

Comprehensive Income Statement Converted to Cash - September 2020

We use the Comprehensive Income Statement Converted to Cash to ensure prudent financial management by maintaining a cumulative cash surplus. The current forecast for 2020/21 is a cumulative cash surplus of \$1.05m which compared marginally unfavourable against the budgeted cash surplus of \$1.14m.

That said, the forecast cash surplus is highly subjective to the length and severity of the current COVID-19 lockdown, recovery phase and further Council contributions/investments toward the Economic and Social Recovery in the municipality as required.

	Year to date		YTD Variance		Full Year		Variance		Notes
	Actual	Forecast	Actual to Forecast		Forecast	Budget	Forecast to Budget		
	(\$'000)	(\$'000)	(\$'000)	%	(\$'000)	(\$'000)	(\$'000)	%	
Income									
Rates and Charges	34,461	34,363	98	0%	133,385	132,585	800	1%	
Statutory Fees and Fines	2,154	2,408	(254)	(11%)	17,468	18,668	(1,200)	(6%)	
User Fees	5,591	5,686	(95)	(2%)	31,282	32,650	(1,368)	(4%)	
Grants - Operating	2,449	2,290	159	7%	10,396	9,386	1,010	11%	
Grants - Capital	1,353	1,549	(196)	(13%)	3,190	3,370	(180)	(5%)	
Contributions - Monetary	759	678	81	12%	2,532	2,532	0	0%	
Contributions - Non Monetary	0	0	0	0%	0	0	0	0%	
Other Income	1,196	971	225	23%	18,714	19,114	(400)	(2%)	
Total Income	47,963	47,945	18	0%	216,967	218,304	(1,337)	(1%)	1
Expenses									
Employee Costs	19,955	19,954	(1)	(0%)	90,863	91,046	183	0%	
Materials and Services	12,239	11,928	(311)	(3%)	72,640	72,788	148	0%	
Professional Services	3,320	3,210	(110)	(3%)	18,158	18,223	65	0%	
Bad and Doubtful Debts	45	185	140	76%	4,341	5,141	800	16%	
Depreciation	6,319	6,319	0	0%	25,276	25,276	0	0%	
Amortisation - right of use assets	238	238	0	0%	950	950	0	0%	
Borrowing Costs	0	0	0	0%	349	349	0	0%	
Finance Costs - leases	16	19	3	16%	75	75	0	0%	
Other Expenses	2,138	2,030	(108)	(5%)	18,123	17,873	(250)	(1%)	
Net (Profit) or Loss on Disposal of Assets	(1,540)	(1,499)	41	(3%)	3,896	3,896	0	0%	
JV Equity Accounting	0	0	0	0%	0	0	0	0%	
Total Expenses	42,730	42,384	(346)	(1%)	234,671	235,617	946	0%	2
Operating Surplus / (Deficit)	5,233	5,561	(328)	(6%)	(17,704)	(17,313)	(391)	2%	
Income Statement Converted to Cash									
Adjustments for non-cash operating items:									
• Add back depreciation and amortisation	6,557	6,557	0	0%	26,227	26,227	0	0%	
• Add back written-down value of infrastructure assets disposals	2,210	2,271	(61)	(3%)	7,711	7,711	0	0%	
• Add back written-down value of fleet asset disposals	0	0	0	0%	240	240	0	0%	
• Add back balance sheet work in progress reallocated to operating	0	0	0	0%	1,200	1,200	0	0%	
• Add back Joint Venture Equity Accounting	0	0	0	0%	0	0	0	0%	
• Less Contributed Assets	0	0	0	0%	0	0	0	0%	
	8,767	8,828	(61)	(1%)	35,378	35,378	0	0%	
Adjustments for investing items:									
• Less capital expenditure - Infrastructure	(2,966)	(3,581)	615	17%	(26,676)	(28,555)	1,879	7%	
• Less capital expenditure - IT, Plant and Equipment	(322)	(321)	(1)	(0%)	(2,617)	(2,617)	0	0%	
	(3,288)	(3,902)	614	16%	(29,293)	(31,172)	1,879	6%	3
Adjustments for financing items:									
• Add New Borrowings	0	0	0	0%	0	0	0	0%	
• Less Loan Repayments	(179)	(179)	0	0%	(648)	(648)	0	0%	
	(179)	(179)	0	0%	(648)	(648)	0	0%	
Adjustments for reserve movements:									
• Discretionary Reserve Drawdown/ (Replenish)	0	0	0	0%	13,076	14,816	(1,740)	(12%)	
• Statutory Reserve Drawdown/ (Replenish)	0	0	0	0%	515	515	0	0%	
	0	0	0	0%	13,591	15,331	(1,740)	(11%)	4
Current Year Cash Surplus/(Deficit)	10,533	10,308	225	2%	1,324	1,576	(252)	16%	
Opening balance carry forward surplus	(276)	(276)	0	0%	(276)	(441)	165	(37%)	
Accumulated Cash Surplus	10,257	10,032	225	2%	1,048	1,135	(87)	(8%)	

