

Financial Report

For the period
1 July 2022 to 31 March 2023



Contents

	Page
Summary	
1. Executive Summary	01
2. Financial Performance Snapshot	02
3. Budget to Forecast	03
4. Cash Position	03
Financial Sustainability Ratios	
Financial Sustainability Ratios/Targets	04
Treasury Corporation of Victoria (TCV) Loan financial covenants	04
Operating Performance	
Statutory Fees	05
Recreation and Leisure Fees	05
Rates Collection	05
Capital Works	
Capital Works Program Snapshot	06
Appendix	
Comprehensive Income Statement	09
Statement of Financial Position	10
Statement of Cashflows	11
Statement of Capital Works	12

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	124.7	125.3	0.6 ▲	125.2	126.1	1.0 ▲
Statutory fees and fines	26.5	26.3	(0.3) ▼	35.8	34.6	(1.2) ▼
User Fees	24.9	25.2	0.3 ▲	33.2	32.2	(0.9) ▼
Grants - Operating	11.7	14.0	2.3 ▲	16.2	18.8	2.6 ▲
Grants - Capital	1.4	4.5	3.1 ▲	11.8	6.6	(5.2) ▼
Contributions - Other monetary	5.3	5.6	0.3 ▲	7.0	6.7	(0.3) ▼
Reimbursements	0.8	1.2	0.5 ▲	1.0	1.4	0.5 ▲
Other Income	0.5	2.3	1.8 ▲	0.7	2.9	2.2 ▲
Net gain/(loss) on disposal	0.1	1.0	1.0 ▲	0.1	2.1	2.0 ▲
Total Revenue	195.9	205.4	9.5 ▲	230.9	231.6	0.6 ▼
Expenses from ordinary activities						
Employee Costs	77.7	73.9	3.8 ▲	103.1	100.3	2.8 ▲
Materials and services	58.8	53.3	5.4 ▲	82.7	82.8	(0.1) ▼
Depreciation & Amortisation	18.6	18.2	0.4 ▲	24.8	24.8	-
Amortisation - right of use assets	0.9	0.9	(0.0) =	1.2	1.2	-
Bad and doubtful debts	3.7	3.1	0.7 ▲	5.1	4.4	0.7 ▲
Borrowing costs	0.8	0.8	0.0 ▲	1.0	1.1	-
Interest Exp - Leases	0.1	0.1	(0.0) =	0.1	0.1	-
Other expenses	0.6	0.6	(0.0) =	0.7	0.8	(0.1) ▼
Total expenses	161.1	150.9	10.2 ▲	218.7	215.5	3.2 ▲
Net Result	34.8	54.5	19.7 ▲	12.2	16.1	3.9 ▲

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 \$19.7m. This result is driven by the following:

Revenue

- Rates and Charges are favourable YTD partly due to an increase in supplementary rates (\$0.588m) which has been reflected in the annual forecast.
- Statutory Fees** are unfavourable YTD, driven by infringement notices revenue (\$0.452m), as a result of an adjusted return to normal operating environment post COVID-19 and has been reflected in the forecast.
- User Fees** are favourable YTD largely due to timing of revenue in compliance (\$0.792m) and Property & Leisure Services (\$0.289m), offset by lower than expected actuals in Children Services (-\$0.325m) and Statutory Planning (\$0.386m). The forecast has been adjusted recognising a revision of statutory planning and child care fees.
- 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 Victoria Street Pop-Up Community Space (\$0.273m), Covid relief program (\$0.349m), Cremorne Precinct Digital Infrastructure Upgrade (\$0.333m), and Live music on the road again (\$0.254m). Additional grant funding has been offset by reduction in grant funding from Children Services (-\$0.689m) and Aged & Disability (-\$0.145m) due to lower utilisation than expected. 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 (\$1.3m) carried forward from 2021/22 and payment received for LRCI Program (\$1.4m). Revenue is recognised progressively throughout the year as the projects are delivered. Associated 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 (\$0.318m) and developer contribution for engineering resourcing (\$0.200m). Forecasts have been updated to reflect the increased revenue.

g) Other Income is favourable YTD, driven by increased interest on investments which has also been reflected in the annual forecast.

h) 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

i) Employee Costs are favourable YTD largely due to savings from annual and long service leave provisions (\$2.3m), and temporary vacancies (\$1.3m).

j) Materials & Services YTD favourable variance biggest drivers are delays in budget utilisation for IT (\$2.019m), timing in processing utility costs (\$0.212m) and insurance payment (\$0.478m) as well as savings across City Works including Grand Final cleaning, contract payments and processing costs (\$1.363m) and Infrastructure, Traffic and Civil Engineering (\$0.984m).

