



Quarterly Financial Report

September 2011

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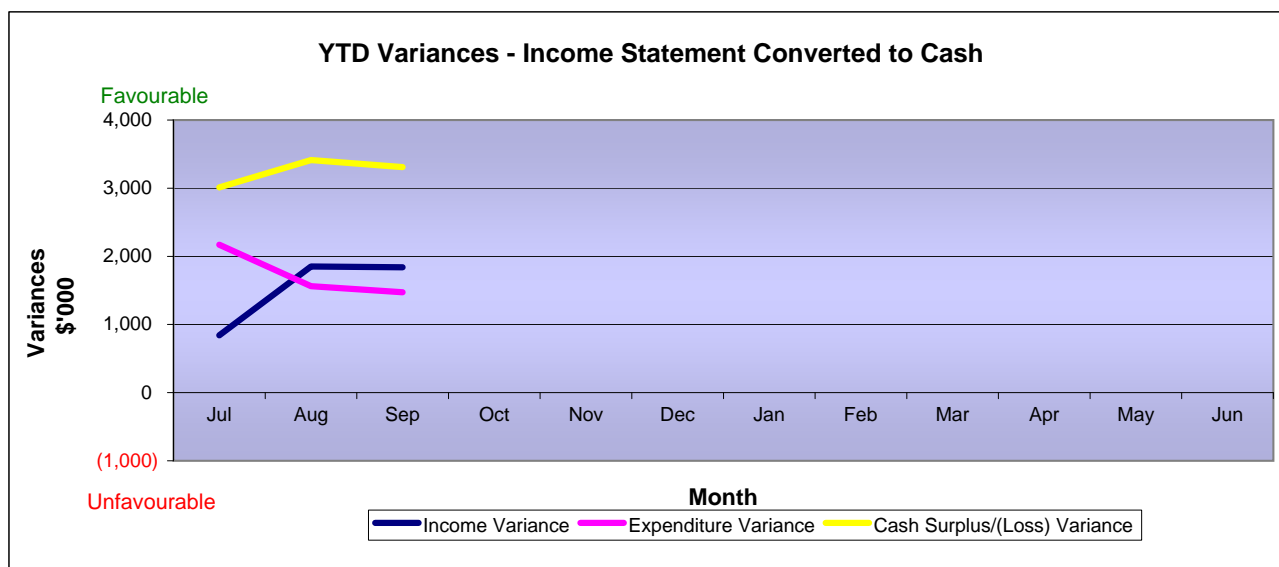
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Income Statement Converted to Cash for the Three Months Ended 30 September 2011

	YTD Actual (\$'000)	YTD Budget (\$'000)	YTD Variance (\$'000)	Annual Budget (\$'000)	Annual Forecast (\$'000)
REVENUE					
Rates	22,005	22,110	(105)	88,438	88,438
Government Grants	2,826	2,374	452	9,395	9,395
Contributions	1,175	300	875	1,200	1,200
Parking Revenue	5,464	5,972	(508)	24,880	24,880
Capital Grants	625	0	625	3,730	3,730
Fees & Charges	4,387	4,348	39	14,485	14,485
Interest Received	692	435	257	1,809	1,809
Other Income	2,552	2,112	202	12,618	12,618
Proceeds on sale of Assets	0	0	0	0	0
TOTAL REVENUE	39,425	37,650	1,776	157,855	157,855
EXPENDITURE					
Employee Costs	13,203	13,080	(123)	59,253	59,253
Contract Services	8,657	9,507	850	39,705	39,705
Materials & Other Costs	6,828	7,581	753	29,362	29,362
Depreciation	33	4,263	4,230	17,362	17,362
Interest Paid	28	24	(3)	206	206
TOTAL EXPENDITURE	28,749	34,455	5,706	145,888	145,888
OPERATING SURPLUS / (DEFICIT)	10,676	3,195	7,481	11,967	11,967
<i>Less Depreciation</i>	33	4,263	4,230	17,362	17,362
<i>Plus (Profit) / Loss on sale of Assets</i>	0	0	0	0	0
NET OPERATING SURPLUS / (DEFICIT)	10,709	7,458	3,252	29,329	29,329
St Kilda triangle settlement (cash costs)	1,500	1,500	0	1,500	1,500
Borrowings	0	0	0	(5,000)	(5,000)
Capital Works Expenditure	1,465	1,229	(236)	31,968	31,968
Capital Carry Over 2011/2012	2,075	1,075	(1,000)	17,193	17,193
Capital Expenditure	701	727	26	2,989	2,989
Operating - Ex Capital	(2,757)	0	2,757	0	0
Transfers (to) Statutory Reserves	955	300	(655)	1,200	1,200
TOTAL CAPITAL	3,939	4,831	892	49,850	49,850
NET OPERATING SURPLUS / (DEFICIT) AFTER CAPITAL WORKS	6,770	2,627	4,143	(20,521)	(20,521)
Loan Repayments	(137)	(137)	0	559	559
Transfers from Statutory Reserves	3,207	(43)	3,249	2,960	2,960
Net Transfers (To) / From General Reserves	0	0	0	445	445
SURPLUS / (DEFICIT)	9,841	2,448	7,393	(16,557)	(16,557)
2010/11 Carry Over Surplus/(Deficit)	889	889	0	889	889
B/Fwd Surplus to Fund Capital Carry Over	17,193	17,193	0	17,193	17,193
NET SURPLUS / (DEFICIT)	27,923	20,530	7,393	1,525	1,525

Income Statement Converted to Cash for the Three Months Ended 30 September 2011



Note - Target for Cash Surplus/(Loss) Variance is zero.

