



Quarterly Financial Report

September 2010

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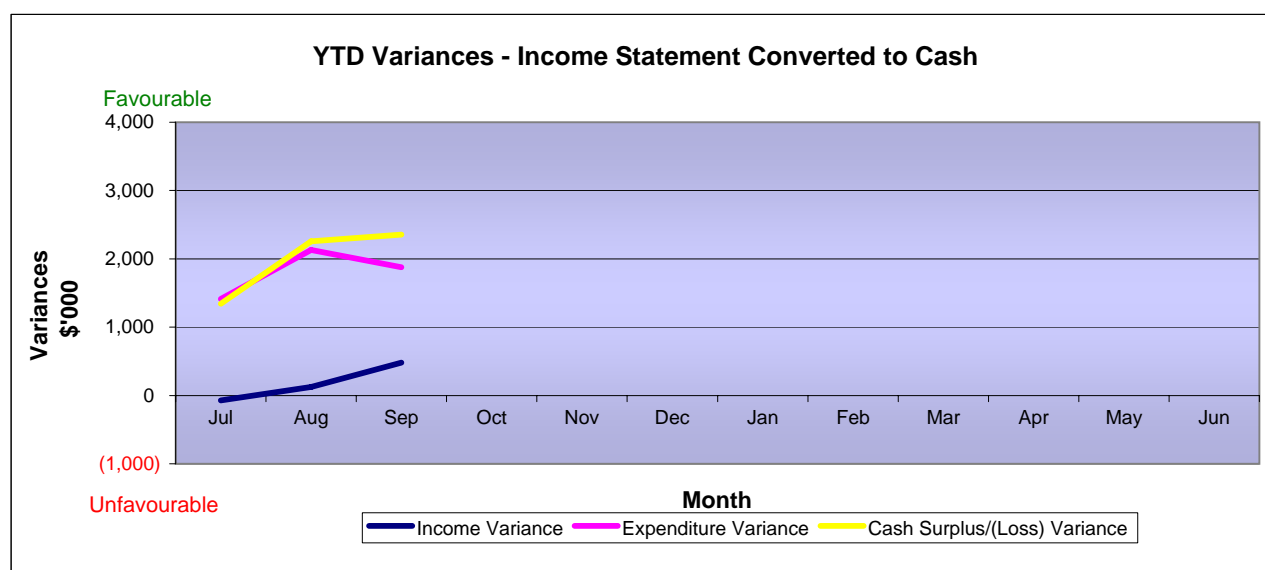
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Income Statement Converted to Cash for the Three Months Ended 30 September 2010

	YTD Actual (\$'000)	YTD Budget (\$'000)	YTD Variance (\$'000)	Annual Budget (\$'000)	Annual Forecast (\$'000)
REVENUE					
Rates	20,714	20,600	113	82,401	82,401
Government Grants	2,019	2,387	(368)	9,128	9,158
Contributions	395	300	95	1,200	1,200
Parking Revenue	5,790	5,679	111	23,900	23,900
Capital Grants	255	0	255	3,430	3,430
Fees & Charges	4,324	4,413	(88)	14,429	14,429
Interest Received	601	250	351	1,000	1,000
Other Income	2,301	2,290	12	8,988	8,988
Proceeds on sale of Assets	0	0	0	0	0
TOTAL REVENUE	36,399	35,918	480	144,475	144,505
EXPENDITURE					
Employee Costs	12,277	12,172	(106)	52,985	52,985
Contract Services	8,000	9,057	1,056	37,452	37,542
Materials & Other Costs	5,265	6,181	916	26,611	26,732
Depreciation	4,163	4,163	0	16,652	16,652
Interest Paid	24	33	9	130	130
TOTAL EXPENDITURE	29,729	31,605	1,876	133,830	134,041
OPERATING SURPLUS / (DEFICIT)	6,669	4,313	2,356	10,645	10,465
<i>Less Depreciation</i>	4,163	4,163	0	16,652	16,652
<i>Plus (Profit) / Loss on sale of Assets</i>	0	0	0	0	0
NET OPERATING SURPLUS / (DEFICIT)	10,832	8,476	2,356	27,297	27,117
St Kilda triangle settlement (cash costs)	2,000	2,000	0	2,000	2,000
Capital Works Expenditure	1,274	1,643	368	26,448	26,448
Remediation Expenditure	0	0	0	0	0
Capital Carry Over 2010/2011	1,158	921	(237)	12,097	12,097
Capital Expenditure	363	411	48	1,884	1,884
Capital Proceeds	1	0	(1)	0	0
Transfers (to) Statutory Reserves	395	300	(95)	1,200	1,200
TOTAL CAPITAL	5,191	5,274	84	43,629	43,629
NET OPERATING SURPLUS / (DEFICIT) AFTER CAPITAL WORKS	5,642	3,202	2,440	(16,332)	(16,512)
Loan Repayments	(129)	(129)	0	0	0
Transfers from Statutory Reserves	0	0	0	1,700	1,700
Net Transfers (To) / From General Reserves	1,447	0	1,447	1,060	1,060
SURPLUS / (DEFICIT)	6,960	3,074	3,887	(13,572)	(13,752)
2009/10 Carry Over Surplus/(Deficit)	1,332	1,332	0	1,332	1,332
B/Fwd Surplus to Fund Capital Carry Over	14,097	14,097	0	14,097	14,097
NET SURPLUS / (DEFICIT)	22,389	18,503	3,887	1,857	1,677