Refer to Notes for explanation on changes to forecast in the current reporting month.

Notes to the Comprehensive Income Statement Converted to Cash

The following adjustments have been identified as at September 2020 and are reflected in the Comprehensive Income Statement Converted to Cash (see previous page).

Note 1. Operating income forecast decreased by \$1.34 million:

Net forecast income changes year to date September 2020 included the following material items:

↑	\$0.96m	Transitional Commonwealth COVID-19 Childcare relief package has been extended to January 2021 which is not budgeted.
↑	\$0.80m	Additional supplementary rates from completed developments mainly at Port Melbourne.
↑	\$0.22m	Unbudgeted Victorian Government COVID-19 funding for Kindergarten services.
→	\$0.50m	Victorian Government COVID-19 funding to facilitate Outdoor Eating and Entertainment initiatives. This will be offset by matching expenditure.
→	\$0.25m	Additional COVID-19 meals funding which will be offset by matching expenditure.
→	(\$0.18m)	Commonwealth Blackspot program funding for the Fitzroy St and Loch St work was not successful. Project will not go ahead.
↓	(\$3.20m)	The budget included parking revenue assumptions akin to the first wave COVID-19 impact. The severity and length of the second wave of COVID-19 restrictions have been greater than budgeted. Further, the Victorian Government prohibited enforcement of overstay offences, which account for approximately 60% of our parking infringement income. Parking infringement income has been forecast down by \$1.2m and paid parking forecast reduced by \$2m. The lower number of Parking Infringement Notices will be partially offset by lower doubtful debts and lodgement expenditure. Net unfavourable impact approximately \$2.0m.
↓	(\$0.56m)	Council provided rent relief to Commercial Tenants and South Melbourne Stallholders are greater than budgeted.
↓	(\$0.33m)	Council experienced greater revenue impact due to extended COVID-19 restrictions which resulted in loss of stallholder revenue from the Esplanade Market, reduction in sporting licences and leases, and loss of Council hall hire income. The impacts are partially offset by lower operating expenditure.

Note 2. Operating expenditure forecast decreased by \$0.95 million:

Net forecast operating expenditure changes year to date September 2020 included the following material items:

↑	\$0.80m	Lower parking doubtful debts expected due to lower number of parking infringements issued.
↑	\$0.40m	Lower registration costs payable to Fines Victoria due to lower parking infringement notices.
↑	\$0.47m	Savings from enterprise vacancies.
↑	\$0.33m	Victorian Government has delayed the 2020/21 landfill levy increase until the 2021/22 financial year.
→	(\$0.50m)	Victorian Government COVID-19 funding to facilitate Outdoor Eating and Entertainment initiatives. This will be offset by matching expenditure.
→	(\$0.25m)	Additional COVID-19 meals funding which will be offset by matching expenditure.
↓	(\$0.29m)	Additional COVID-19 expenditure for Vulnerable Employee. This is offset by savings from enterprise vacancies.

Note 3. Capital expenditure forecast decreased by \$1.88 million:

Net forecast changes to capital expenditure year to date September 2020 included the following material items:

→	\$1.50m	Luna Park and Palais Hostile Vehicle Mitigation Construction works to be rescheduled to minimise impact to businesses in their summer (peak) trading periods. Completion expected in 2021/22.
→	\$0.13m	Commonwealth Blackspot program funding for the Fitzroy St and Loch St work was not successful. Project will not go ahead.
→	\$0.28m	Garden City Shared Bike Path procurement delays and construction works rescheduled to commence in the last quarter of this financial year. Deferrals identified.

