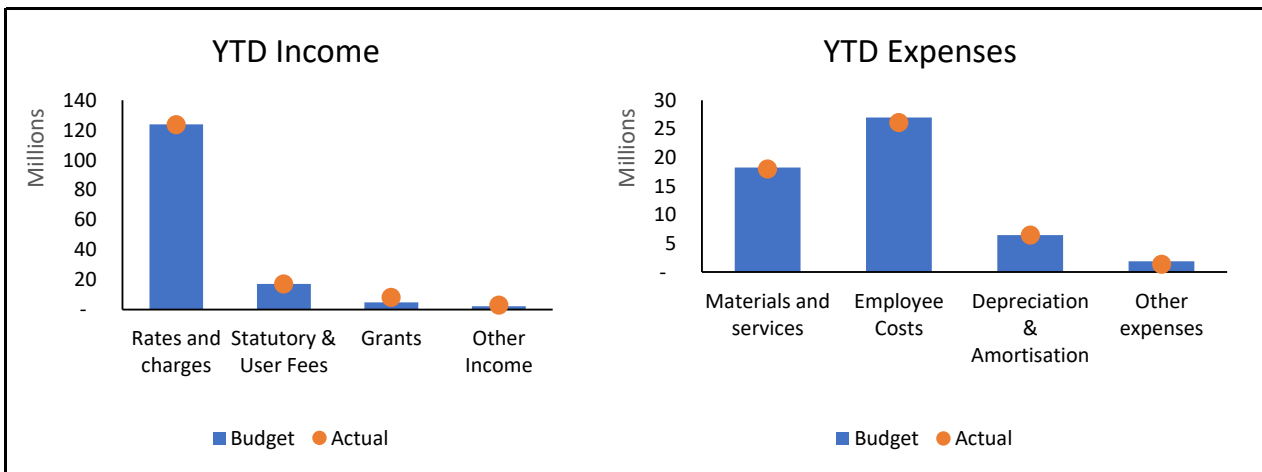
At 30 September 2022, YTD actuals \$5.144m are slightly lower than YTD budget of \$5.181m and includes spend on carryovers of \$2.618m.

Financial Results Summary	YTD Budget	YTD Actuals	YTD Variance	Annual Budget	Current Final Projection	Annual Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
New asset expenditure	726	544	183	12,144	7,472	4,673
Asset renewal expenditure	4,086	4,095	(9)	35,803	35,738	65
Asset upgrade expenditure	370	506	(136)	6,158	5,234	924
<b>Total capital works expenditure</b>	<b>5,181</b>	<b>5,144</b>	<b>37</b>	<b>54,105</b>	<b>48,443</b>	<b>5,662</b>

## 2. Financial Performance Snapshot



YTD surplus result impacted by total rates recognised in August 2022. The surplus will reduce progressively over the course of the financial year.



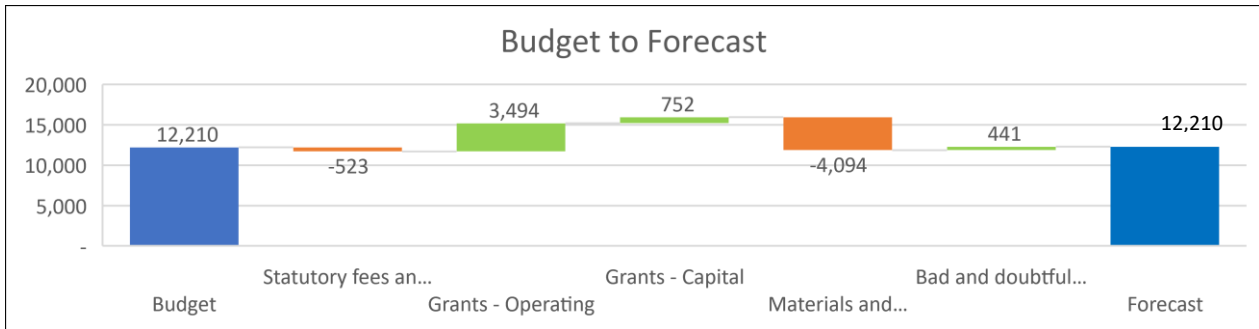
### Revenue

YTD favourable variance is largely driven by unbudgeted grant income carried forward from 2021/22 and additional grant income received.