Income Statement Converted to Cash for the Three Months Ended 30 September 2010



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

Key Income Variances

Income (excluding proceeds on sale of assets) has a **favourable variance of \$480K** and is primarily due to the following offsetting factors:

Interest Income is favourable by \$351K due to \$36.5M being available for investment, which is \$11.5M more than the \$25M on which the budget was based. Better investment returns also contribute to this favourable variance.

Government Grants are unfavourable by \$368K primarily due to a delay in receipt of the first quarter Victorian Grant Commission grant (as a result of the hung parliament). This is a timing issue.

Capital Grants are favourable by \$255K due to various grants being received earlier than anticipated. This is a timing issue.

Parking Revenue is favourable by \$111K due to ticket machine income tracking higher than the rephased budget. This positive variance can be attributed to the replacement of parking machines across the city and the improved service provided by our contractors increasing the up-time of our machines.

Key Expenditure Variances

Expenditure (excluding depreciation) is **favourable by \$1.876M** due to the following factors:

Contract Payments are favourable by \$1.056M due to:

- Building Maintenance \$285K favourable as a result of building cleaning services not being captured for the month in the financial system.
- Compliance and Parking \$155K favourable due to Contractors not submitting invoices in a timely manner (for both Parking Administration and Pay Parking Business units).
- Parks and Open Spaces favourable \$114K due to phasing and alignment of monthly contract payments.
- Various other minor variances throughout the organisation.

Materials and Other Costs are favourable by \$916K due to:

- Information Systems \$488K favourable due to delays in spending the centralised IT budget.
- Various other minor favourable variances throughout the organisation.

Income Statement for the Three Months Ended 30 September 2010

	YTD Actual (\$'000)	YTD Budget (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)	Full Year Forecast (\$'000)
Revenue					
Rates	20,714	20,600	113	82,401	82,401
Parking fees & fines	5,790	5,679	111	23,900	23,900
User charges, fees & fines	4,324	4,412	(88)	14,429	14,429
Grants	2,274	2,387	(113)	12,558	12,588
Contributions	395	300	95	1,200	1,200
Other revenue	2,301	2,294	7	9,000	9,000
Interest	601	250	351	1,000	1,000
Total revenue	36,399	35,922	476	144,488	144,518
Expenditure					
Employee benefits	12,277	12,172	(106)	52,985	52,985
Contracts payment	8,000	9,057	1,056	37,452	37,542
Materials	173	282	109	1,333	1,333
Utility payments	439	502	63	2,685	2,685
Professional services	476	492	16	3,572	3,692
Borrowing costs	24	32	9	130	130
Depreciation	4,163	4,163	0	16,652	16,652
Other expenses	4,177	4,906	729	19,022	19,022
(Profit) / loss on disposal of assets	0	0	0	0	0
Total expenditure	29,729	31,605	1,876	133,830	134,040
Surplus / (deficit)	6,670	4,317	2,352	10,658	10,478