Note 4. Net drawdown on reserves decreased by \$1.74 million:

Net forecast changes to reserves year to date September 2020 include following material items:

→	\$1.50m	Luna Park and Palais Hostile Vehicle Mitigation Construction works to be rescheduled to minimise impact to businesses in their summer (peak) trading periods. Completion expected in 2021/22.
→	\$0.35m	Garden City Shared Bike Path procurement delays and construction works rescheduled to commence in the last quarter of this financial year. Deferrals identified.

Balance Sheet

	Opening	YTD - Actual		Full Year - Forecast		Note
	Balance	September	Movement	30.Jun.21	Movement	
	01.Jul.20 \$'000	September \$'000	\$'000	\$'000	\$'000	
ASSETS						
Current assets						
Cash and cash equivalents	7,642	11,973	4,331	7,307	(335)	
Trade and other receivables	17,865	36,645	18,780	17,910	45	
Other financial assets	87,000	76,600	(10,400)	80,000	(7,000)	1
Non current assets classified as held for sale	2,211	2,211	0	0	(2,211)	2
Other assets	1,916	1,033	(883)	1,921	5	
Total current assets	116,634	128,462	11,828	107,138	(9,496)	
Non-current assets						
Investments in associates and joint ventures	307	307	0	307	0	
Other financial assets	521	521	0	521	0	
Property, infrastructure, plant and equipment	3,200,370	3,194,891	(5,479)	3,195,236	(5,134)	2
Right of use assets	1,339	1,339	0	1,189	(150)	
Total non-current assets	3,202,537	3,197,058	(5,479)	3,197,253	(5,284)	
TOTAL ASSETS	3,319,171	3,325,520	6,349	3,304,391	(14,780)	
LIABILITIES						
Current liabilities						
Trade and other payables	8,316	6,695	1,621	11,021	(2,705)	
Trust funds and deposits	7,949	9,976	(2,027)	7,969	(20)	
Provisions	15,513	16,458	(945)	15,552	(39)	
Interest-bearing loans and borrowings	0	0	0	7,500	(7,500)	
Lease liabilities	585	585	0	577	8	
Total current liabilities	32,363	33,714	(1,351)	42,619	(10,256)	
Non-current liabilities						
Provisions	3,367	3,367	0	3,375	(8)	
Interest-bearing loans and borrowings	7,500	7,500	0	0	7,500	
Lease liabilities	789	610	179	949	(160)	
Total non current liabilities	11,656	11,477	179	4,324	7,332	
TOTAL LIABILITIES	44,019	45,191	(1,172)	46,943	(2,924)	
NET ASSETS	3,275,152	3,280,329	5,177	3,257,448	(17,704)	
EQUITY						
Accumulated surplus	639,697	644,874	5,177	635,584	(4,113)	
Asset revaluation reserve	2,557,780	2,557,780	0	2,557,780	0	
Other reserves	77,675	77,675	0	64,084	(13,591)	3
TOTAL EQUITY	3,275,152	3,280,329	5,177	3,257,448	(17,704)	

Note

- Forecast year end cash and investment balance of \$87m. This is greater than expected due to carried forward cash balance from 2019/20.
- Sale of York St Property. 2020/21 Capital program budget reduced and deferred to address the financial impact of COVID-19.
- Drawdown on reserves to fund Capital Works program and the Customer Experience program as budgeted.