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

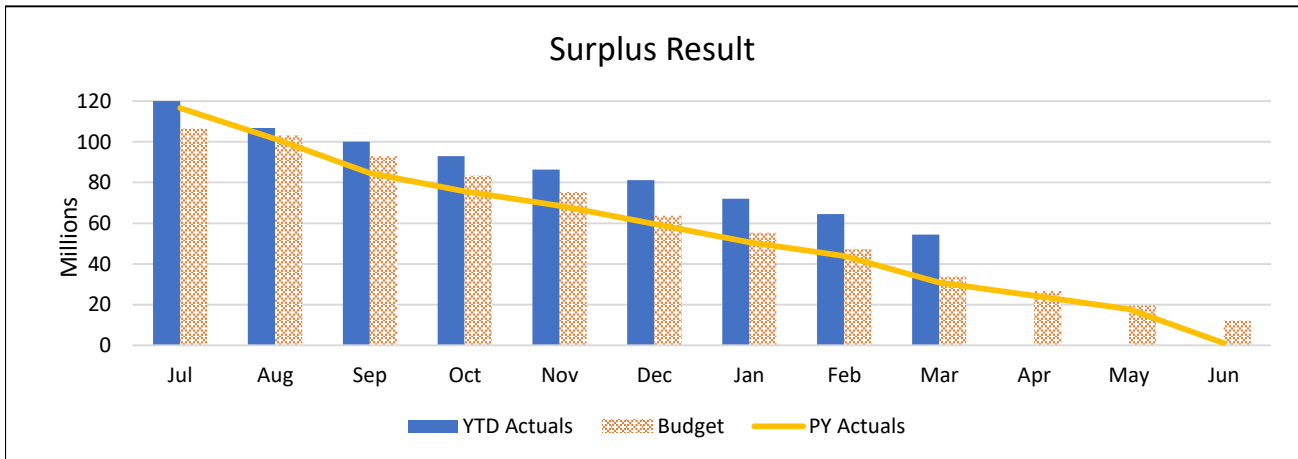
Capital Works Program

At 31 March 2023, YTD actuals \$20.8m are 38% behind the reported YTD budget of \$33.77m and includes spend on carryovers of \$8.735m.

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	6,024	1,354	4,670	12,217	3,716	8,500
Asset renewal expenditure	25,116	17,463	7,653	35,730	27,691	8,039
Asset upgrade expenditure	2,625	2,024	602	6,158	4,692	1,466
Total capital works expenditure	33,765	20,841	12,924	54,105	36,099	18,006

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.

