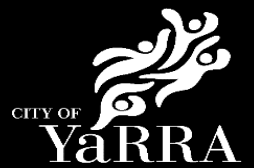


Financial Report

For the period
1 July 2022 to 31 December 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.

Summary

1. Executive Summary

Income Statement	YTD Budget \$M	YTD Actuals \$M	YTD Variance \$M	Annual Budget \$M	Annual Forecast \$M	Annual Variance \$M
Revenue from ordinary Activities						
Rates and charges	124.3	124.6	0.3 ▲	125.2	125.2	-
Statutory fees and fines	18.0	17.2	(0.8) ▼	35.8	35.3	(0.5) ▼
User Fees	16.2	17.3	1.0 ▲	33.2	33.5	0.3 ▲
Grants - Operating	8.1	11.1	3.0 ▲	16.2	19.9	3.6 ▲
Grants - Capital	1.4	3.3	1.9 ▲	11.8	6.6	(5.2) ▼
Contributions - Other monetary	3.4	3.1	(0.2) ▼	7.0	6.7	(0.3) ▼
Reimbursements	0.5	1.1	0.6 ▲	1.0	1.3	0.4 ▲
Other Income	0.4	1.2	0.9 ▲	0.7	2.3	1.5 ▲
Net gain/(loss) on disposal	0.0	1.8	1.7 ▲	0.1	2.1	2.0 ▲
Total Revenue	172.2	180.7	8.4 ▲	230.9	232.8	1.8 ▲
Expenses from ordinary activities						
Employee Costs	51.1	48.7	2.4 ▲	103.0	100.9	2.1 ▲
Materials and services	38.5	35.2	3.3 ▲	82.7	85.2	(2.5) ▼
Depreciation & Amortisation	12.4	12.2	0.2 ▲	24.8	24.8	-
Amortisation - right of use assets	0.5	0.6	(0.1) ▼	1.2	1.2	-
Bad and doubtful debts	2.6	1.8	0.8 ▲	5.1	4.3	0.8 ▲
Borrowing costs	0.5	0.5	0.0 ▲	1.0	1.1	(0.0) ▼
Interest Exp - Leases	0.0	0.0	0.0 ▲	0.1	0.1	-
Other expenses	0.5	0.4	0.0 ▲	0.7	0.8	(0.1) ▼
Total expenses	106.2	99.5	6.7 ▲	218.6	218.4	0.2 ▲
Net Result	66.1	81.2	15.1 ▲	12.3	14.4	2.1 ▲

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 \$14.2m. This result is driven by the following:

Revenue

- Statutory Fees** are unfavourable YTD, driven by decreased parking meter and infringement notices revenue (\$0.785m), mainly as a result of resourcing restraints from July 2022 onwards.
- User Fees** are favourable YTD in compliance (\$0.628m) and property & leisure services (\$0.360m).
- 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 Victoria Street Pop-Up Community Space (\$0.510m), Cremorne Precinct Digital Infrastructure Upgrade (\$0.333m), 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.
- Grants - Capital** are favourable YTD due to unbudgeted grant income (\$0.778m YTD) carried forward from 2021/22 and receipt of funding for LRCI program (\$1.421m YTD). Revenue is recognised progressively throughout the year as the projects are delivered. Expenses are captured in the capital works program. Impacting the variance to forecast is the timing difference for Brunswick Street Oval between the receipt of grant funding and delivery of the project (\$5.425m).
- Reimbursements** are favourable YTD, driven by increased revenue from construction & development reinstatements (\$0.391m) and developer contribution for engineering resourcing (\$0.200m). Forecasts have been updated to reflect the increased revenue.
- Other Income** is favourable YTD, driven by increased interest on investments which has also been reflected in the annual forecast.
- Net gain on disposal of assets** are favourable YTD due to unbudgeted income from road discontinuance. Forecasts have been updated to reflect the unbudgeted income.

Expenses

e) Employee Costs are favourable YTD largely due to temporary vacancies.

f) Materials & Services YTD favourable variance biggest drivers are delays in budget utilisation for IT transformation project (\$1.6m), timing in processing utility costs (\$0.665m) and insurance payment (\$0.510m) as well as savings across City Works mainly for Grand Final cleaning, contract payments and vehicle insurance (\$0.347m).