Key Income Variances

Income (excluding proceeds on sale of assets) has a **favourable variance of \$1.776M** and is primarily due to the following offsetting factors:

Government Grants favourable by \$452K due to state government payment of entire annual library grant this period, instead of quarterly payments as per past practice.

Capital Grants favourable by \$625K due to unbudgeted government grant received for the Palais Theatre works.

Contributions are favourable by \$875K due to greater than anticipated developer contributions. The majority of this income has been received in relation to developments in the St.Kilda Road Precinct \$760K. This income has been transferred to a statutory reserve.

Parking Revenue unfavourable by \$569K due to some staffing shortages a lower than budgeted number of parking infringements have been issued however this is being offset by improved revenue through paid parking and decreased expenditure.

Key Expenditure Variances

Expenditure (excluding depreciation) is **favourable by \$1.476M** due to the following factors:

Contract Payments is favourable by \$849K:

(a) Parks and Open Spaces \$186K favourable due to variances across various contracts within the Parks business unit. This is due to provisional sums not yet being utilised. Provisional expenditure is unpredictable and is accordingly difficult to budget for accurately.

(b) Property Services has a \$136K favourable variance due to lower than expected building maintenance works.

(c) Finance & Investments favourable \$91K due to the underspend of reversal of year end accruals which are still outstanding and not yet allocated for payment. Also contributing to the favourable variance is planned expenditure that has not yet occurred.

(d) Access and Inclusion is \$55K favourable for service agreements. A significant part of that comes as new agreements (eg South Port Day Links) are in negotiation.

(e) Office of the Manager Diversity and Ageing is \$65K favourable as an invoice from Regional Meals Kitchen for membership has not been received as anticipated.

(f) Various other minor favourable variances throughout the organisation.

Materials and Other Costs are favourable by \$753K:

(a) Information Systems \$362K favourable due to:

(i) Telephone Charges \$152K due to delay in data usage expenditure being incurred due to incorrect billing by Optus.

(ii) Other Expenses \$93K due to phasing of software costs in centralisation line, this will be incurred later in the year.

(b) Governance \$257K due to accrual during the year end process for 2010/11 to capture legal costs for an ongoing work cover case. It is anticipated an invoice will be received to offset the accrual in the next few months.

(c) Various other minor favourable variances throughout the organisation.

Income Statement for the Three Months Ended 30 September 2011

	YTD Actual (\$'000)	YTD Budget (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)	Full Year Forecast (\$'000)
Revenue					
Rates	22,005	22,110	(105)	88,438	88,438
Parking fees & fines	5,464	5,972	(508)	24,880	24,880
User charges, fees & fines	4,387	4,347	39	14,484	14,484
Grants	3,428	2,374	1,055	13,125	13,125
Contributions	1,198	300	898	1,200	1,200
Other revenue	2,253	2,133	120	12,699	12,699
Interest	692	435	257	1,809	1,809
Total revenue	39,426	37,671	1,756	156,635	156,635
Expenditure					
Employee benefits	13,203	13,080	(123)	59,253	59,253
Contracts payment	8,657	9,507	850	39,705	39,705
Materials	211	294	83	2,296	2,296
Utility payments	690	633	(57)	2,532	2,532
Professional services	605	814	209	5,056	5,056
Borrowing costs	27	24	(3)	206	206
Depreciation	33	4,263	4,230	17,362	17,362
Other expenses	5,322	5,839	518	19,477	19,477
(Profit) / loss on disposal of assets	0	0	0	0	0
Total expenditure	28,749	34,455	5,706	145,888	145,888
Surplus / (deficit)	10,677	3,215	7,462	10,747	10,747