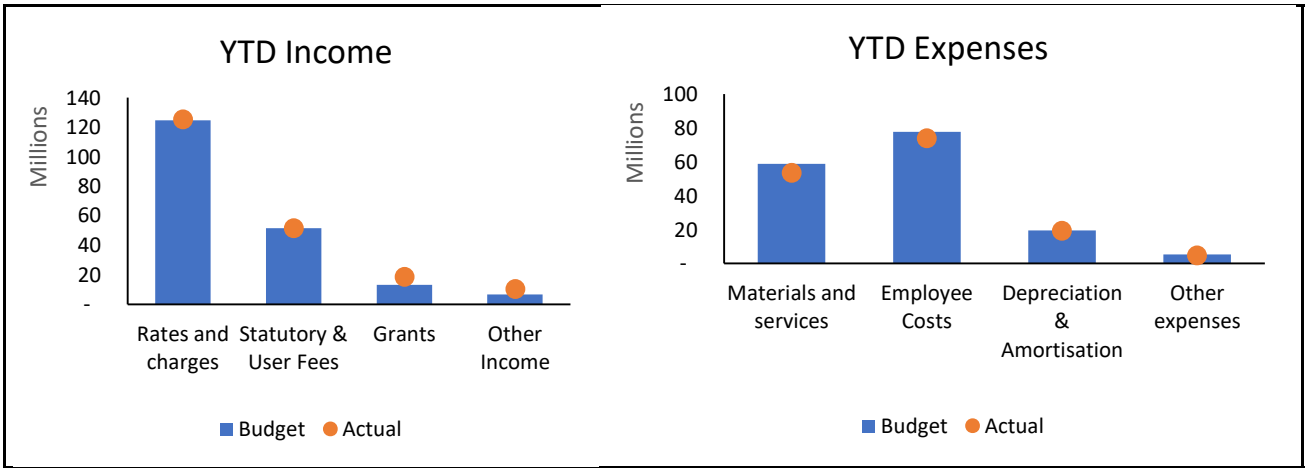


Revenue

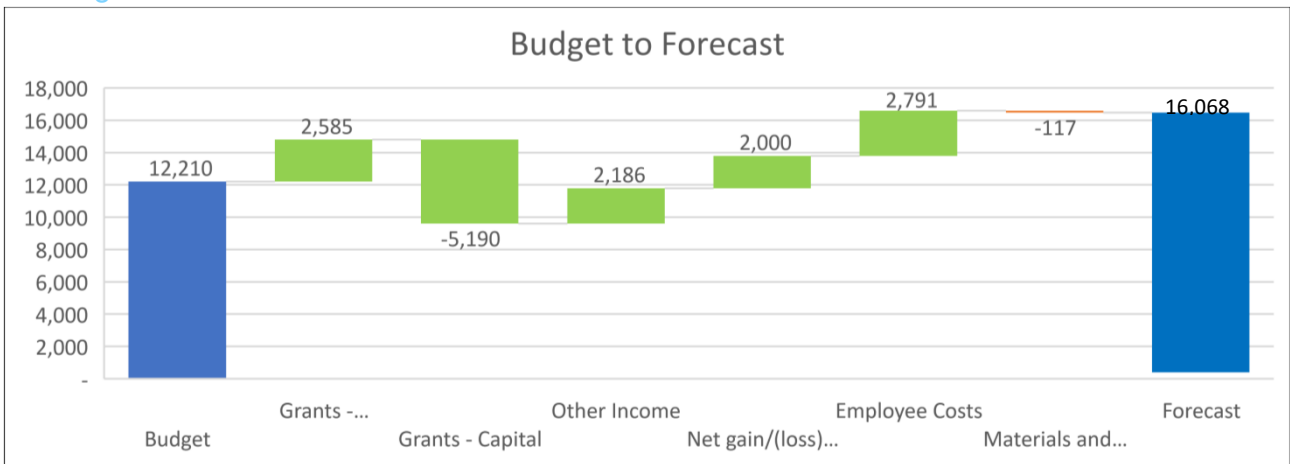
YTD favourable variance is largely driven by unbudgeted grant income carried forward from 2021/22, additional grant income received, proceeds from sale of assets and increased interest from investments.

Expenditure

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

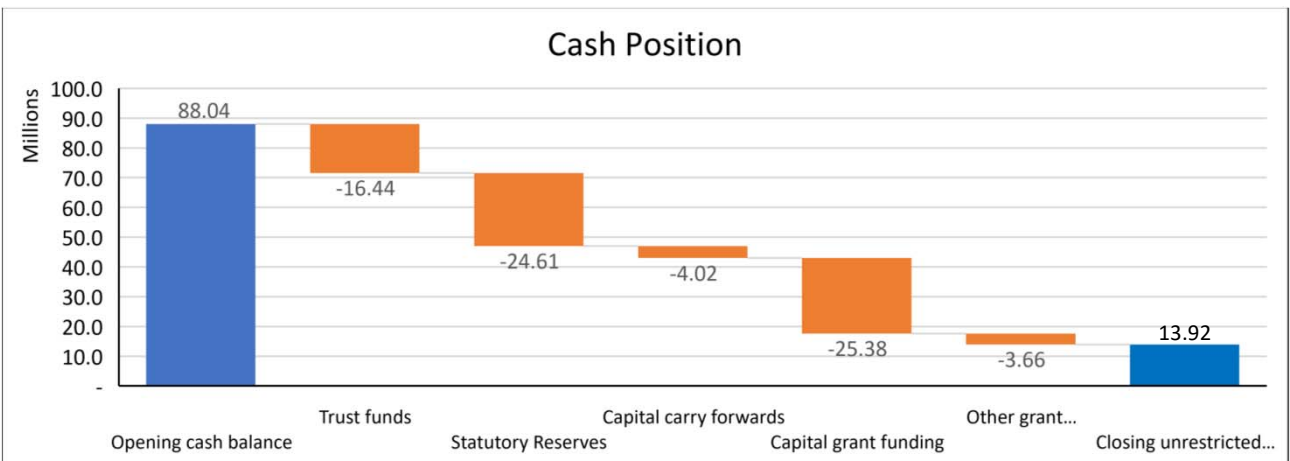


3. Budget to Forecast



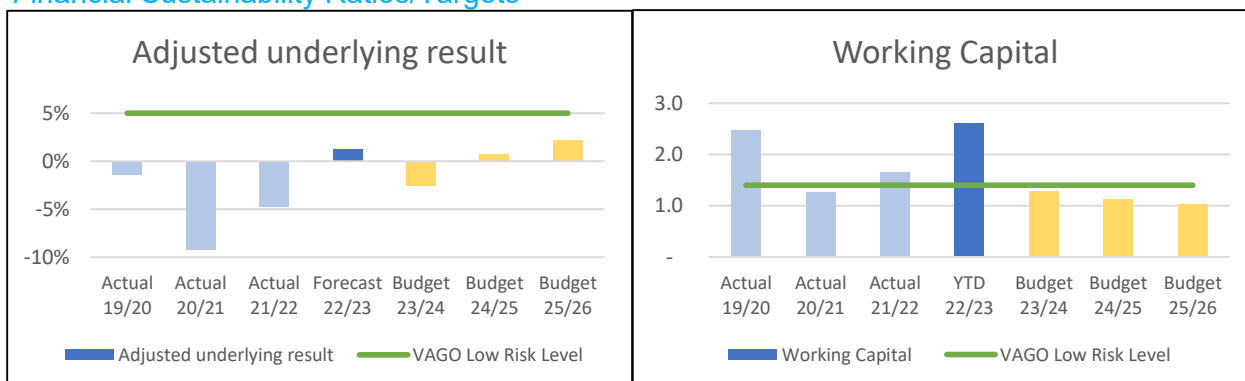
4. Cash Position

At 31 March 2023, Council has total cash of \$88.04m, of which \$35.98m is funded by borrowings. Unrestricted and unallocated cash position is \$13.92m, moving from \$4.72m as at 30 June 2022.