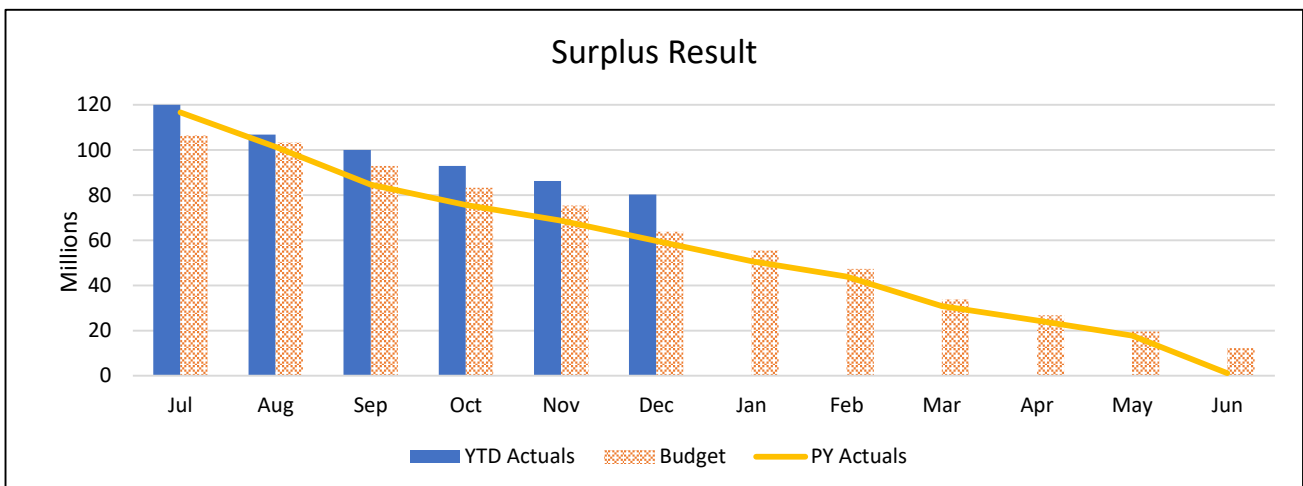
g) Bad and doubtful debts are favourable to budget due an updated assessment of the closing debtor balance at the end of the December quarter.

Capital Works Program

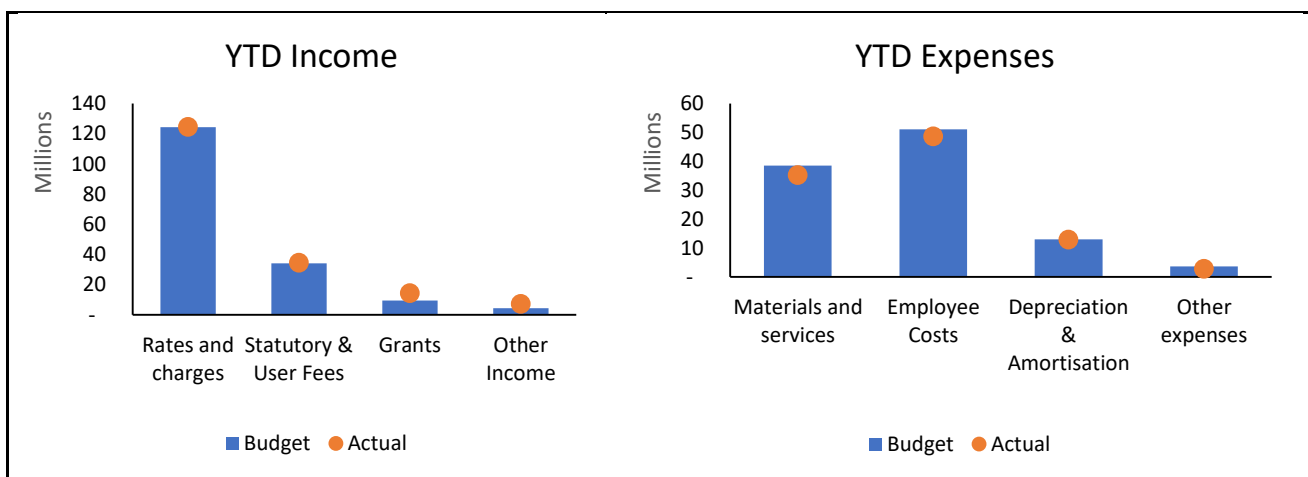
At 31 December 2022, YTD actuals \$14.067m are 25% lower than YTD budget of \$18.862m and includes spend on carryovers of \$6.223m.

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	3,161	852	2,309	12,217	4,311	7,905
Asset renewal expenditure	14,371	11,764	2,607	35,730	29,201	6,529
Asset upgrade expenditure	1,330	1,451	(121)	6,158	5,174	984
Total capital works expenditure	18,862	14,067	4,795	54,105	38,686	15,419

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.