Balance Sheet as at 30 September 2011

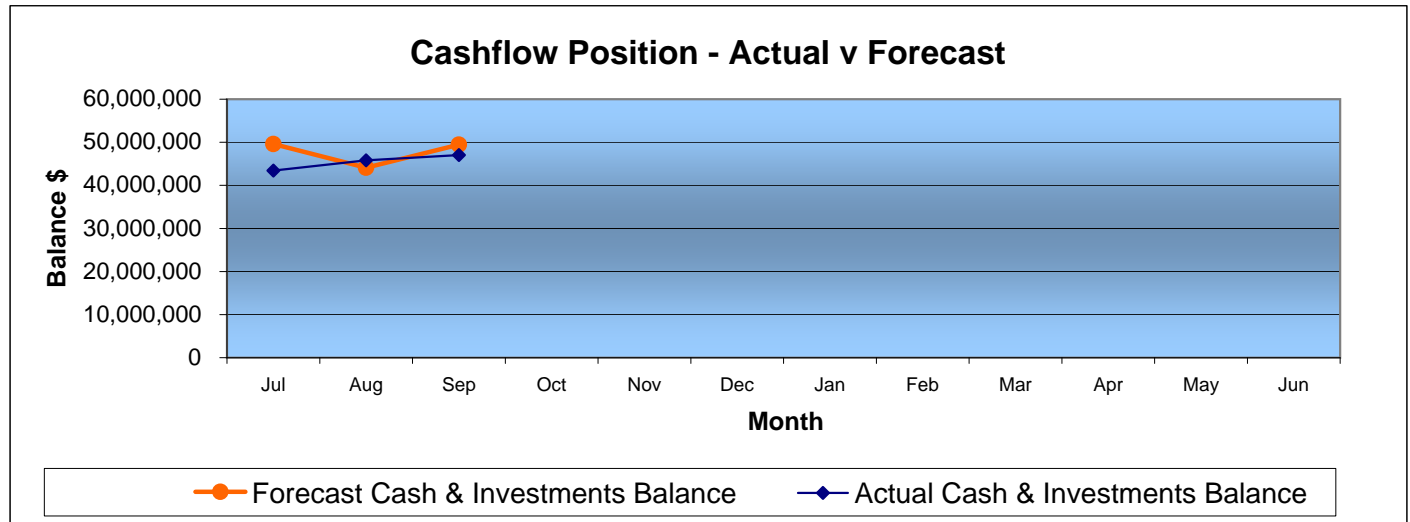
	30 September 2011 (\$'000)	30 September 2010 (\$'000)
Current assets		
Cash	5,004	5,004
Receivables	15,754	15,795
Financial assets	41,692	36,019
Other assets	2,214	2,253
Total current assets	64,664	59,071
Non current assets		
Financial assets	205	205
Property, infrastructure, plant and equipment	1,847,537	1,842,432
Total non current assets	1,847,742	1,842,637
Total assets	1,912,406	1,901,709
Current liabilities		
Payables	5,310	5,164
Provisions	9,680	9,090
Interest-bearing loans and Borrowings	716	709
Trust funds and deposits	3,267	2,594
Total current liabilities	18,972	17,558
Non-current liabilities		
Borrowings	1,985	2,534
Total non-current liabilities	1,985	2,534
Total liabilities	20,958	20,092
Net assets	1,891,449	1,881,617
Equity		
Accumulated surplus	573,298	571,649
Reserve	1,318,151	1,309,969
Total equity	1,891,449	1,881,617

Notes:

(1) Balance Sheet comparisons are based on corresponding period in prior year due to seasonality of Council's cash flow.

Cashflow, Investments & Borrowings

Cashflow Position



Council's cash position of \$47 million is unfavourable by \$2.4M against the year to date budget of \$49.4 million. There are a several reasons for this variance, primarily due to the rush to spend funds at financial year end which has had a cash impact in July and August (ie. when payment terms are due).

Investments as at 30 September 2011

Financial Institution	S & P Rating		Type of Investment	Principal Investment (\$'000)	Date Of Investment	Interest Rate %	No. of Days to Maturity
	Long (A-)	Short (A2)					
CBA	AA-	A1+	11am Account	3,000	-	-	At Call
Deutsche	AA-	A1+	Floating rate note	3,000	28-Feb-08	5.74	420
CUA***	BBB+	A2	Term Deposit	1,000	06-Apr-11	6.15	6
Suncorp	A	A1	Term Deposit	2,000	08-Jul-11	6.10	6
IMB***	BBB	A2	Term Deposit	1,000	08-Aug-11	5.80	60
Westpac	AA-	A1+	Term Deposit	2,500	11-Apr-11	5.98	11
Bank of Queensland***	BBB+	A2	Term Deposit	1,000	15-Aug-11	5.90	17
Bendigo Bank***	BBB+	A2	Term Deposit	1,000	20-Jul-11	5.90	18
Members Equity***	BBB	A2	Term Deposit	1,000	02-Aug-11	6.00	31
BankWest***	AA-	A1+	Term Deposit	1,000	08-Aug-11	5.90	38
BankWest	AA-	A1+	Term Deposit	2,000	15-Aug-11	5.90	45
Westpac	AA-	A1+	Term Deposit	2,000	17-Aug-11	5.93	48
Bank of Melbourne***	AA-	A1+	Term Deposit	1,000	05-Sep-11	5.85	66
NAB	AA-	A1+	Term Deposit	2,000	14-Sep-11	5.96	74
Bank of Cyprus***	A2	P1	Term Deposit	1,000	14-Sep-11	6.10	76
NAB	AA-	A1+	Term Deposit	3,000	19-Sep-11	5.95	80
Bank of Melbourne	AA-	A1+	Term Deposit	2,000	10-Aug-11	6.15	101
NAB (LSL)	AA-	A1+	Term Deposit	5,884	10-Jan-11	6.35	102
Westpac	AA-	A1+	Term Deposit	2,000	02-Sep-11	5.90	125
NAB	AA-	A1+	Term Deposit	1,660	04-May-11	6.29	217
Westpac	AA-	A1+	Term Deposit	2,000	04-Feb-09	5.00	127
CBA***	AA-	A1+	Term Deposit	1,000	31-Jul-09	5.75	304
Total				42,044		5.87*	163**