Financial Sustainability Ratios

Financial Sustainability Ratios/Targets

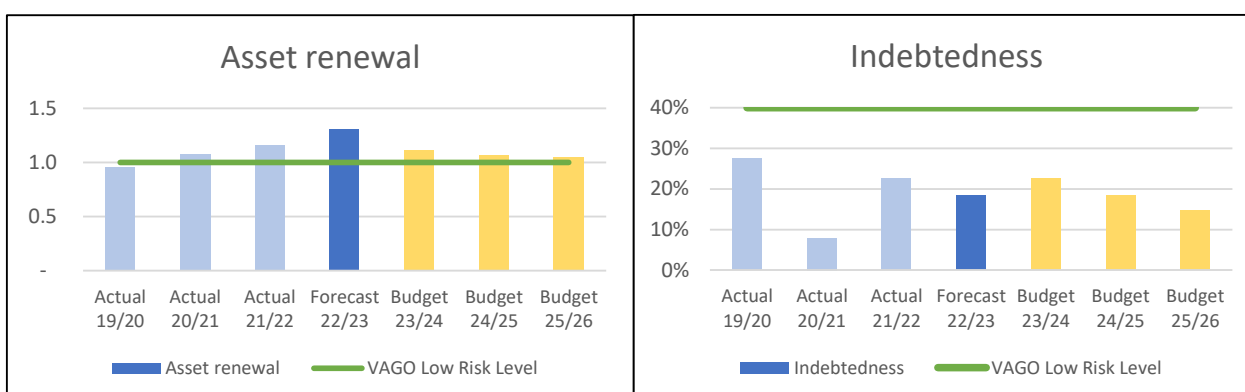


Adjusted underlying surplus (deficit) / adjusted underlying revenue

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	90 ▲
Interest Bearing Loans	Interest Bearing Liabilities/Own Source Revenue	< 60%	19.84% ▲

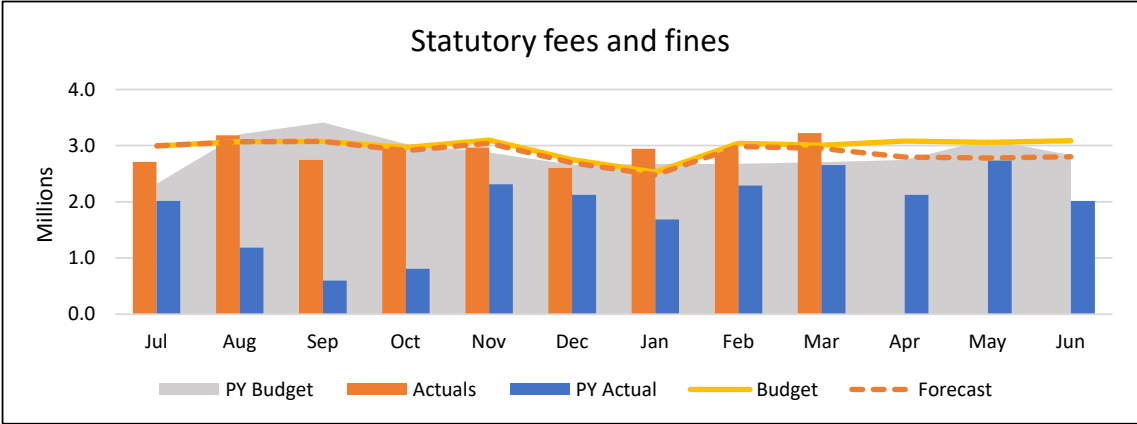
TCV financing is conditional upon Council maintaining a sustainable financial position when measured by the interest cover and interest bearing loans ratios. YTD results indicate that Council is meeting the minimum requirements. TCV loan requirements are well within target given limited borrowing compared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