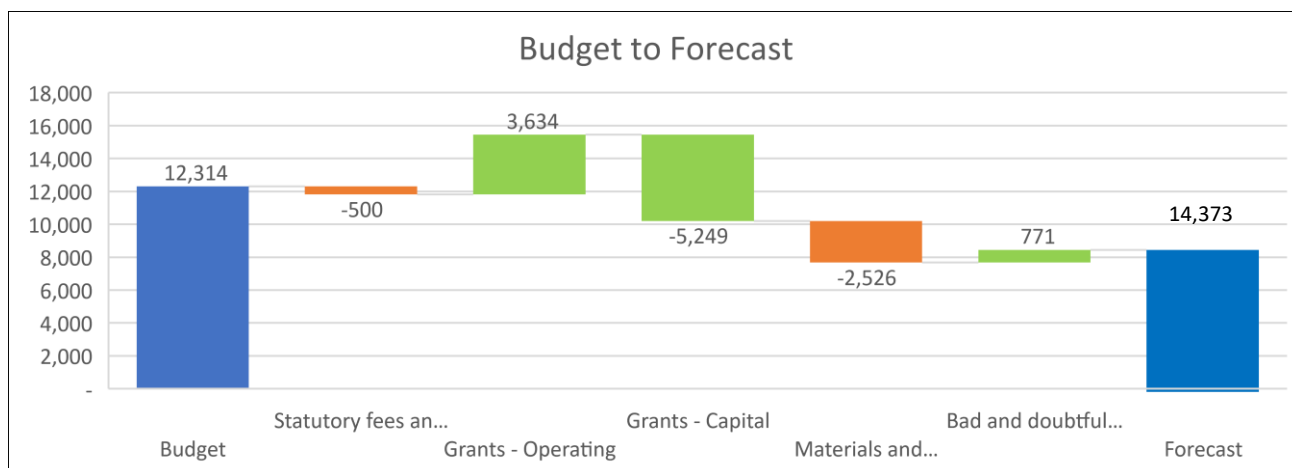
Revenue

YTD favourable variance is largely driven by unbudgeted grant income carried forward from 2021/22, additional grant income received, proceeds from sale of assets and increased user fees.

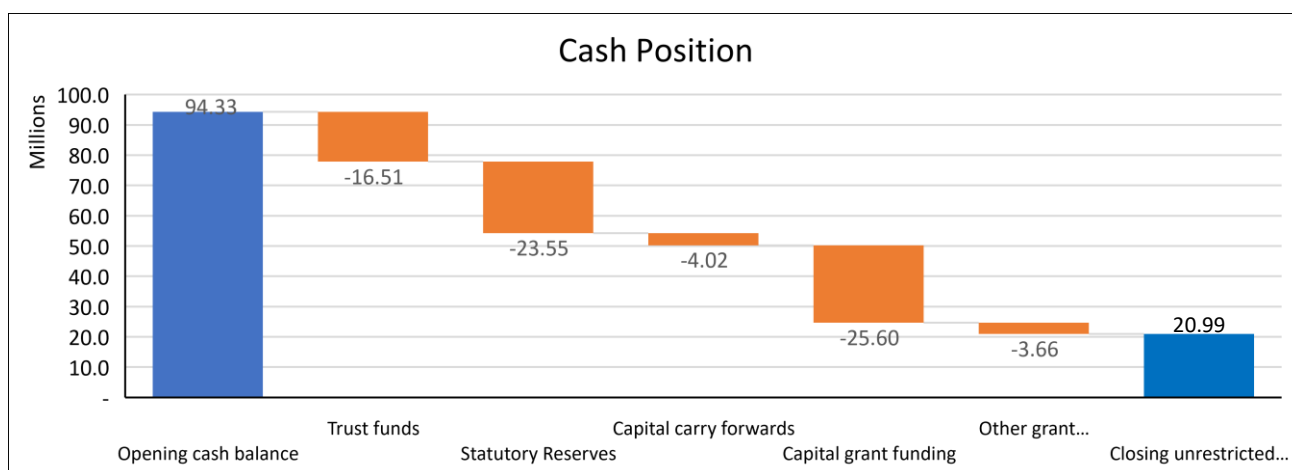
Expenditure

YTD favourable variance is primarily driven by staff vacancies and a decrease in payments for materials and services.

3. Budget to Forecast



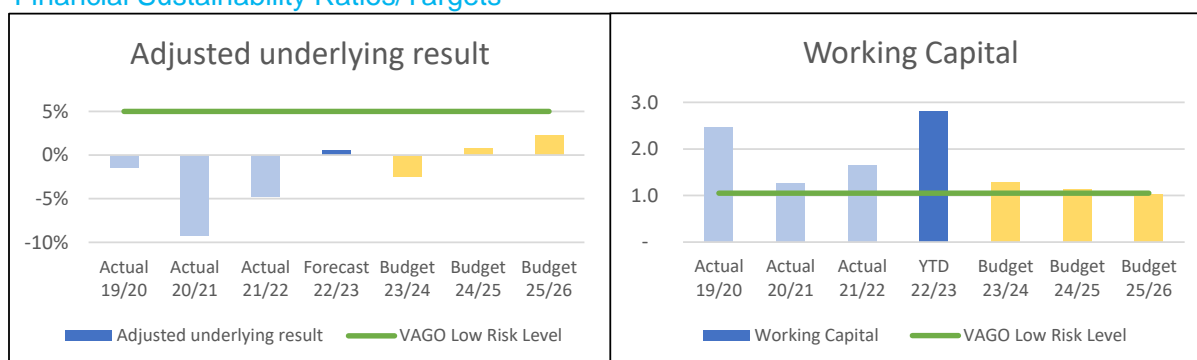
4. Cash Position



At 31 December 2022, Council has total cash of \$94.33m, of which \$37.05m is funded by borrowings. Unrestricted and unallocated cash position is \$20.99m, moving from \$4.72m as at 30 June 2022.