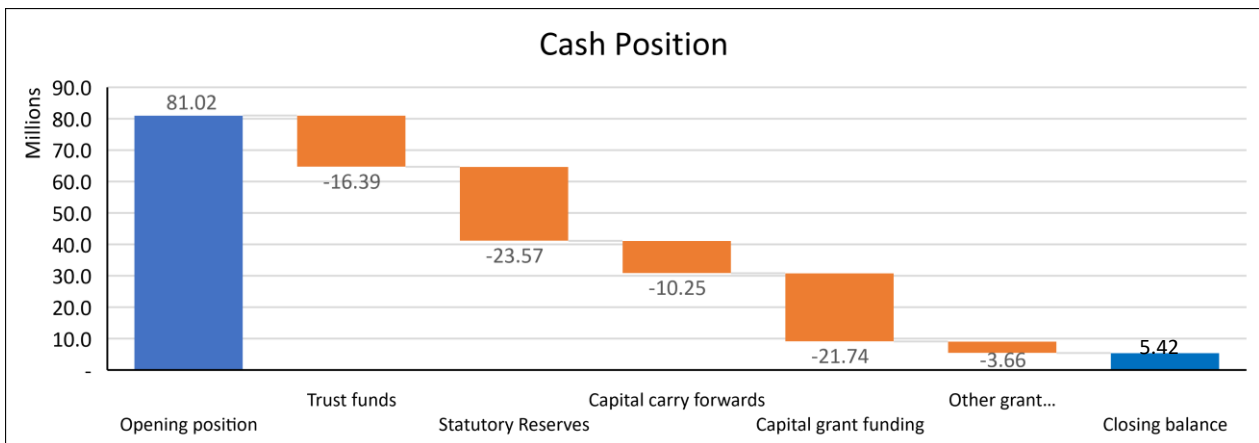
### Expenditure

YTD favourable variance is primarily driven by staff vacancies and a decrease to the provision for doubtful debts expense.

### 3. Budget to Forecast



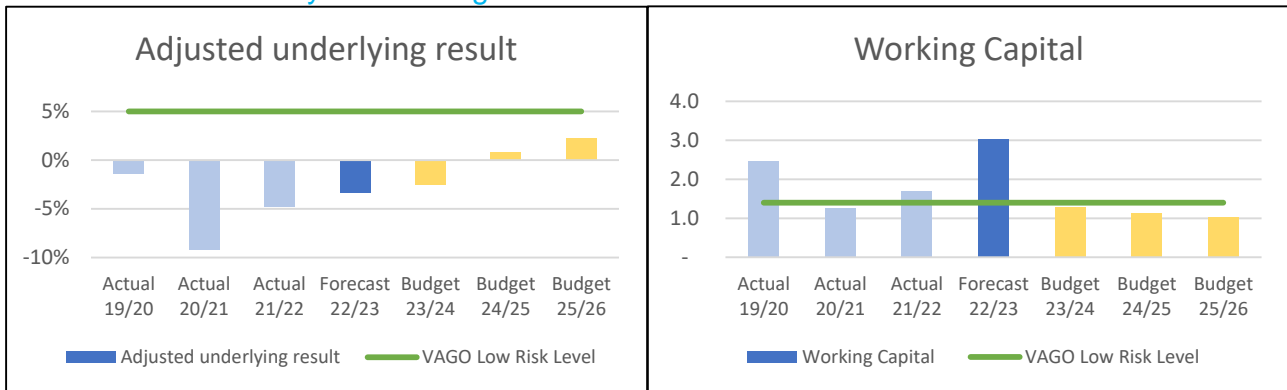
### 4. Cash Position



At 30 September 2022, Council has total cash of \$81.02m, of which \$38.11m is funded by borrowings. Unrestricted and unallocated cash position is \$5.42m, which is a slight improvement from \$4.72m as at 30 June 2022.