* Weighted Average Interest Rate to Maturity

** Weighted Average No. of Days to Maturity from Month End Date

***Principal Government Guaranteed

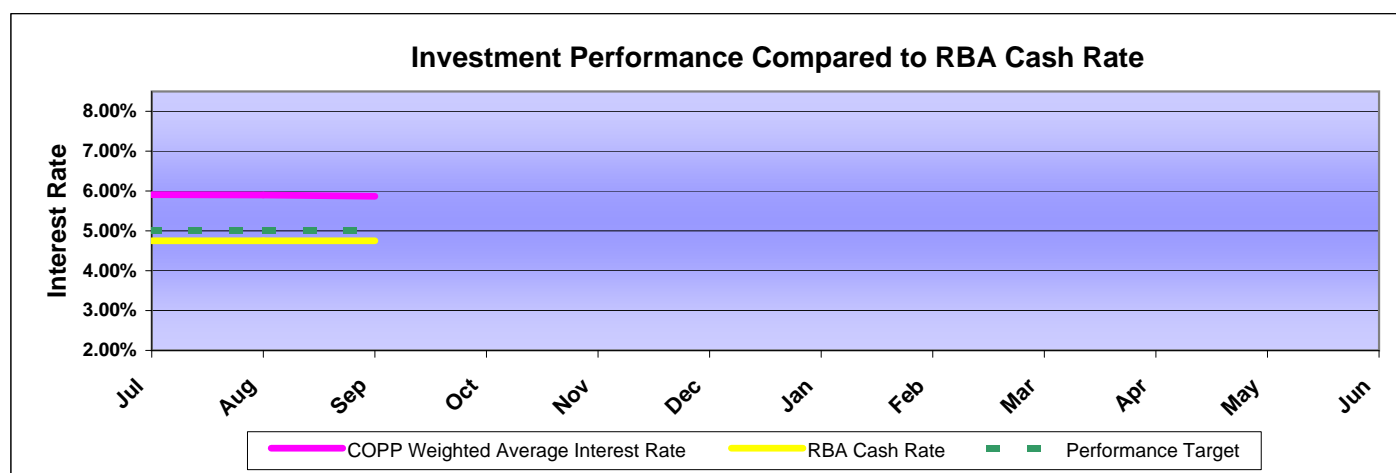
Please note there is a \$1M Government guarantee per institution. As at 30 September 2011, \$11M of the investment portfolio is Government guaranteed. The investment with Deutsche Bank (non ADI) and deposits in excess of \$1M do not qualify for the Government guarantee. Neither do the deposits in excess of \$1M with individual institutions.

Cashflow, Investments & Borrowings

Reconciliation of Total Investments to Balance Sheet

	\$'000
Financial assets - current (per Balance Sheet)	41,692
Add:	
Impairment of Deutsche Bank FRN \$3.0 million	352
Net Investments as at 30 September 2011	42,044

Investment Performance



Council's weighted average interest rate on investments at 30 September 2011 of 5.87% is 1.12% greater than the Reserve Bank of Australia cash rate of 4.75%.

Borrowings Status

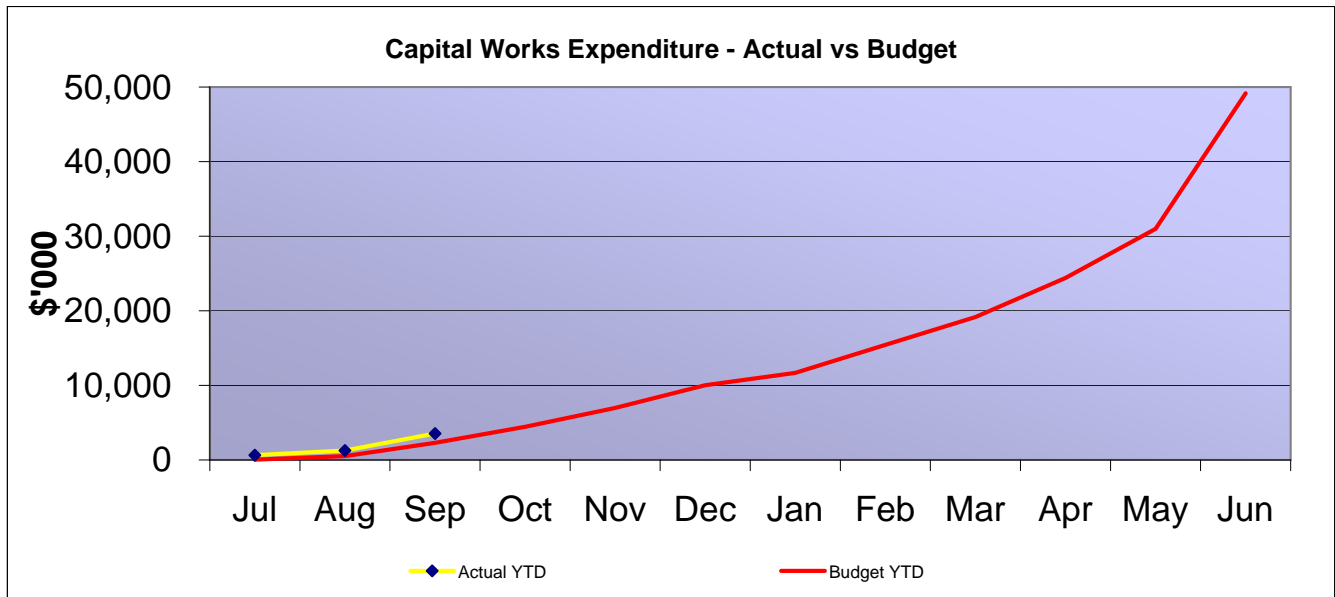
Financial Institution	Interest Rate %	Debt Principal As At 30/06/2011 (\$'000)	Principal Repaid Jul - Sep (\$'000)	Debt Principal As At 30/09/2011 (\$'000)
CBA Semi Government Loan 2	6.15	1,920	135	1,785
Total		1,920	135	1,785