Financial Sustainability Ratios

Financial Sustainability Ratios/Targets



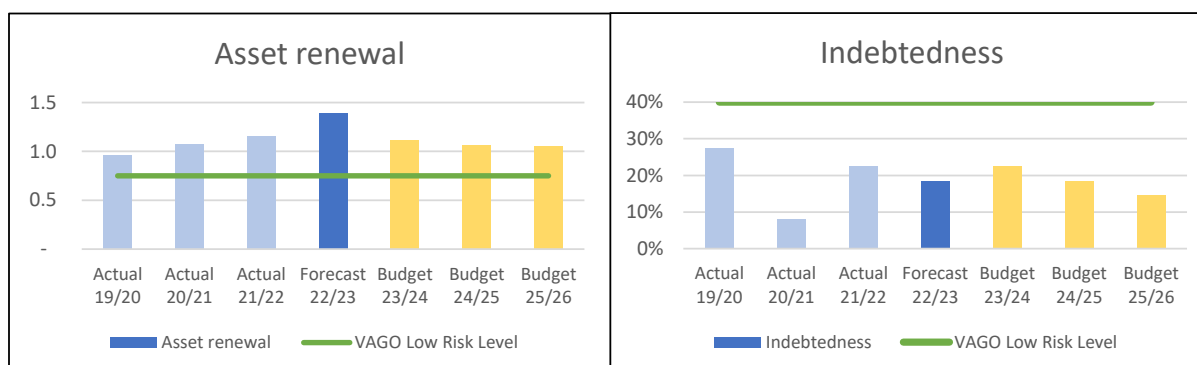
Adjusted underlying surplus (deficit) / adjusted underlying revenue

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 Month
Interest Cover	EBITDA/Interest Expense	> 2.0	172 ▲
Interest Bearing Loans	Interest Bearing Liabilities/Own Source Revenue	< 60%	22.72% ▲

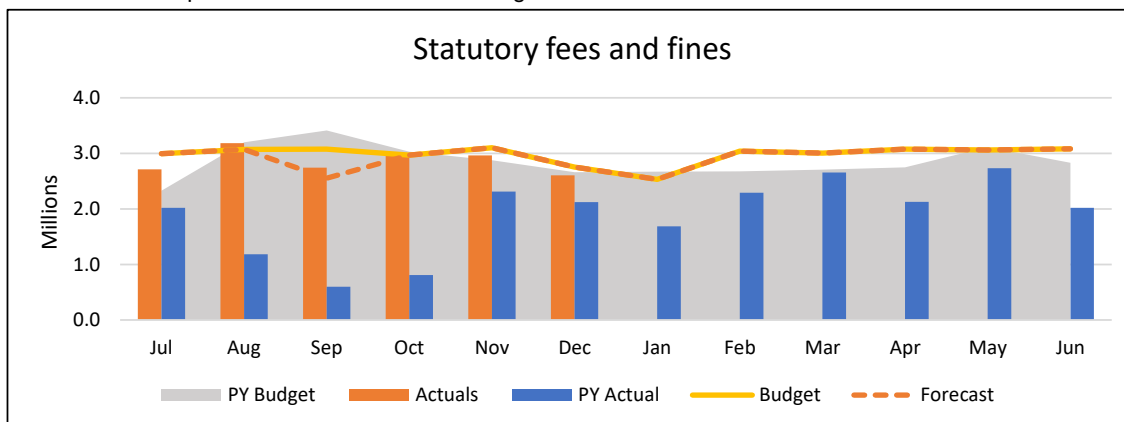
TCV financing is conditional upon Council maintaining a sustainable financial position when measured by the interest cover and interest bearing loans ratios. YTD results indicate that Council is meeting the minimum requirements. TCV loan requirements are well within target given limited borrowing compared to own source revenue and liability obligations.

The additional borrowing capacity of \$20M included in the 2022/23 budget to fund the capital works program has been forecast to zero as it is anticipated that the additional funds are no longer required.

Operating Performance

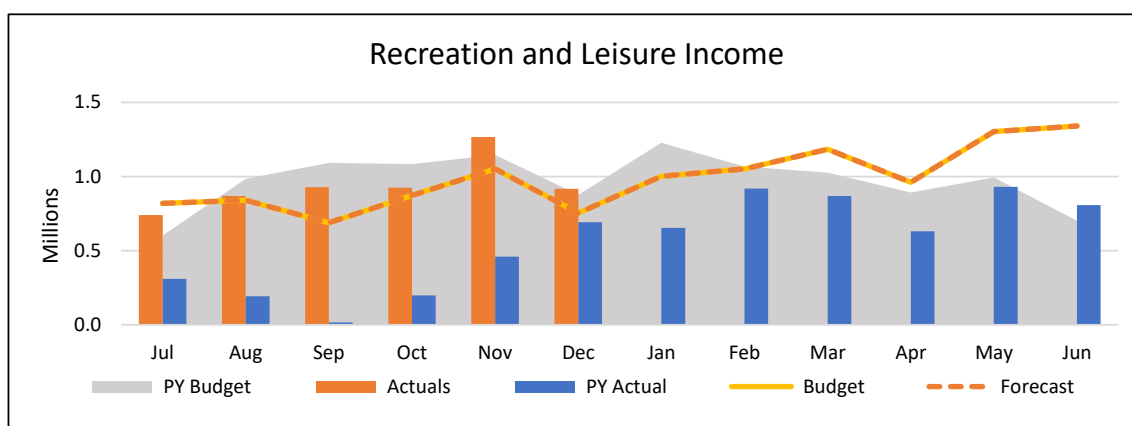
Statutory Fees

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.