# Financial Sustainability Ratios

## Financial Sustainability Ratios/Targets

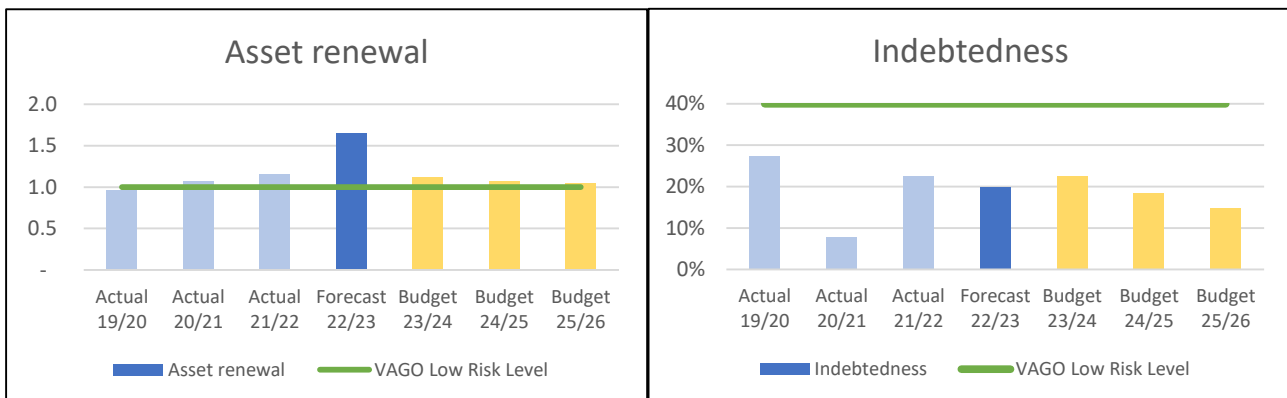


### Adjusted underlying surplus (deficit) / adjusted underlying revenue

This ratio measures an entity's ability to generate its own cash. A positive result indicates a surplus, and the larger the percentage, the stronger the result. The result highlights Council's challenges in generating enough cash to fund future capital works without borrowing.

### Current assets / current liabilities

Compares current assets to current liabilities, which provides a measure of the ability to pay existing liabilities in the next 12 months. This year's result expected to be in the low-risk range.



### Renewal & upgrade spend/ depreciation

Ratios higher than 1.0 indicate that spending on existing assets is faster than the depreciation rate. This year's result is expected to stay in the low-risk range.

### Non-current liabilities / own-source revenue

Measures Council's ability to pay the principal and interest on its borrowings when they are due from the funds it generates. This year's result is expected to stay in the low-risk range.

## Treasury Corporation of Victoria (TCV) Loan financial covenants

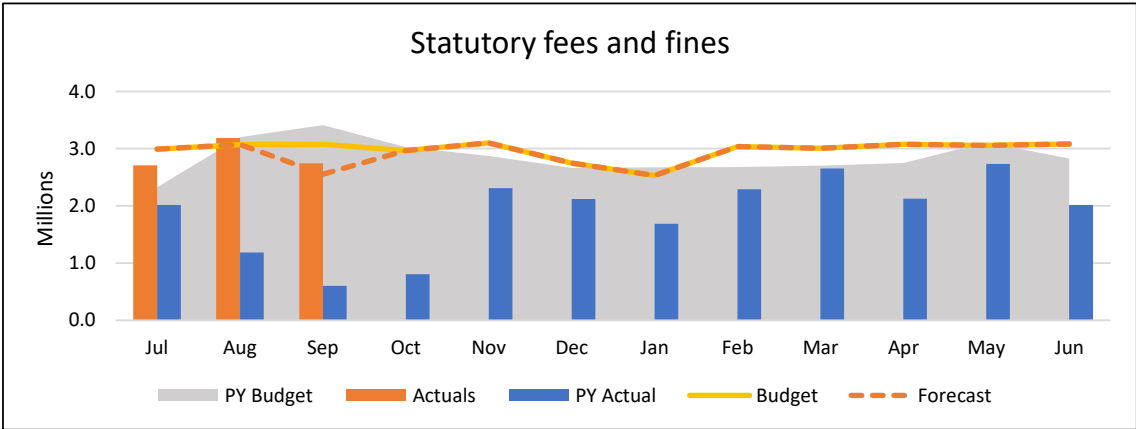
TCV loan requirements		Target	Current
Interest Cover	EBITDA/Interest Expense	> 2.0	387 ▲
Interest Bearing Loans	Interest Bearing Liabilities/Own Source Revenue	< 60%	26.82% ▲

TCV financing is conditional upon Council maintaining a sustainable financial position when measured by the interest cover and interest bearing loans ratios. YTD results indicate that Council is meeting the minimum requirements.