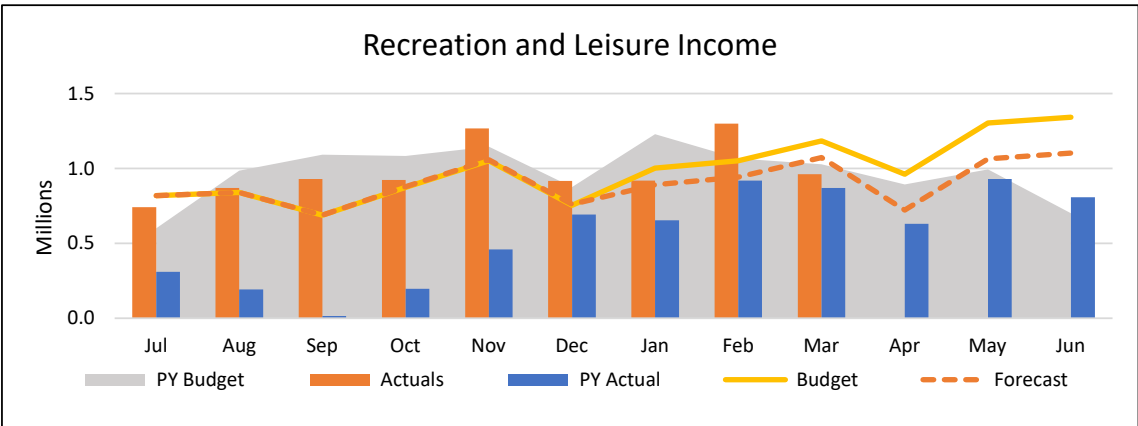
Statutory Fees

Statutory fees have been significantly affected during 2020/21 and 2022/21 due to the pandemic and lockdowns. YTD trend indicates that performance is below YTD budget and the annual forecast has been revised.



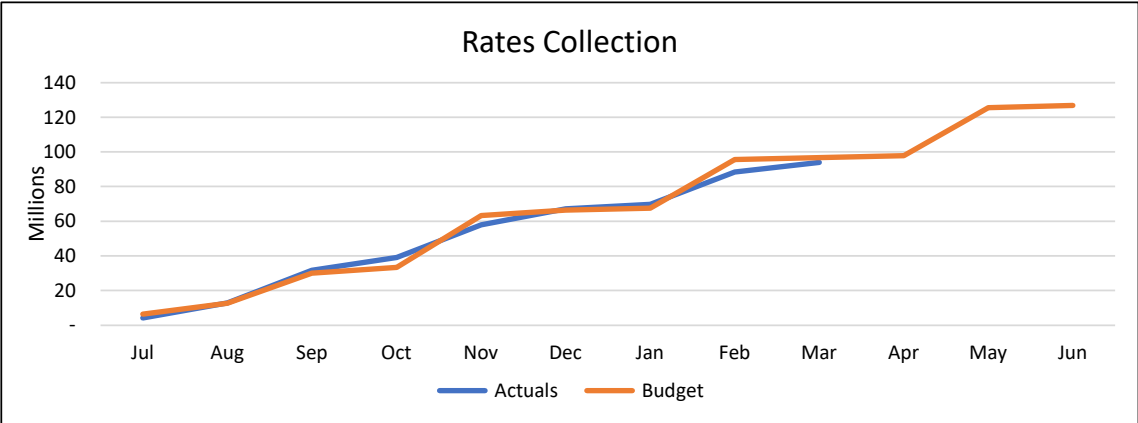
Recreation and Leisure Fees

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 below YTD budget and the annual forecast has been revised.