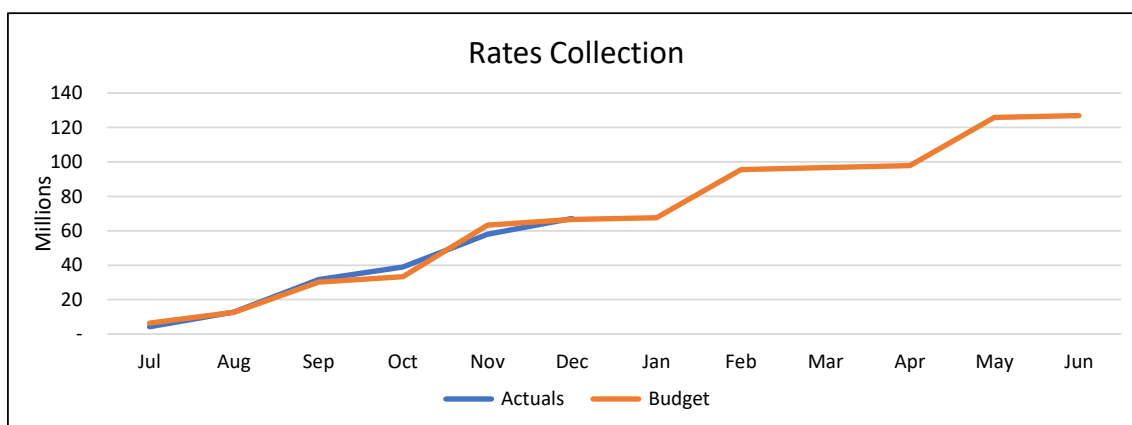
Recreation and Leisure Fees

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.



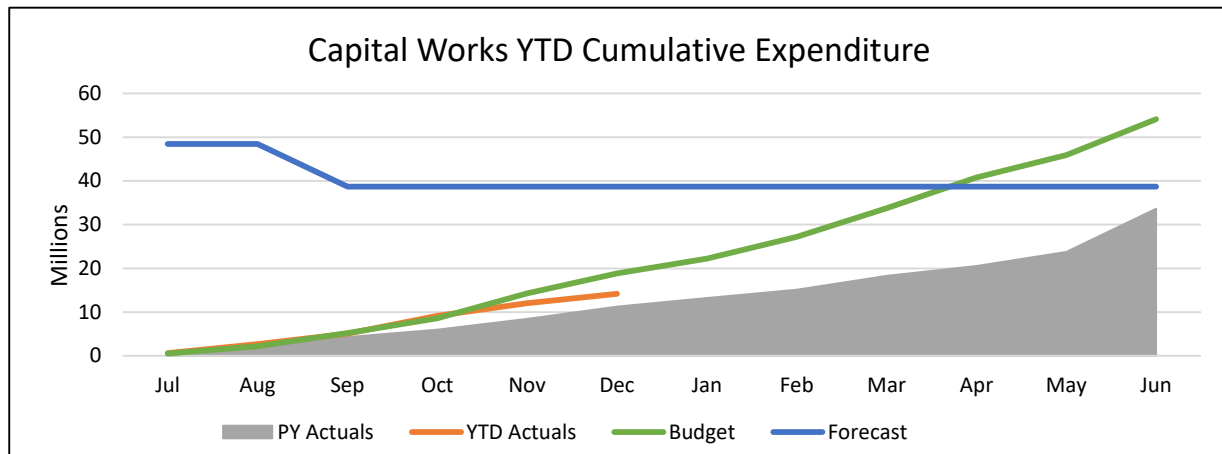
Rates Collection

Rates cash collections have fallen slightly behind budget and will be monitored over the upcoming months for impact on the forecast cash balances.