Statement of Cash Flows - September 2020

	Full Year 2019/20 \$'000	YTD September 2020 \$'000	Forecast Full Year 2020/21 \$'000	Budget Full Year 2020/21 \$'000	Variance Full Year 2020/21 \$'000	Note
Cash flows from operating activities						
Rates and charges	125,278	15,681	133,340	132,585	755	
Statutory fees and fines	16,021	2,109	12,527	13,700	(1,173)	1
User fees	39,792	5,591	33,093	35,608	(2,515)	1
Grants - operating	12,939	2,449	10,396	9,386	1,010	2
Grants - capital	3,249	1,353	3,190	3,370	(180)	
Contributions - monetary	10,362	759	2,532	2,532	0	
Other receipts	23,705	2,079	18,109	18,776	(667)	
Net trust funds taken/(repaid)	863	2,027	20	112	(92)	
Employee costs	(94,751)	(19,304)	(90,816)	(90,826)	10	
Materials and services	(96,338)	(17,180)	(95,293)	(94,535)	(758)	
Other payments	(9,465)	(2,138)	(8,123)	(8,603)	480	
Net cash provided by operating activities	31,655	(6,574)	18,975	22,105	(3,130)	
Cash flows from investing activities						
Payments for property, infrastructure, plant and equipment	(22,370)	(3,050)	(29,293)	(31,172)	1,879	3
Proceeds from the sale of property, infrastructure, plant and equipment	218	3,750	4,055	4,055	0	
Payments for investments	(87,000)	(37,600)	(85,000)	(85,000)	0	
Proceeds from sale of investments	83,000	48,000	92,000	85,000	7,000	4
Net cash used in investing activities	(26,152)	11,100	(18,238)	(27,117)	8,879	
Cash flows from financing activities						
Finance costs	(349)	0	(349)	(349)	0	
Proceeds from borrowings	0	0	0	0	0	
Repayment of borrowings	0	0	0	0	0	
Interest paid - lease liabilities	(75)	(16)	(75)	(75)	0	
Repayment of lease liabilities	(698)	(179)	(648)	(648)	0	
Net cash provided by / (used in) financing	(1,122)	(195)	(1,072)	(1,072)	0	
Net increase (decrease) in cash and cash equivalents	4,381	4,331	(335)	(6,084)	5,749	
Cash and cash equivalents at beginning of year	3,261	7,642	7,642	14,363	(6,721)	
Cash & cash equivalents at end of year	7,642	11,973	7,307	8,279	(972)	
Total Cash and Investments	94,642	88,573	87,307	83,280	4,027	

Note

- 1 Lower cash receipts from parking revenue (paid parking and infringements) due to the severity and length of the second COVID-19 lockdown.
- 2 Additional unbudgeted grants from the Commonwealth and State Government for COVID-19 economic and social recovery programs.
- 3 Lower capital works spend due to timing of works and deferrals.
- 4 Term deposits reduced as budgeted to be used for capital projects and operational services.

Statement of Capital Works - September 2020

	YTD Actuals (\$'000)	YTD Forecast (\$'000)	YTD Variance Actual to Forecast (\$'000) %		Annual Forecast (\$'000)	Annual Budget (\$'000)	Full Year Variance Forecast to Budget (\$'000) % Note	
Property								
Land	-	-	-	0%	-	-	-	0%
Buildings	1,235	1,405	170	12%	13,052	12,992	(60)	(0%)
Total property	1,235	1,405	170	12%	13,052	12,992	(60)	(0%)
Plant and equipment								
Plant, machinery and equipment	185	25	(160)	(640%)	923	923	-	0%
Fixtures, fittings and furniture	20	20	-	0%	116	116	-	0%
Computers and telecommunications	82	120	38	32%	750	750	-	0%
Heritage and art works	-	-	-	0%	30	30	-	0%
Library books	28	115	87	76%	652	652	-	0%
Motor Vehicles	55	55	-	0%	914	914	-	0%
Total plant and equipment	370	335	(35)	-10%	3,385	3,385	-	0%
Infrastructure								
Roads	221	231	10	4%	2,502	2,636	134	5%
Footpaths and cycle ways	104	122	18	15%	1,165	1,445	280	19% 1
Drainage	45	80	35	44%	940	965	25	3%
Parks, open space and streetscapes	1,294	1,709	415	24%	8,149	9,649	1,500	16% 2
Other infrastructure	19	20	1	0%	100	100	-	0%
Total infrastructure	1,683	2,162	479	22%	12,856	14,795	1,939	13%
Total capital portfolio expenditure	3,288	3,902	614	16%	29,293	31,172	1,879	6%
Capital Expenditure Type								
New asset expenditure	163	194	31	16%	1,454	1,524	70	5%
Asset renewal expenditure	1,829	2,171	342	16%	16,297	16,932	635	4%
Asset upgrade expenditure	1,287	1,527	240	16%	11,464	12,638	1,174	9%
Asset expansion expenditure	9	10	1	0%	78	78	-	0%
Total capital works expenditure	3,288	3,902	614	16%	29,293	31,172	1,879	6%

Notes

- Garden City Shared Bike Path procurement delays and construction works rescheduled to commence in the last quarter of this financial year. \$0.3m of deferrals to 2021/22 identified.
- Luna Park and Palais Hostile Vehicle Mitigation Construction works to be rescheduled to minimise impact to businesses in their summer (peak) trading periods. \$1.5m of deferrals to 2021/22 identified.