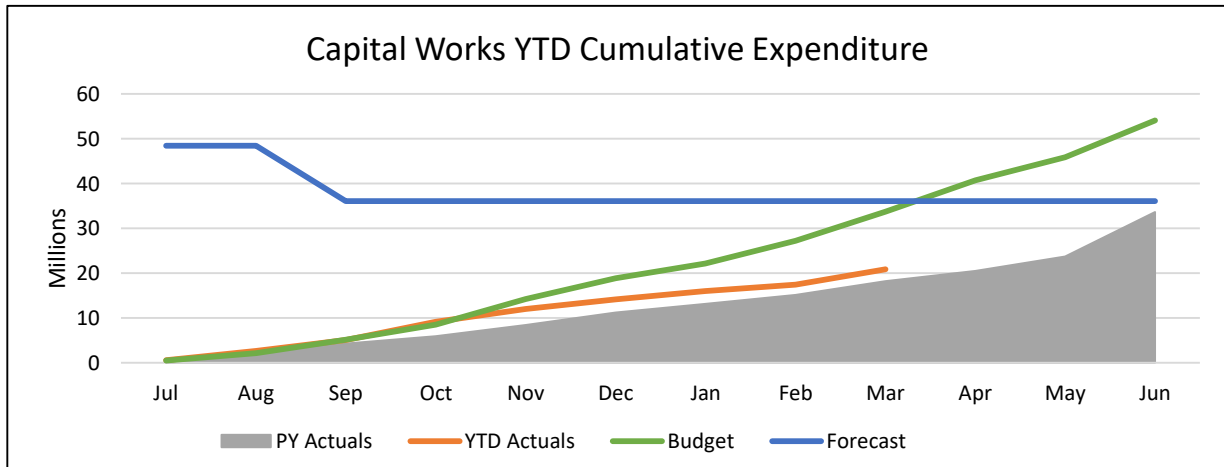
Rates Collection

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

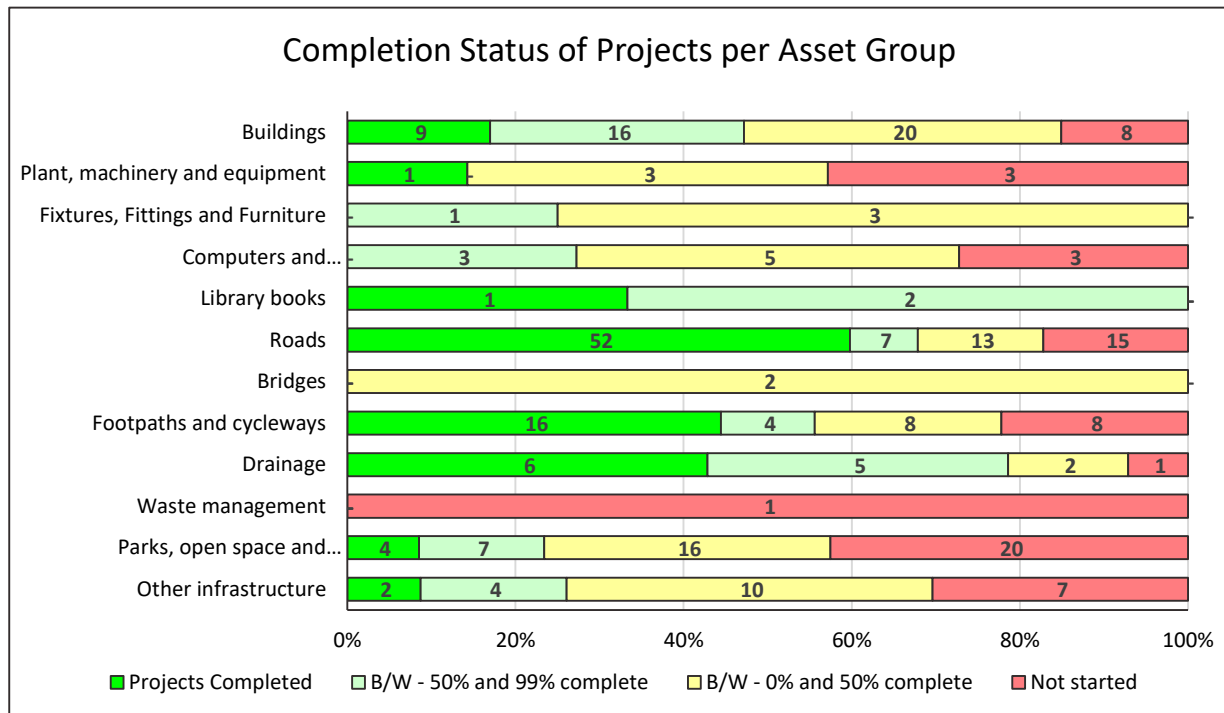


Capital Works

Capital Works Program Snapshot



At 31 March 2023, YTD actuals \$20.8m are 38% behind the reported YTD budget of \$33.77m.



Capital Works Performance

Property

Buildings

This program has 9 projects completed, with projects completed in quarter 3:

- Richmond Town Hall – compliance works and fire systems upgrade;
- Fitzroy Town Hall – main hall HVAC and services upgrade design and tender; and
- Johnson Pavilion – asbestos removal works

Two new projects were added to the capital works program in quarter 3, fully funded from identified savings in the buildings program:

- Studio 1 Community Hub Maternal and Child Health (MCH) – convert first floor of Studio 1 into an MCG centre (project cost \$125K). This project has been communicated to the Richmond Community Learning Centre; and

- Richmond Town Hall General Managers Office and Meeting Room (project cost \$60K).

The building program continues to be affected by rising cost of construction subsequently leading to higher than estimated project costs. This is being managed by ensuring up-to-date cost estimates with cost escalation assumptions appropriate to the current Victorian construction industry context are sought for larger projects prior to tendering, along with innovative tendering approaches to manage scope-budget trade-offs.

The Brunswick Street Oval Precinct Redevelopment (having significant State Government funding support of \$12.92 million total) has recently received planning and heritage approvals and is being prepared for tender in quarter 4 to commence construction in 2023/24.

This program has a full-year forecast variance of \$8.35m favourable, including those projects carried forward, replanned, deferred, additional projects to the program or projects otherwise identified as having savings in the quarter 2 report.

Plant & Equipment

Plant, Machinery and Equipment

The electric vehicle passenger bus is scheduled to arrive in the next quarter. Automatic doors will be fitted on the passenger entry side for improved accessibility.

This program has a full-year forecast variance of \$1.68m favourable, including those projects carried forward, replanned, deferred or otherwise identified as having savings in the quarter 2 report.