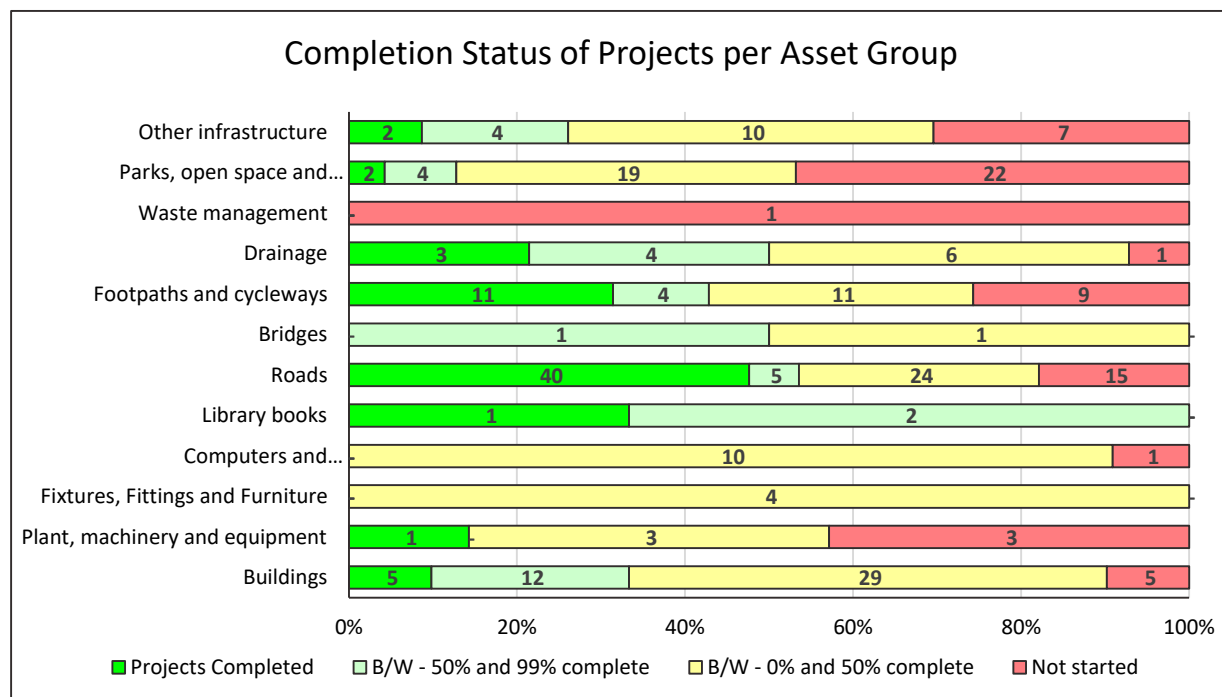


Capital Works

Capital Works Program Snapshot



At 31 December 2022, YTD actuals \$14.1m are 25% behind the reported YTD budget of \$18.9m.



Capital Works Performance

Property

Buildings

This program has 5 of 51 projects completed, including:

- Ryan's Reserve Pavilion (overall project \$3 million funding from the State government);
- Solar and Efficiency Project (part-funded by Sustainability Victoria) involving solar installations and/or gas removal at 8 Council facilities; and
- Ceiling stabilisation and repairs at Fitzroy Town Hall.

A further 41 projects are in progress. Stage 1 of the Richmond Kindergarten redevelopment opened in January 2023, but Stage 2 works are behind schedule with alternative interim arrangements in place to temporarily conduct the affected service from the Yarralea facility.

Overall, the program is behind the baseline schedule with \$8.31 million underspend projected at year end, with major contributing factors as follows:

- The baseline scope of the proposed Collingwood College Early Childhood Centre (total project value \$3.6 million funded by the State Government) as been assessed as not viable. Negotiations are in progress to rescope the project with the State Government to deliver modular building solution and a reduced scope of works to be undertaken by Council.
- Installation of HVAC at Richmond Town Hall, which is in design, but will not be ready commence construction in 2023/24, along with clock tower render repair, façade and roof renewal works at this facility which can be deferred with alternative arrangements in place to monitor and control risks.
- The proposed Atherton Gardens Kindergarten (total project value \$1.03 million funded by the State Government) is not deliverable within the grant funding provided. Negotiations are in progress for the delivery of the project to be undertaken by the State.
- Installation of HVAC and other upgrades to the Fitzroy Town Hall, which was deferred by decision of Council on 14 February 2023.
- The proposed redevelopment of Yambla Pavilion which has been delayed; the estimated cost for this project has risen significantly, and alternative approaches are being considered.
- The Brunswick Street Oval Precinct Redevelopment (having significant State Government funding support of \$12.92 million total) is progressing more slowly than expected, with planning and heritage approvals still pending. The project is expected to be tendered in the first half of 2023 and commence construction in 2023/24.
- \$1.13m of other savings in various programs and projects identified at the half-year review.

Plant & Equipment

Plant, machinery and equipment

This program is ahead of schedule, with several vehicles renewed and the installation of additional EV chargers at Collingwood Town Hall and 345 Bridge Road. This program had been conservatively scheduled due to uncertainty with global supply chains arising from the pandemic.

A total of \$1.26 million in savings from this program was identified at the half-year review.

Fixtures, Fittings and Furniture

The purchase of fixtures, fittings and furniture is on track.

Whilst this program shows an end of year unfavourable variance of \$122K, this is due to \$127K of expenditure forecast for the Archie Roach AM and Ruby Hunter public artwork attributed to this category which is fully funded by an unbudgeted grant from the State government.

Computers and telecommunications

The purchase of computer and telecommunications equipment and software is behind the baseline schedule, with higher expenditure expected in the second half.

Savings of \$245K expenditure on meeting room audio-visual equipment has been identified at the half-year review.

Library books

The purchase of library resources is on track.

Infrastructure

Roads

The roads program is progressing well, with 40 of 84 road renewal projects completed and a further 29 in progress.

Bridges

The bridges program is ahead of schedule.

Footpaths and cycleways

The footpath renewal program is progressing well with 11 of 28 projects completed and a further 11 in progress, including major renewal works to the Nicholson St Activity Centre which was nearing completion at the end of the quarter.

There have been some delays in Department of Transport approvals, meaning that some cycling related projects will be replanned for 2023/24 including the Wellington Street/Johnston Street (North) Intersection Upgrade and the Brunswick Street Protected Bike Lane, and others for 2024/25 including the Balmain/Cotter/Church Intersection Upgrade and the Wellington/Johnston Street (North) Intersection Upgrade.