NOTES:

- Loan repayments are made quarterly on both principal and interest components.
- For the period July 2011 to September 2011, \$135K was repaid from the principal and \$29K has been paid in interest.
- This differs from Council's balance sheet due to the inclusion of consolidated loans associated with Council's Streetsahead joint venture.

Capital Works

Capital Works Expenditure Variance



Capital Works Statement for the Three Months Ended 30 September 2011

Asset Class	YTD Actual		YTD Budget		YTD Budget Variance		Full Year Forecast		Full Year Budget
	(\$'000)	% of FY Bud	(\$'000)	% of FY Bud	(\$'000)	% of FY Bud	(\$'000)	% of FY Bud	(\$'000)
Buildings	802	6%	358	3%	(444)	-3%	14,003	100%	14,003
Roads	390	5%	464	6%	74	1%	7,480	100%	7,480
Drainage	11	1%	23	3%	12	1%	845	100%	845
Kerb and channel	56	7%	50	6%	(6)	-1%	830	100%	830
Streetscapes & open spaces	125	2%	87	1%	(38)	-1%	6,245	100%	6,245
Footpaths	55	4%	248	16%	192	13%	1,525	100%	1,525
Signage & street works	25	2%	0	0%	(25)	-2%	1,040	100%	1,040
Total 2011/12	1,464	5%	1,229	4%	(235)	-1%	31,968	100%	31,968
Capital works carried frwd from 10/11	2,075	12%	1,075	6%	(1,000)	-6%	17,193	100%	17,193
Total capital works	3,540	7%	2,304	5%	(1,236)	-3%	49,161	100%	49,161

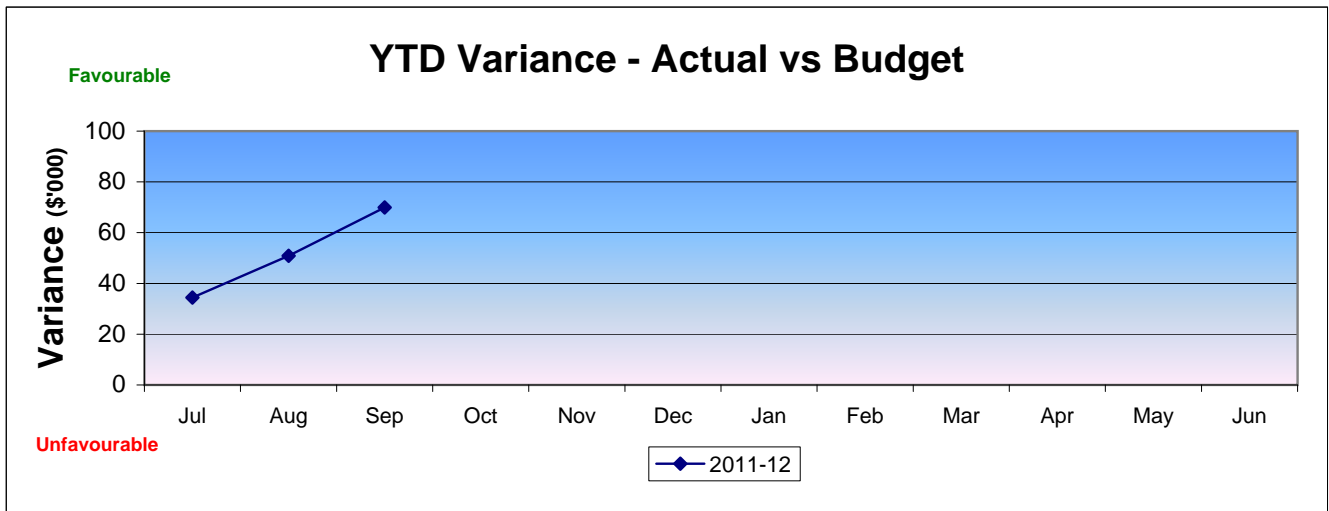
Reasons for significant variances against YTD Budget

Building - \$124K overspend

The unfavourable result is mainly due to a expenditure for St Kilda Family and Children's Centre being early then phased.