Balance Sheet as at 30 September 2010

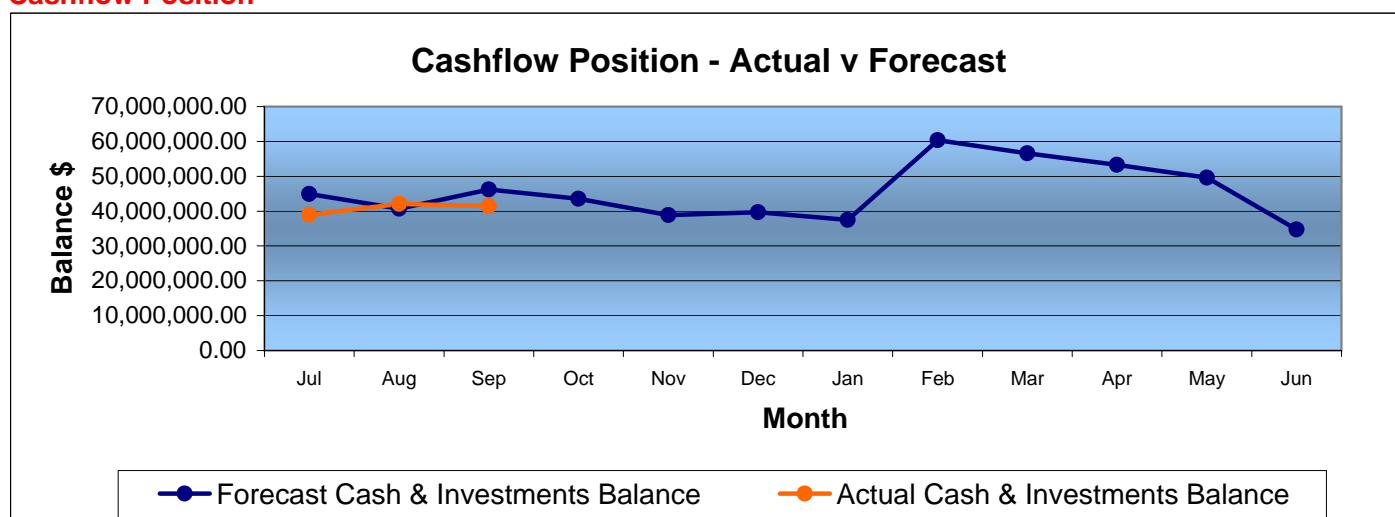
	30 September 2010 (\$'000)	30 September 2009 (\$'000)
Current assets		
Cash	5,004	3,112
Receivables	15,795	14,850
Financial assets	36,019	32,124
Other assets	2,253	1,593
Total current assets	59,071	51,679
Non current assets		
Financial assets	205	5
Property, infrastructure, plant and equipment	1,842,432	1,823,923
Total non current assets	1,842,637	1,823,928
Total assets	1,901,709	1,875,607
Current liabilities		
Payables	5,164	4,642
Provisions	9,090	9,080
Interest-bearing loans and Borrowings	709	658
Trust funds and deposits	2,594	1,844
Total current liabilities	17,558	16,224
Non-current liabilities		
Borrowings	2,534	3,029
Total non-current liabilities	2,534	3,029
Total liabilities	20,092	19,253
Net assets	1,881,617	1,856,354
Equity		
Accumulated surplus	571,649	570,566
Reserve	1,309,969	1,285,788
Total equity	1,881,617	1,856,354

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 \$41.5 million is unfavourable by \$4.8M against the year to date budget of \$46.2 million. There are several reasons for this variance, primarily new debtors of \$1.6M (ie. invoices raised in the 10/11 financial year but not yet paid) and 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 2010