# Operating Performance

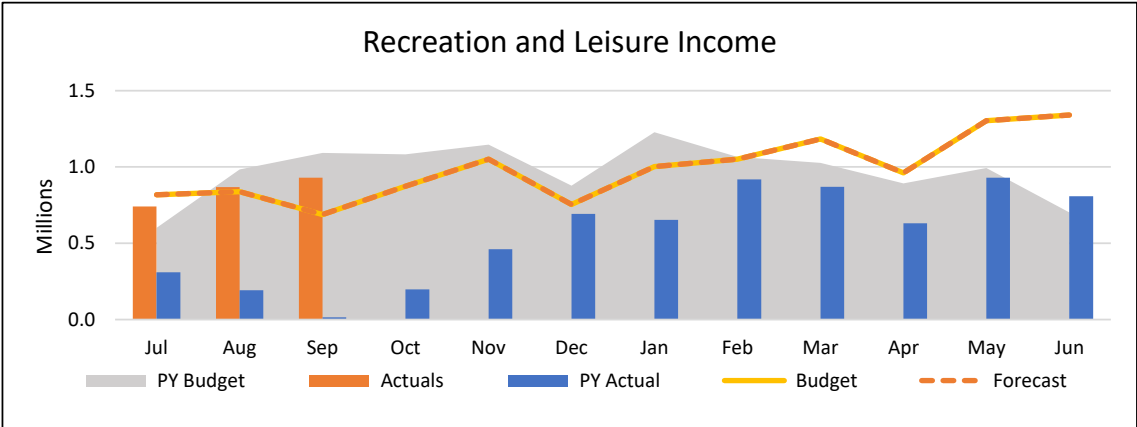
## Statutory Fees

Statutory fees have been significantly affected in the past two years due to the pandemic and lockdowns. YTD trend indicates that performance is below YTD budget and the annual forecast has been revised.



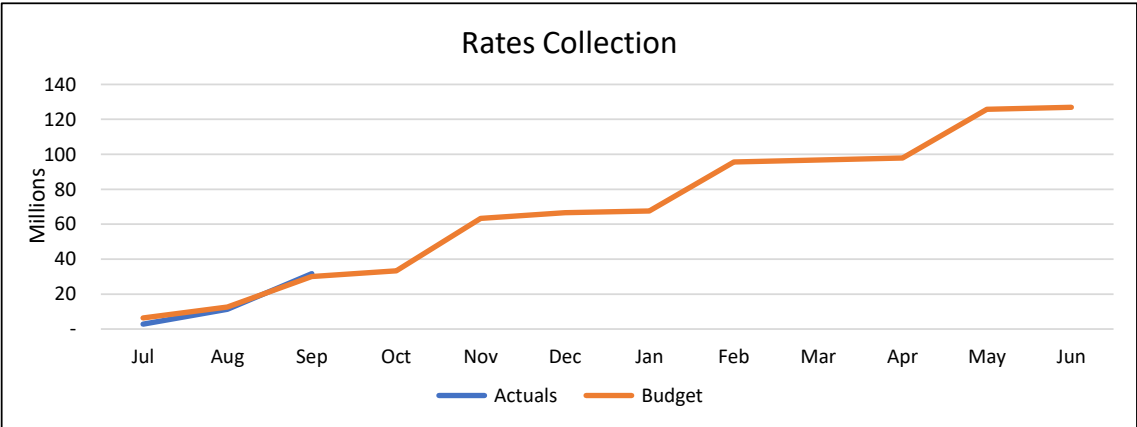
## Recreation and Leisure Fees

Recreation and leisure income has been significantly affected in the past two years due to the pandemic and lockdowns. YTD trend indicates that performance is ahead of YTD budgets due to increased utilisation.