Fixtures, Fittings and Furniture

Whilst this program shows a full-year forecast variance of \$117K unfavourable (overspend), this does not account for \$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 computers and telecommunications program is on-track.

Library books

The purchase of library resources for the budget year is on-track and nearing completion.

Infrastructure

Roads

The roads program is progressing well, with 52 of 79 road renewal projects completed and a further 20 in progress.

Two additional road renewal projects in Ida St, Fitzroy North and Hotham St, Collingwood along with a footpath renewal project in Hotham St, Collingwood were brought forward from the proposed 2023/24 roads program in substitute for three road pavement projects in Langridge St, Abbotsford (impacted by delays to approval of traffic signal changes) and one in Fitzroy St, Fitzroy (impacted by private development works).

These changes were budget-neutral.

This program has a full-year forecast variance of \$752K favourable.

Bridges

The program of works in the bridges program is expected to conclude mid-April.

Footpaths and cycleways

The footpath and cycleways program is progressing well, with 16 of 30 projects completed and 9 projects in progress. One additional project was added, being the footpath project in Hotham St, Collingwood mentioned in the Roads summary.

Drainage

This program has 6 of 14 projects complete and a further 7 projects in progress.

Like the building construction program, projects in this program also continue to be affected by higher than estimated costs in construction material prices, labour and logistics. Curtain Square Stormwater Harvesting Scheme 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 anticipated to be completed quarter 4.

Parks, open space and streetscapes

This program has 5 projects completed, with projects completed in quarter 3:

- Edinburgh Gardens – Fitzy Skate Bowl;
- Clifton Reserve – plantings renewal; and
- Inner Circle - Mark St Reserve – garden beds renewals

A further 22 projects are in progress, with the Stephenson Reserve Park extension and redevelopment nearing completion. Construction works on the Cambridge Park extension commenced in late February, and the Otter Street pocket park project has been re-tendered.

This program has a full-year forecast variance of \$3.91m favourable, including those projects carried forward, replanned, deferred or otherwise identified as having savings in the quarter 2 report.

Other infrastructure

Overall, this program is on-track.

The Safety Around Schools and LAPM 6 works program has been completed, and these programs are all progressing well:

- LAPM 13 Abbotsford Precinct road safety treatments
- Safe and Liveable Victoria Street program, fully funded by the State Government
- Bicycle Infrastructure – the majority of planned works are completed including the Lambert Street Contraflow Bike Lane, and the Langridge-Hoddle Traffic Signal Plan is expected to be completed before the end of the budget year.

This program has a full-year forecast variance of \$1.90m favourable, including those projects carried forward, replanned, deferred or otherwise identified as having savings in the quarter 2 report.

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	124,683	125,293	610	125,163	126,140	977
Statutory fees and fines	26,534	26,283	(251)	35,754	34,577	(1,177)
User Fees	24,923	25,186	263	33,174	32,228	(946)
Grants - Operating	11,690	13,984	2,294	16,234	18,819	2,585
Grants - Capital	1,401	4,471	3,070	11,825	6,635	(5,190)
Contributions - OSR	3,750	3,464	(286)	5,000	5,000	-
Contributions - Other monetary	1,546	2,130	584	1,985	1,733	(252)
Reimbursements	772	1,235	462	966	1,420	454
Other Income	522	2,311	1,789	741	2,927	2,186
Net gain/(loss) on disposal	60	1,050	990	80	2,080	2,000
Total income	195,882	205,408	9,525	230,922	231,559	637
Expenses						
Employee Costs	77,685	73,876	3,808	103,092	100,302	2,791
Materials and services	58,778	53,332	5,446	82,691	82,807	(117)
Depreciation & Amortisation	18,579	18,211	369	24,837	24,837	-
Amortisation - right of use assets	873	898	(25)	1,163	1,163	-
Bad and doubtful debts	3,732	3,077	655	5,075	4,424	651
Borrowing costs	800	800	0	1,050	1,059	(9)
Interest Exp - Leases	52	66	(14)	58	58	-
Other expenses	581	600	(20)	746	840	(94)
Total expenses	161,080	150,860	10,219	218,712	215,491	3,221
Surplus/(Deficit) for the year	34,803	54,548	19,745	12,210	16,068	3,858