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	4,000	-	-	At Call
CBA	AA-	A1+	Floating rate note	3,000	21-Jan-08	5.29	113
Deutsche	AA-	A1+	Floating rate note	3,000	28-Feb-08	5.72	785
Members Equity***	BBB	A2	Term Deposit	1,000	09-Aug-10	6.00	39
Bank of Cyprus***	A2	P1	Term Deposit	1,000	09-Aug-10	6.20	39
Bendigo Bank***	BBB+	A2	Term Deposit	1,000	09-Aug-10	5.85	40
NAB	AA-	A1+	Term Deposit	2,000	16-Aug-10	5.60	46
Suncorp	A	A1	Term Deposit	2,000	27-Aug-10	5.85	56
Bank of Queensland***	BBB+	A2	Term Deposit	1,000	01-Sep-10	5.65	61
IMB***	BBB	A2	Term Deposit	1,000	01-Sep-10	5.80	61
NAB***	AA-	A1+	Term Deposit	1,000	04-Dec-09	6.80	64
Westpac***	AA-	A1+	Term Deposit	1,000	04-Dec-09	6.80	65
Westpac	AA-	A1+	Term Deposit	2,000	14-Dec-09	6.80	75
NAB (LSL)	AA-	A1+	Term Deposit	5,700	28-Jun-10	6.00	102
Westpac	AA-	A1+	Term Deposit	3,000	18-Aug-10	6.00	212
BankWest	AA-	A1+	Term Deposit	1,750	04-May-10	6.30	216
Westpac	AA-	A1+	Term Deposit	2,000	04-Feb-09	5.00	492
CBA***	AA-	A1+	Term Deposit	1,000	31-Jul-09	5.75	669
Total				36,450		5.74*	172**

* Weighted Average Interest Rate to Maturity

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

***Principal Government Guaranteed

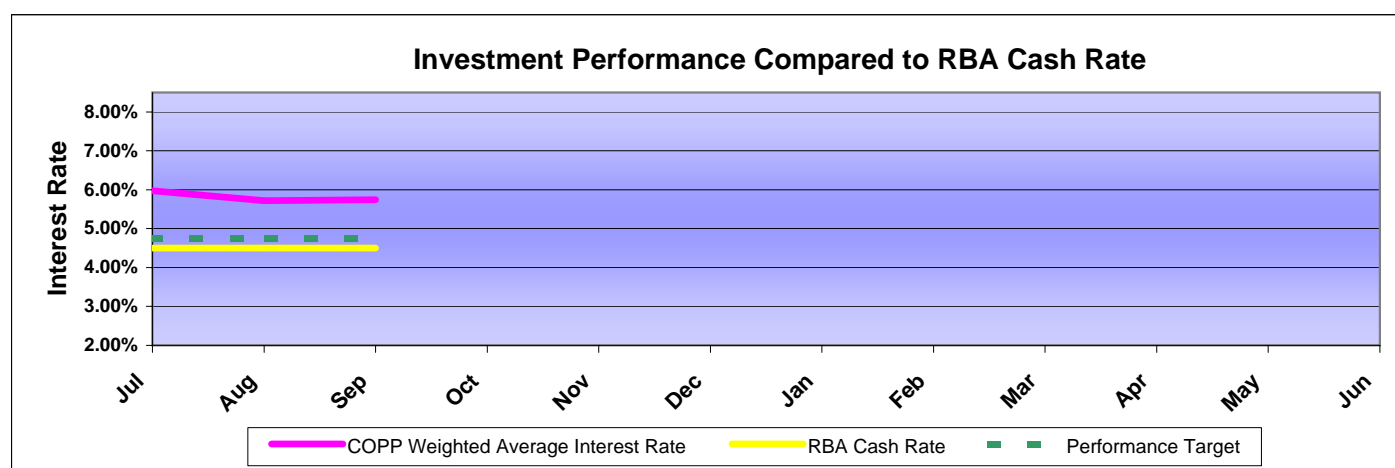
Please note there is a \$1M Government guarantee per institution. As at 30 September 2010, \$10M of the investment portfolio is Government guaranteed. The investment with Deutsche Bank (non ADI) and deposits in excess of \$1M do not qualify for the Government guarantee. Neither do the deposits in excess of \$1M with individual institutions.

Cashflow, Investments & Borrowings

Reconciliation of Total Investments to Balance Sheet

	\$'000
Financial assets - current (per Balance Sheet)	36,019
<u>Add:</u>	
Impairment of Deutsche Bank FRN \$3.0 million	431
Net Investments as at 30 September 2010	36,450

Investment Performance



Council's weighted average interest rate on investments at 30 September 2010 of 5.74% is 1.24% greater than the Reserve Bank of Australia cash rate of 4.50%.