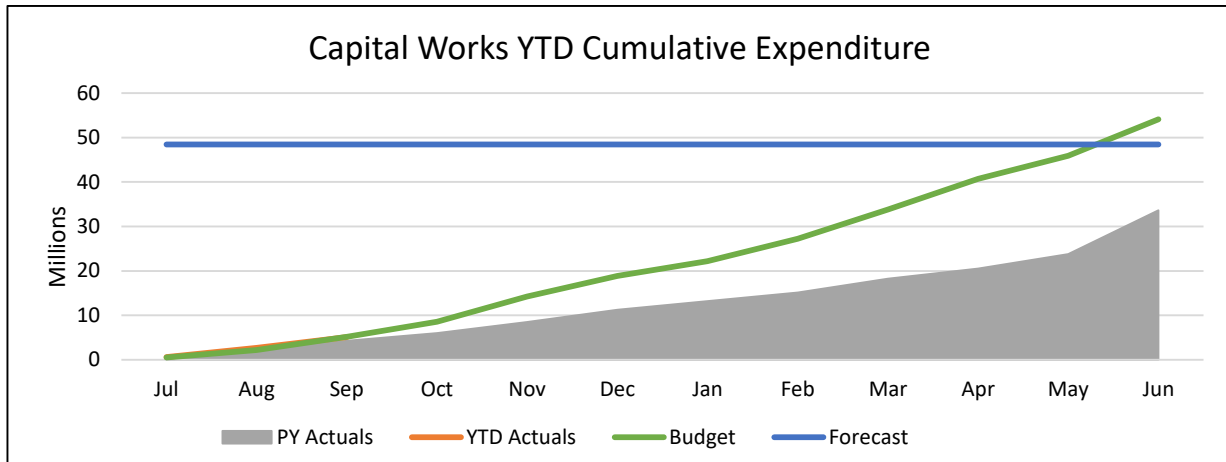
## Rates Collection

Rates cash collections are slightly ahead of budget and is an indication of the current economy on the community. This this will be monitored over the upcoming months for impact on the forecast cash balances.