Divisional Operating Statement
for the Three Months Ended 30 September 2011

	Year To Date Surplus / (Loss)			Full Year Surplus / (Loss)		
	YTD Actual	YTD Budget	YTD Variance	Full Year Budget	Full Year Forecast	Variance
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
CORPORATE SERVICES (CS)						
Gen Mgr - Corporate Services	(120)	(101)	(19)	(427)	(427)	(0)
Information Systems	(1,322)	(1,729)	407	(7,096)	(7,096)	0
Community & Councillor Support	(722)	(629)	(92)	(3,037)	(3,037)	(0)
Finance & Investments	22,109	21,937	172	87,813	87,813	(0)
People & Organisational Development	(428)	(410)	(17)	(1,778)	(1,778)	(0)
Governance & Engagement	(1,522)	(1,724)	202	(6,971)	(6,971)	0
Total CS	17,995	17,343	652	68,505	68,505	0
CHIEF EXECUTIVE OFFICER (CEO)						
Office of the Chief Executive Officer	(86)	(161)	76	(679)	(679)	(0)
Internal Audit	(54)	(48)	(6)	(201)	(201)	0
Total CEO	(140)	(210)	70	(880)	(880)	(0)
CULTURAL & COMMUNITY DEVELOPMENT (CCD)						
Gen Mgr - Cultural & Comm Development	(114)	(102)	(12)	(433)	(433)	0
Culture & Leisure	(1,272)	(1,711)	439	(6,956)	(6,956)	0
Family, Youth & Children	(1,031)	(1,061)	30	(5,602)	(5,602)	(0)
Community Development	(641)	(675)	34	(2,441)	(2,441)	(0)
Diversity & Ageing	(716)	(844)	129	(3,004)	(3,004)	0
Total CCD	(3,774)	(4,393)	620	(18,436)	(18,436)	0
ENVIRONMENT & PLANNING (EP)						
Gen Mgr - Environment & Planning	(166)	(146)	(20)	(615)	(615)	0
City Development	715	539	175	(730)	(730)	(0)
City Strategy	(1,029)	(1,215)	186	(3,834)	(3,834)	(0)
Compliance & Parking	2,927	3,346	(419)	15,445	15,445	0
Sustainability	(415)	(418)	3	(3,159)	(3,159)	(0)
Total EP	2,031	2,107	(76)	7,108	7,108	(0)
CITY & INFRASTRUCTURE SERVICES (CIS)						
Gen Mgr - City & Infrast Services	(127)	(100)	(26)	(427)	(427)	0
Assets	(701)	(710)	9	(3,194)	(3,194)	0
Operations	(3,872)	(3,837)	(35)	(16,233)	(16,233)	0
Parks & Open Space	(1,833)	(2,063)	230	(8,367)	(8,367)	(0)
Projects	(310)	(348)	39	(1,529)	(1,529)	(0)
Property Services	(361)	(619)	257	(3,420)	(3,420)	(0)
Total CIS	(7,204)	(7,678)	474	(33,169)	(33,169)	0
Grand Total	8,909	7,169	1,740	23,128	23,128	(0)



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2011

Operating Surplus/(Loss)

	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Full Year Budget (\$'000)	Full Year Forecast (\$'000)
Sept	(140)	(210)	70	(880)	(880)

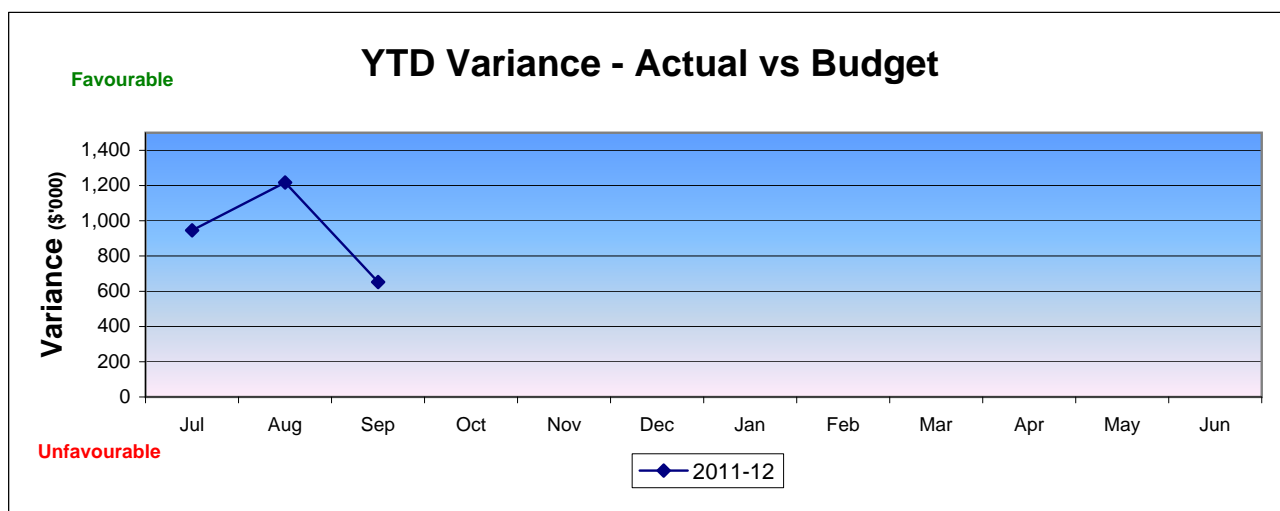
Favourable Neutral (Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Wages And Salaries	27	Due to long service leave provision entitlements	Monitor
Professional Services	37	Delays in expending phased budget	Monitor