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	43,041	54,801	(11,761)
Trade and other receivables	61,866	23,578	38,288
Other financial assets	45,000	25,000	20,000
Inventories	180	180	-
Non-current assets classified as held for sale	-	-	-
Other assets	1,094	1,267	(173)
Total current assets	151,181	104,827	46,354
Non-current assets			
Investments in joint arrangements	5	5	-
Property, infrastructure, plant and equipment	2,044,224	2,041,598	2,626
Right-of-use assets	574	1,337	(763)
Total non-current assets	2,044,803	2,042,940	1,863
Total assets	2,195,984	2,147,767	48,217
Current liabilities			
Trade and other payables	4,584	12,945	(8,361)
Trust funds and deposits	23,043	15,359	7,683
Unearned income/revenue	11,684	10,994	689
Provisions	17,358	18,527	(1,168)
Interest-bearing liabilities	1,081	4,271	(3,190)
Lease liabilities	327	1,260	(933)
Total current liabilities	58,077	63,356	(5,279)
Non-current liabilities			
Other Liabilities	386	386	0
Provisions	1,182	1,443	(261)
Interest-bearing liabilities	34,900	34,900	-
Lease liabilities	299	200	99
Total non-current liabilities	36,767	36,929	(162)
Total liabilities	94,844	100,285	(5,441)
Net assets	2,101,139	2,047,481	53,658
Equity			
Accumulated surplus	651,227	652,940	(1,713)
Asset revaluation reserves	1,370,757	1,370,757	-
Other reserves	24,608	22,672	1,936
Surplus for the year	54,548	1,113	53,434
Total equity	2,101,139	2,047,481	53,658

Statement of Cashflows

Statement of Cash Flows	YTD	Annual	Annual	Annual
	Actuals	Budget	Forecast	Variance
	\$'000	\$'000	\$'000	\$'000
	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Cash flows from operating activities				
Rates and charges	90,021	126,912	127,879	967
Statutory fees and fines	25,671	32,178	31,119	(1,059)
User fees	21,935	33,174	32,228	(946)
Grants - operating	14,626	16,234	18,819	2,585
Grants - capital	4,471	11,825	6,635	(5,190)
Contributions - monetary	4,704	6,934	6,733	(201)
Interest received	1,884	-	-	-
Trust funds and deposits taken/(repaid)	7,683	-	-	-
Other receipts	1,284	1,758	4,347	2,589
Net GST refund/(payment)	1,061	-	-	-
Payments to Employees	(75,260)	(103,092)	(100,302)	2,790
Payments to Suppliers	(65,030)	(83,837)	(83,648)	189
Net cash (used in) / provided by operating activities	33,050	42,086	43,810	1,724
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(20,971)	(54,105)	(36,099)	18,006
Proceeds from sale of property, infrastructure, plant and equipment	1,050	580	580	-
Payments for investments	(20,000)	-	-	-
Proceeds from sale of investments	-	-	-	-
Net cash used in investing activities	(39,922)	(53,525)	(35,519)	18,006
Cash flows from financing activities				
Finance costs	(800)	(1,050)	(1,059)	(9)
Proceeds from Borrowings	-	20,000	-	(20,000)
Repayment of borrowings	(3,190)	(4,271)	(4,271)	-
Interest paid - lease liability	(66)	(58)	(58)	(0)
Repayment of lease liabilities	(834)	(1,268)	(1,268)	-
Net cash used in financing activities	(4,889)	13,353	(6,656)	(20,009)
Net decrease in cash held	(11,761)	1,915	1,636	(279)
Cash at beginning of period	54,801	71,470	54,801	(16,669)
Cash at end of period	43,041	73,385	56,438	(16,947)

Financial Assets	
Cash at end of period	43,041
Term Deposits	45,000
Total financial assets	88,041

Future items to be funded	
Trust Funds and deposits	16,443
Statutory reserves	24,608
Capital carry forwards	4,025
Capital grant funding	25,380
Operating grant carry overs	3,662
Total	74,117

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	12,368	5,938	6,430	18,951	10,600	8,351
Total property	12,368	5,938	6,430	18,951	10,600	8,351
Plant and equipment						
Plant, machinery and equipment	730	764	(35)	2,688	1,137	1,551
Fixtures, Fittings and Furniture	60	95	(35)	150	267	(117)
Computers and telecommunications	1,978	1,497	481	2,713	2,414	299
Library books	640	572	68	640	630	10
Total plant and equipment	3,408	2,929	479	6,191	4,448	1,743
Infrastructure						
Roads	6,740	4,488	2,253	7,636	6,884	752
Bridges	108	65	43	108	108	(0)
Footpaths and cycleways	2,080	2,043	37	2,488	3,046	(558)
Drainage	2,802	1,840	961	3,752	2,944	808
Waste management	100	-	100	100	100	-
Parks, open space and streetscapes	4,363	1,855	2,508	9,585	4,578	5,008
Other infrastructure	1,796	1,684	113	5,295	3,392	1,903
Total infrastructure	17,989	11,974	6,015	28,963	21,052	7,911
Total capital works expenditure	33,765	20,841	12,924	54,105	36,099	18,006
Represented by:						
New asset expenditure	6,024	1,354	4,670	12,217	3,716	8,500
Asset renewal expenditure	25,116	17,463	7,653	35,730	27,691	8,039
Asset expansion expenditure	-	-	-	-	-	-
Asset upgrade expenditure	2,625	2,024	602	6,158	4,692	1,466
Total capital works expenditure	33,765	20,841	12,924	54,105	36,099	18,006