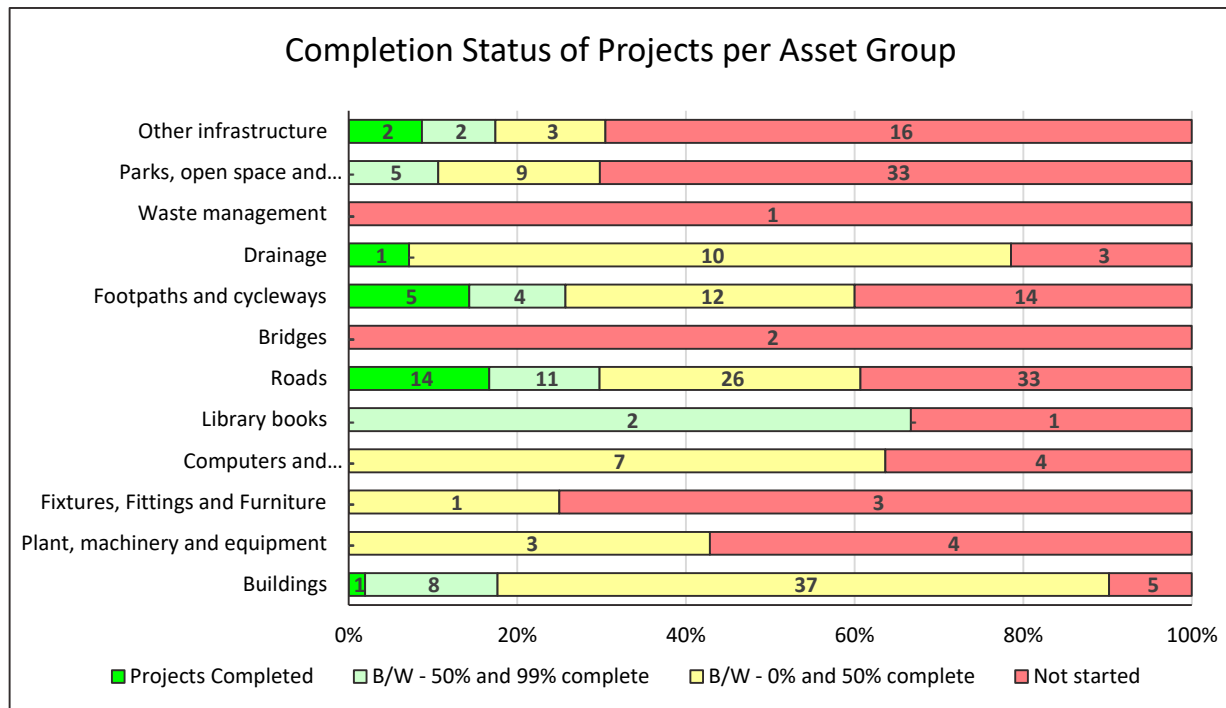


# Capital Works

## Capital Works Program Snapshot



At 30 September 2022, YTD actuals \$5.1m are slightly behind YTD budget of \$5.2m.



### Capital Works Performance

#### Other Infrastructure

The delivery of transport related projects are ahead of baseline budgeted expenditure, in particular, LATM 13 projects, LATM 19 projects and Safety Around Schools program. Also, the addition and commencement of the Safe and Liveable Victoria Street project (external funding received) is also contributing.

#### Parks, Open Space and Streetscapes

Open space program delivery is ahead of the baseline budgeted expenditure. The following projects have started earlier than expected:-

- 1) Citizens Park playground;
- 2) Edinburgh Gardens Skate facility works;
- 3) Otter Street Pocket Park project, and
- 4) Stephenson Reserve Park extension.



**Waste management**

Project in line with baseline budgeted expenditure.

**Drainage**

Program is behind on baseline budgeted expenditure. The following projects are contributing to the variance:-

- 1) Major Pipeline relining/rehabilitation project.
- 2) Madden Gr, Richmond (Stawell St To Gibdon St)

**Footpaths and cycleways**

Program delivery is line with baseline budgeted expenditure.

**Roads**

Earlier commencement than projected, driven by Duke Street (Richmond), Wilson Street (Nth Carlton) and Brunswick Street (Fitzroy) projects being completed earlier than expected.

**Bridges**

Program delivery is line with baseline budgeted expenditure.

**Library Books**

The purchase of library resources are ahead of baseline budgeted expenditure as the delivery timelines have been brought forward.

**Computers and telecommunications**

The purchase of PCs and intranet software is behind baseline budgeted expenditure.

**Fixtures, Fittings and Furniture**

Program delivery is line with baseline budgeted expenditure.

**Plant, Machinery and Equipment**

Program delivery is ahead of budgeted baseline expenditure due to the early purchase of one vehicle.

**Buildings**

Program delivery is behind baseline budgeted expenditure. The following projects are contributing to the variance:

- 1) Collingwood College Early Childhood Centre;
- 2) Ryan's Reserve pavilion project;
- 3) Brunswick Street Oval Precinct project, and
- 4) Fitzroy Town Hall.