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Corporate Services



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2011

Operating Surplus/(Loss)

	YTD Actuals	YTD Budget	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	17,995	17,343	652	68,505	68,505

Favourable

Neutral

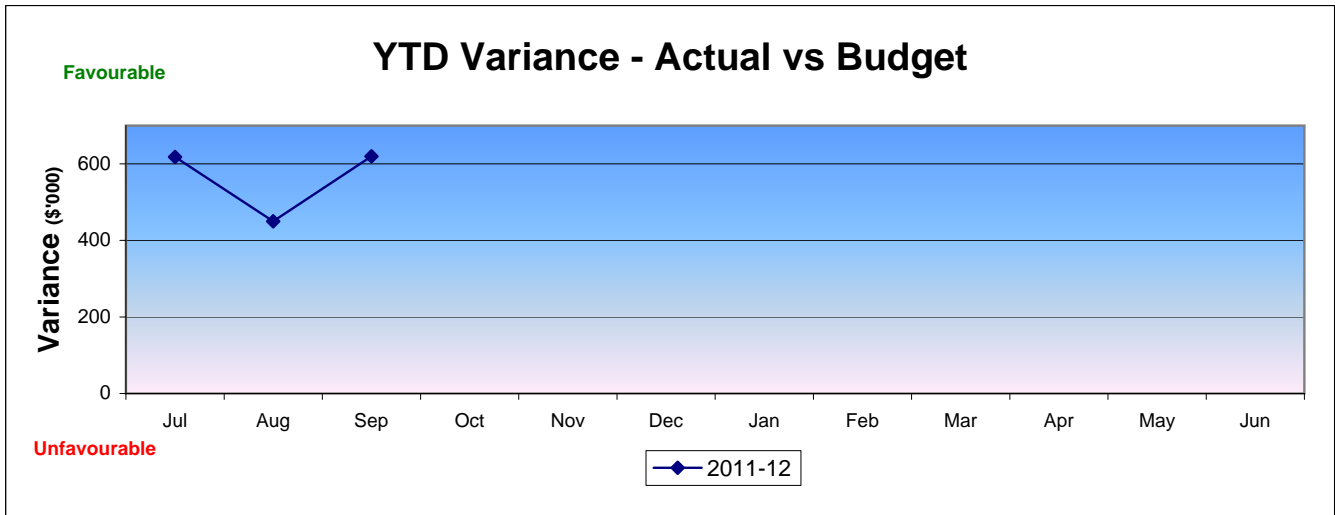
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Interest Income	215	Better result to date due to additional funds available for investing and a firmer interest rate environment. The full year forecast will be reviewed in light of this and will be changed to reflect the better than planned result.	Budget to be reviewed
Insurance	151	The favourable variance results from an accrual (\$178K) during the year end process for 2010/11 to capture legal costs for an ongoing workcover case. It is anticipated an invoice will be received to offset the accrual in the next few months.	Monitor for receipt of invoice/s relating to the workcover case.
Telephone Charges	152	Delay in data usage expenditure being incurred due to incorrect billing by optus. This is currently being addressed with account manager. Timing of microwave charges.	Continue to monitor

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Cultural & Community Development



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2011

Operating Surplus/(Loss)

	YTD Actuals	YTD Budget	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	(3,774)	(4,393)	620	(18,436)	(18,436)

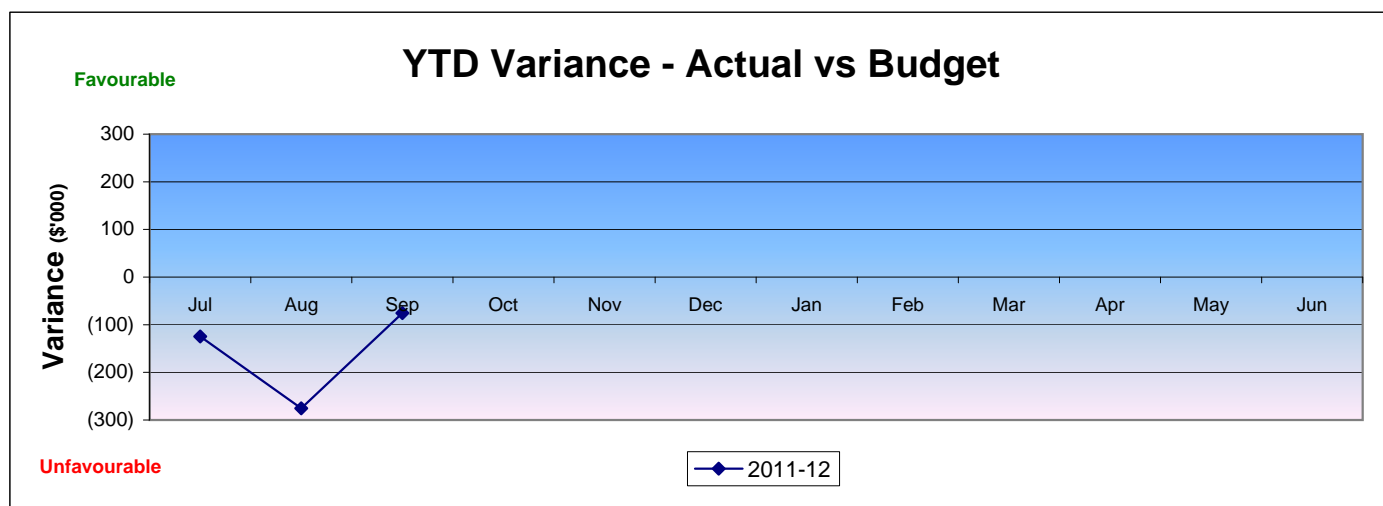
Favourable
Neutral
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Government Grants	381	Temporary favourable variance is due to state government payment of entire annual library grant this period, instead of quarterly payments as per past practice.	Review phasing at mid year
		Access & Inclusion \$55K favourable due to ongoing negotiations for New Hope and Day Links service agreements.	New service agreements ready for signing in October.
Contract Payments	136	\$45K in Office of the Manager as Regional Meals Kitchen invoice is yet to be processed.	Invoice to be processed.
		Community Care \$36K favourable as a result of less than expected demand for Delivered Meals and therefore fewer meals ordered from supplier.	Will focus on promoting the meals service to clients on Pakaged Care