Following detailed design, the proposed Alfred Crescent Bi-Directional Bike Lane is not deliverable for the allocated budget of \$160K and has been deferred pending further investigations.

Whilst this program shows an end of year unfavourable variance of \$486K, this is offset by \$409K of unbudgeted income from Department of Transport for the Nicholson St Activity Centre works and a further \$446K of funding from the deferral of budgeted works in Wangaratta Street that cannot proceed due to unscheduled water authority works.

Drainage

The drainage program has 3 of 14 projects complete and a further 10 in progress.

This program is behind the baseline schedule for the year due to some delays in commencing projects including unavailability of contractors. The program has been replanned for the second half and is expected to be completed in the second half, except for the Curtain Square Stormwater Harvesting Scheme which will commence construction in quarter 4 and be completed in 2023/24.

Waste management

The waste management capital program for the renewal of street bins (including smart and compacting bins) is scheduled for delivery in the second half.

Parks, open space and streetscapes

This program has 2 of 47 projects completed (Alphington Park and Citizens Park playgrounds), 2 projects nearing completion at the end of quarter 2 (Edinburgh Gardens Fitzy Skate Bowl and the Stephenson Reserve park extension), with a further 21 projects in progress.

Overall, the program is behind the baseline schedule with \$3.91 million underspend projected at year end, with major contributing factors as follows:

- Burnley Golf Course risk mitigation redevelopment works which are planned to commence in the second half of 2022/23, and be completed in 2023/24.
- Construction of the Cambridge St park extension has been delayed due to adjacent private development works, but is expected to commence in March and be completed in 2023/24.
- The Otter Street pocket park construction has been delayed due to difficulty securing a contractor; it is anticipated to commence in the second half and be completed in 2023/24.
- Budgeted expenditure on open space land acquisitions (funded from the Open Space Reserve), which is not expected to occur in 2022/23 but will remain in reserve for the purpose of funding future open space land acquisitions activities.
- \$560K of savings in various programs and projects identified at the half-year review.

Other infrastructure

Overall, this program is ahead of schedule.

Delivery of LAPM 13 Abbotsford Precinct road safety treatments, Safety around Schools and Pedestrian Provisions projects are all ahead of schedule.

Delivery of the Safe and Liveable Victoria Street program, fully funded by the State Government, is well progressed.

Underspend of \$1.15 million in this category is projected at year end, with major contributing factors as follows:

- Various savings realised in the overall LAPM program, including savings realised by deferral of lower priority works in LAPM 13 Abbotsford Precinct and LAPM 3 Scotchmer Precinct.
- Planned carry-forward of the Pedestrian Infrastructure in Cremourne project for completion in 2023/24.
- Gleadell St/Highett St Threshold Treatment, which has been deferred pending an integrated approach for the precinct.

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
Income						
Rates and charges	124,295	124,591	296	125,163	125,163	-
Statutory fees and fines	17,957	17,173	(785)	35,754	35,254	(500)
User Fees	16,234	17,254	1,020	33,174	33,480	306
Grants - Operating	8,080	11,106	3,027	16,234	19,869	3,634
Grants - Capital	1,401	3,316	1,915	11,825	6,576	(5,249)
Contributions - OSR	2,500	2,268	(232)	5,000	5,000	-
Contributions - Other monetary	854	876	21	1,985	1,702	(283)
Reimbursements	534	1,111	577	966	1,345	379
Other Income	352	1,209	858	741	2,287	1,546
Net gain/(loss) on disposal	40	1,771	1,731	80	2,080	2,000
Total income	172,248	180,674	8,426	230,922	232,756	1,833
Expenses						
Employee Costs	51,068	48,670	2,399	102,989	100,902	2,086
Materials and services	38,535	35,207	3,328	82,691	85,217	(2,526)
Depreciation & Amortisation	12,444	12,232	212	24,837	24,837	-
Amortisation - right of use assets	532	598	(66)	1,163	1,163	-
Bad and doubtful debts	2,562	1,786	776	5,075	4,304	771
Borrowing costs	542	542	0	1,050	1,059	(9)
Interest Exp - Leases	40	36	5	58	58	-
Other expenses	461	446	15	746	843	(97)
Total expenses	106,184	99,516	6,668	218,608	218,383	225
Surplus/(Deficit) for the year	66,063	81,157	15,094	12,314	14,373	2,059