Trade Receivables Aged Balance report (excluding Rates)

Division/Business Unit	Current	1-30 days	31-60 days	60 days +	Total	Note
Community Wellbeing and Inclusion						
Child Care Council Managed Centres	56,982	1,928	1,106	10,006	70,022	1
Community Building and Inclusion	-	-	2,726	41,254	43,980	2
Independent Living	34,880	6,435	2,712	5,049	49,076	
Open Space & Recreation	-	-	2,333	69,570	71,903	3
Total Community & Economic Development	91,862	8,363	8,877	125,879	234,981	
Customer, Operations and Infrastructure						
Community Facilities	-	-	473	8,668	9,141	
Finance	38,548	18,044	-	15,432	72,024	4
Property	102,842	47,595	10,200	1,151,681	1,312,318	5
Maintenance & Operations	17,943	10,450	1	582	28,976	
Total Customer & Corporate Services	159,333	76,089	10,673	1,176,363	1,422,459	
City Growth & Organisational Capability						
Arts	-	-	246	4,439	4,684	
Esplanade Market	-	-	3,101	22,734	25,835	6
Festivals	-	-	-	20,356	20,356	
Filming Permits	-	-	-	900	900	
South Melbourne Market	569,303	115,072	55,995	84,427	824,797	7
Organisational Performance	4,200	-	-	-	4,200	
Events	1,992	-	-	762	2,754	
Total City Growth & Organisational Capability	575,495	115,072	59,341	133,618	883,526	
Development, Transport & City Amenity						
Development Permits	465,423	65,961	44,926	271,051	847,361	8
Footpath Trading	-	-	120	6,752	6,872	
Health Services	1,371	1,112	950	4,735	8,168	
Private Parking	660	-	-	1,540	2,200	
Transport Safety	222,407	840	-	2,518	225,765	
Traffic & Parking	-	-	2,400	4,860	7,260	
Total Development, Transport & City Amenity	689,861	67,913	48,396	291,456	1,097,626	
Grand Total	1,516,551	267,437	127,287	1,727,316	3,638,592	

Notes- Material debt >\$10K 60 days plus overdue

- Child Care Council Managed Centres \$10K - Debts are under review by Children's Services Coordinators and FYC Manager with Finance support provided and regular monthly meetings being held. Approx. \$3K out of \$10K are lodged with our debt collection agency, however, debt collection is on hold due to COVID-19.
- Community Building and Inclusion \$41K - Common Ground Grant := payment requires Minister's signature and approval. This should be signed-off in about a fortnight from 06 Oct.
- Open Space & Recreation \$69K - \$16K relates to JL Murphy Pavilion Project. \$53k relates to unpaid Sport Grounds bookings for period prior April 2020. Business Unit to review if further relief package can be offered.
- Finance \$15K - \$11K is owed by a local government entity; CFO notified about issues with collecting this amount open since Aug 2019. \$4K lodged with debt collectors (debt collection is on hold due to COVID-19).
- Property \$1.1M - \$863K relates to sale of a former road (2 debtors). The 1st debtor applied for a payment plan and the 2nd is in contact with our solicitors. \$140K old debt that is managed by our lawyers. \$149K relates to overdue rent that is not being paid regularly due to Stage 4 lockdown closures.
- Esplanade Market \$22K - full amount relates to unpaid bookings (mostly yearly) at the St Kilda Esplanade Market. The market has not been covered by the COVID-19 Emergency Relief Package.
- South Melbourne Market \$84K - full amount relates to stall rent fees. Payment delays are caused by COVID-19 and stage 4 lockdown.
- Development Permits \$271K - \$51K relates to asset protection refundable security bonds. \$220K (31 debtors) relates to projects invoiced but development on hold or further information is required.