# Appendix

## Comprehensive Income Statement

Comprehensive Income Statement	YTD Budget \$'000	YTD Actuals \$'000	YTD Variance \$'000	Annual Budget \$'000	Annual Forecast \$'000	Annual Variance \$'000
<b>Income</b>						
Rates and charges	123,767	123,581	(186)	125,163	125,163	-
Statutory fees and fines	9,141	8,638	(502)	35,754	35,231	(523)
User Fees	7,987	8,552	565	33,174	33,174	0
Grants - Operating	4,391	6,933	2,542	16,234	19,729	3,494
Grants - Capital	398	1,187	789	11,825	12,576	752
Contributions - OSR	1,250	1,151	(99)	5,000	5,000	-
Contributions - Other monetary	391	472	81	1,985	1,933	(52)
Reimbursements	379	699	320	966	966	-
Other Income	143	392	249	741	747	6
Net gain/(loss) on disposal	20	263	243	80	80	-
<b>Total income</b>	<b>147,865</b>	<b>151,867</b>	<b>4,001</b>	<b>230,922</b>	<b>234,599</b>	<b>3,677</b>
<b>Expenses</b>						
Employee Costs	27,015	26,122	893	103,092	103,092	0
Materials and services	18,227	17,998	229	82,691	86,784	(4,094)
Depreciation & Amortisation	6,170	6,128	42	24,837	24,837	-
Amortisation - right of use assets	266	308	(42)	1,163	1,163	-
Bad and doubtful debts	1,318	879	439	5,075	4,634	441
Borrowing costs	275	275	0	1,050	1,050	-
Interest Exp - Leases	23	20	2	58	58	-
Other expenses	245	158	87	746	770	(25)
<b>Total expenses</b>	<b>53,538</b>	<b>51,887</b>	<b>1,651</b>	<b>218,712</b>	<b>222,389</b>	<b>(3,677)</b>
<b>Surplus/(Deficit) for the year</b>	<b>94,327</b>	<b>99,980</b>	<b>5,652</b>	<b>12,210</b>	<b>12,210</b>	<b>0</b>

## Statement of Financial Position

Statement of Financial Position	YTD Actuals \$'000	30/06/22 Actuals \$'000	Movement Inc/(Dec) \$'000
<b>Current assets</b>			
Cash and cash equivalents	56,025	54,801	1,223
Trade and other receivables	131,105	23,578	107,528
Other financial assets	25,000	25,000	-
Inventories	180	180	-
Non-current assets classified as held for sale	-	-	-
Other assets	270	1,267	(998)
<b>Total current assets</b>	<b>212,580</b>	<b>104,827</b>	<b>107,753</b>
<b>Non-current assets</b>			
Investments in joint arrangements	5	5	-
Property, infrastructure ,plant and equipment	2,040,570	2,041,598	(1,029)
Right-of-use assets	1,029	1,337	(308)
<b>Total non-current assets</b>	<b>2,041,604</b>	<b>2,042,940</b>	<b>(1,336)</b>
<b>Total assets</b>	<b>2,254,183</b>	<b>2,147,767</b>	<b>106,417</b>
<b>Current liabilities</b>			
Trade and other payables	6,343	11,075	(4,732)
Trust funds and deposits	32,466	15,359	17,107
Unearned income/revenue	7,614	10,994	(3,381)
Provisions	19,429	18,527	903
Interest-bearing liabilities	3,211	4,271	(1,060)
Lease liabilities	934	1,260	(326)
<b>Total current liabilities</b>	<b>69,998</b>	<b>61,486</b>	<b>8,512</b>
<b>Non-current liabilities</b>			
Trade and other payables	-	1,870	1,870
Other Liabilities	386	386	0
Provisions	1,238	1,443	(205)
Interest-bearing liabilities	34,900	34,900	-
Lease liabilities	200	200	-
<b>Total non-current liabilities</b>	<b>36,724</b>	<b>38,799</b>	<b>1,665</b>
<b>Total liabilities</b>	<b>106,722</b>	<b>100,285</b>	<b>10,177</b>
<b>Net assets</b>	<b>2,147,461</b>	<b>2,047,481</b>	<b>99,240</b>
<b>Equity</b>			
Accumulated surplus	653,157	652,940	218
Asset revaluation reserves	1,370,757	1,370,757	-
Other reserves	23,567	22,672	895
Surplus for the year	99,980	1,113	98,866
<b>Total equity</b>	<b>2,147,461</b>	<b>2,047,481</b>	<b>99,980</b>