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Environment & Planning



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2011

Operating Surplus/(Loss)

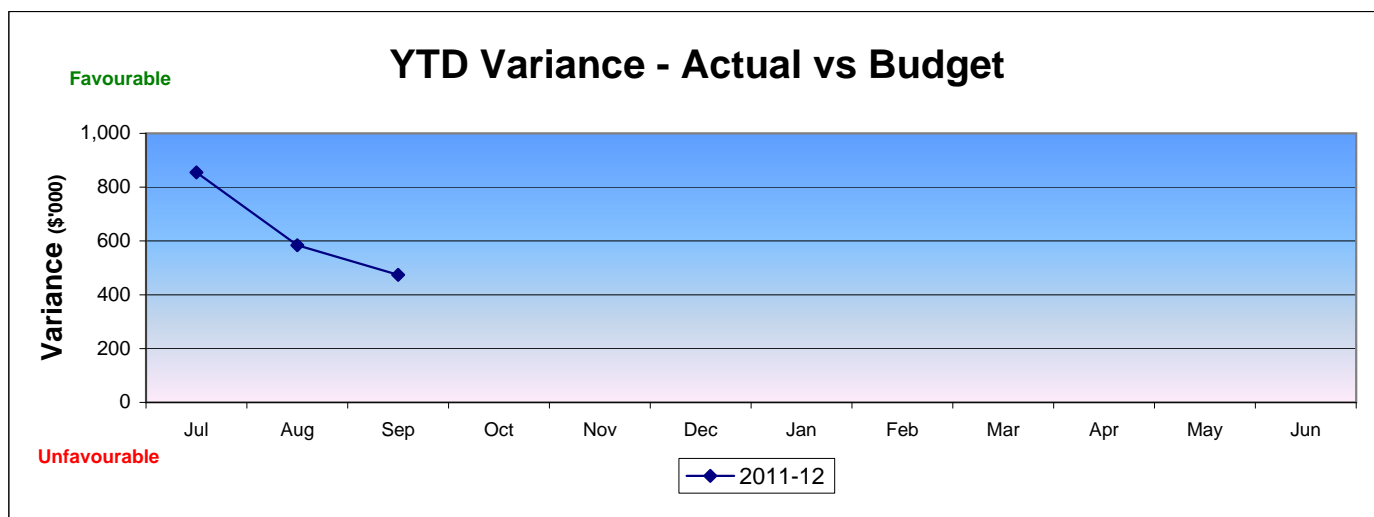
	YTD Actuals	YTD Budget	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	2,031	2,107	(76)	7,108	7,108

Favourable
Neutral
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Parking Revenue	(569)	Due to some staffing shortages a lower than budgeted number of parking infringements have been issued however this is being offset by improved revenue through paid parking and decreased expenditure.	Recruitment of new staff has occurred and it is anticipated that infringement will improve over the course of the budget year.
(569)			

City & Infrastructure Services



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2011

Operating Surplus/(Loss)

	YTD Actuals (\$'000)	YTD Forecast (\$'000)	Variance (\$'000)	Full Year Budget (\$'000)	Full Year Forecast (\$'000)
Sept	(7,204)	(7,678)	474	(33,169)	(33,169)

Favourable
Neutral
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Contract Payments	137	Property Services favourable variance in various Building Maintenance contracts of \$100K due to lower than expected volumes of work.	Monitor
Parking Revenue	69	Variance due to unbudgeted income received for South Melbourne Market roof top parking. Income and expenditure were not captured during the 11/12 budget entry process; as this is a new process associated with the boom gates.	Adjust full year forecast to capture unbudgeted income and expenditure.
Contract Payments	186	Parks & Open Space favourable variance exists across various contracts within the Parks business unit. This is due to provisional sums not yet being utilised. Provisional expenditure is variable and responsive.	Monitor