Statement of Financial Position

Statement of Financial Position	YTD Actuals \$'000	30/06/22 Actuals \$'000	Movement Inc/(Dec) \$'000
Current assets			
Cash and cash equivalents	59,334	54,801	4,533
Trade and other receivables	92,156	23,578	68,578
Other financial assets	35,000	25,000	10,000
Inventories	180	180	-
Non-current assets classified as held for sale	-	-	-
Other assets	461	1,267	(806)
Total current assets	187,132	104,827	82,305
Non-current assets			
Investments in joint arrangements	5	5	-
Property, infrastructure ,plant and equipment	2,043,539	2,041,598	1,941
Right-of-use assets	739	1,337	(598)
Total non-current assets	2,044,283	2,042,940	1,343
Total assets	2,231,415	2,147,767	83,648
Current liabilities			
Trade and other payables	6,838	12,945	(6,107)
Trust funds and deposits	27,475	15,359	12,116
Unearned income/revenue	11,926	10,994	932
Provisions	17,950	18,527	(577)
Interest-bearing liabilities	2,152	4,271	(2,119)
Lease liabilities	622	1,260	(637)
Total current liabilities	66,963	63,356	3,607
Non-current liabilities			
Other Liabilities	386	386	0
Provisions	1,215	1,443	(227)
Interest-bearing liabilities	34,900	34,900	-
Lease liabilities	200	200	-
Total non-current liabilities	36,702	36,929	(227)
Total liabilities	103,665	100,285	3,380
Net assets	2,127,749	2,047,481	80,268
Equity			
Accumulated surplus	652,286	652,940	(654)
Asset revaluation reserves	1,370,757	1,370,757	-
Other reserves	23,547	22,672	876
Surplus for the year	81,157	1,113	80,044
Total equity	2,127,748	2,047,481	80,267

Statement of Cashflows

Statement of Cash Flows	YTD Actuals \$'000 Inflows (Outflows)	Annual Budget \$'000 Inflows (Outflows)	Annual Forecast \$'000 Inflows (Outflows)	Annual Variance \$'000 Inflows (Outflows)
Cash flows from operating activities				
Rates and charges	57,817	126,912	126,912	(0)
Statutory fees and fines	16,778	32,178	31,728	(450)
User fees	14,634	33,174	33,480	306
Grants - operating	12,038	16,234	19,869	3,635
Grants - capital	3,316	11,825	6,576	(5,249)
Contributions - monetary	2,254	6,934	6,702	(232)
Interest received	1,085	-	-	-
Trust funds and deposits taken/(repaid)	12,116	-	-	-
Other receipts	856	1,758	3,632	1,874
Net GST refund/(payment)	1,314	-	-	-
Payments to Employees	(49,475)	(103,092)	(100,902)	2,190
Payments to Suppliers	(42,464)	(83,837)	(86,059)	(2,222)
Net cash (used in) / provided by operating activities	30,269	42,086	41,937	(149)
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(14,174)	(54,105)	(38,686)	15,419
Proceeds from sale of property, infrastructure, plant and equipment	1,771	580	580	-
Payments for investments	(10,000)	-	-	-
Proceeds from sale of investments	-	-	-	-
Net cash used in investing activities	(22,403)	(53,525)	(38,106)	15,419
Cash flows from financing activities				
Finance costs	(542)	(1,050)	(1,059)	(9)
Proceeds from Borrowings	-	20,000	-	(20,000)
Repayment of borrowings	(2,119)	(4,271)	(4,271)	-
Interest paid - lease liability	(36)	(58)	(58)	(0)
Repayment of lease liabilities	(637)	(1,268)	(1,268)	-
Net cash used in financing activities	(3,333)	13,353	(6,656)	(20,009)
Net decrease in cash held	4,533	1,915	(2,825)	(4,740)
Cash at beginning of period	54,801	71,470	54,801	(16,669)
Cash at end of period	59,334	73,385	51,977	(21,408)

Financial Assets	
Cash at end of period	59,334
Term Deposits	35,000
Total financial assets	94,334

Future items to be funded	
Trust Funds and deposits	16,513
Statutory reserves	23,547
Capital carry forwards	4,025
Capital grant funding	25,597
Operating grant carry overs	3,662
Total	73,344

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
Property						
Buildings	6,123	3,930	2,193	18,951	10,641	8,310
Total property	6,123	3,930	2,193	18,951	10,641	8,310
Plant and equipment						
Plant, machinery and equipment	65	530	(465)	2,688	1,423	1,265
Fixtures, Fittings and Furniture	25	21	4	150	272	(122)
Computers and telecommunications	1,066	562	504	2,713	2,414	299
Library books	435	402	33	640	630	10
Total plant and equipment	1,591	1,515	76	6,191	4,739	1,452
Infrastructure						
Roads	4,028	3,761	267	7,636	7,074	562
Bridges	-	15	(15)	108	65	43
Footpaths and cycleways	1,664	1,355	309	2,488	2,974	(487)
Drainage	2,112	745	1,367	3,752	3,281	471
Waste management	-	-	-	100	100	-
Parks, open space and streetscapes	2,598	1,515	1,084	9,585	5,671	3,914
Other infrastructure	745	1,231	(485)	5,295	4,142	1,153
Total infrastructure	11,148	8,621	2,526	28,963	23,307	5,657
Total capital works expenditure	18,862	14,067	4,795	54,105	38,686	15,419
Represented by:						
New asset expenditure	3,161	852	2,309	12,217	4,311	7,905
Asset renewal expenditure	14,371	11,764	2,607	35,730	29,201	6,529
Asset expansion expenditure	-	-	-	-	-	-
Asset upgrade expenditure	1,330	1,451	(121)	6,158	5,174	984
Total capital works expenditure	18,862	14,067	4,795	54,105	38,686	15,419