## Statement of Cashflows

Statement of Cash Flows	YTD Actuals \$'000 Inflows (Outflows)
<b>Cash flows from operating activities</b>	
Rates and charges	17,110
Statutory fees and fines	8,374
User fees	6,689
Grants - operating	3,552
Grants - capital	1,187
Contributions - monetary	1,622
Interest received	382
Trust funds and deposits taken/(repaid)	17,107
Other receipts	561
Net GST refund/(payment)	1,120
Payments to Employees	(25,424)
Payments to Suppliers	(24,541)
<b>Net cash (used in) / provided by operating activities</b>	<b>7,740</b>
<b>Cash flows from investing activities</b>	
Payments for property, infrastructure, plant and equipment	(5,099)
Proceeds from sale of property, infrastructure, plant and equipment	263
<b>Net cash used in investing activities</b>	<b>(4,836)</b>
<b>Cash flows from financing activities</b>	
Finance costs	(275)
Proceeds from Borrowings	-
Repayment of borrowings	(1,060)
Interest paid - lease liability	(20)
Repayment of lease liabilities	(326)
<b>Net cash used in financing activities</b>	<b>(1,681)</b>
<b>Net decrease in cash held</b>	<b>1,223</b>
Cash at beginning of period	54,801
<b>Cash at end of period</b>	<b>56,025</b>
<b>Financial Assets</b>	
Cash at end of period	56,025
Term Deposits	25,000
<b>Total financial assets</b>	<b>81,025</b>
<b>Future items to be funded</b>	
Trust Funds and deposits	16,386
Statutory reserves	23,567
Capital carry forwards	10,248
Capital grant funding	21,741
Operating grant carry overs	3,662
<b>Total</b>	<b>75,604</b>

## Statement of Capital Works

Statement of Capital Works	YTD Budget	YTD Actuals	YTD Variance	Adopted Budget	Current Final Projection	Annual Variance
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Property</b>						
Buildings	1,934	1,130	804	18,951	16,078	2,873
<b>Total property</b>	<b>1,934</b>	<b>1,130</b>	<b>804</b>	<b>18,951</b>	<b>16,078</b>	<b>2,873</b>
<b>Plant and equipment</b>						
Plant, machinery and equipment	-	29	(29)	2,688	2,688	-
Fixtures, Fittings and Furniture	-	6	(6)	150	232	(82)
Computers and telecommunications	457	376	81	2,713	2,713	-
Library books	260	316	(56)	640	640	-
<b>Total plant and equipment</b>	<b>717</b>	<b>726</b>	<b>(9)</b>	<b>6,191</b>	<b>6,273</b>	<b>(82)</b>
<b>Infrastructure</b>						
Roads	968	1,233	(265)	7,636	7,279	357
Bridges	-	-	-	108	108	-
Footpaths and cycleways	484	479	5	2,488	2,977	(489)
Drainage	480	117	363	3,752	3,436	316
Waste management	-	-	-	100	100	-
Parks, open space and streetscapes	519	834	(315)	9,585	7,899	1,686
Other infrastructure	80	625	(545)	5,295	4,294	1,001
<b>Total infrastructure</b>	<b>2,531</b>	<b>3,288</b>	<b>(758)</b>	<b>28,963</b>	<b>26,092</b>	<b>2,871</b>
<b>Total capital works expenditure</b>	<b>5,181</b>	<b>5,144</b>	<b>37</b>	<b>54,105</b>	<b>48,443</b>	<b>5,662</b>
<b>Represented by:</b>						
New asset expenditure	726	544	183	12,144	7,472	4,673
Asset renewal expenditure	4,086	4,095	(9)	35,803	35,738	65
Asset expansion expenditure	-	-	-	-	-	-
Asset upgrade expenditure	370	506	(136)	6,158	5,234	924
<b>Total capital works expenditure</b>	<b>5,181</b>	<b>5,144</b>	<b>37</b>	<b>54,105</b>	<b>48,443</b>	<b>5,662</b>

## Open Space Reserve

Open Space Reserve	Amount \$'000
<b>Opening Balance</b>	<b>22,593</b>
<b>Funds Received (Transfers to Reserve)</b>	
8 Somerset St, Richmond	81
118-120 Bridge Rd, Richmond	158
69-89 Type St Richmond	203
481-485 Victoria St Abbotsford	101
221 Kerr St Fitzroy	609
<b>Projects (Transfers from Reserve)</b>	
Citizens Park	(158)
Alphington Park	(35)
Stephenson Reserve	(62)
Golden Square Playground	(1)
<b>Closing Balance</b>	<b>23,488</b>