Borrowings Status

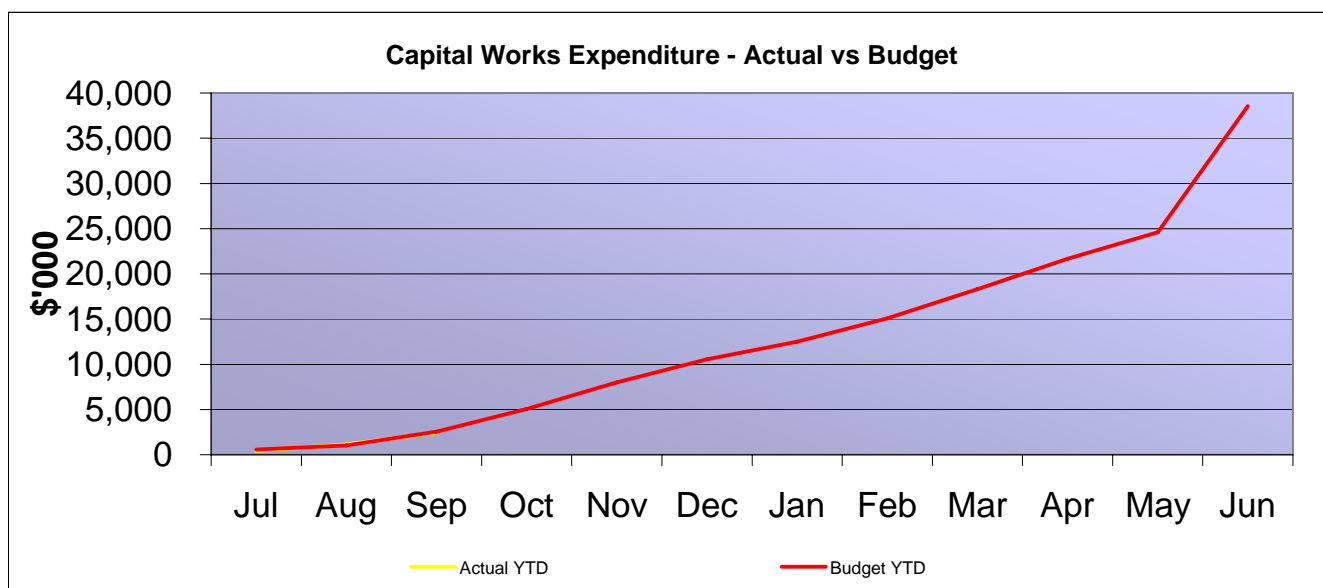
Financial Institution	Interest Rate %	Debt Principal As At 30/06/2010 (\$'000)	Principal Repaid Jun - Sep (\$'000)	Debt Principal As At 30/09/2010 (\$'000)
CBA Semi Government Loan 2	6.15	2,438	128	2,310
Total		2,438	128	2,310

NOTES:

- Loan repayments are made quarterly on both principal and interest components.
- For the period July 2010 to September 2010, \$128K was repaid from the principal and \$35K 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 Twelve Months Ended 30 September 2010

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	266	3%	179	2%	(87)	-1%	9,915	100%	9,915
Roads	135	2%	280	4%	145	2%	7,845	100%	7,845
Drainage	159	26%	10	2%	(149)	-24%	620	100%	620
Kerb and channel	114	14%	85	11%	(29)	-4%	800	100%	800
Streetscapes & open spaces	137	3%	111	2%	(26)	-1%	4,976	100%	4,976
Footpaths	445	33%	747	55%	303	22%	1,365	100%	1,365
Signage & street works	16	2%	230	29%	214	27%	790	100%	790
Planning and implementation	2	1%	0	0%	(2)	-1%	137	100%	137
Total 2010/11	1,274	5%	1,643	6%	368	1%	26,448	100%	26,448
Capital works carried forward from 09/10	1,158	10%	921	8%	(237)	-2%	12,097	100%	12,097
Total capital works	2,433	6%	2,564	7%	131	0%	38,545	100%	38,545

Reasons for significant variances against YTD Budget

Drainage - \$149K overspend

The CCTV program has been completed in the first quarter of the year ahead of schedule.

Footpaths - \$303K underspend

Most footpath works have been designed and works scheduled. Those works not yet scheduled will be scheduled for the second half of the year but all these works will be complete at year's end

Signage & street works - \$214K underspend

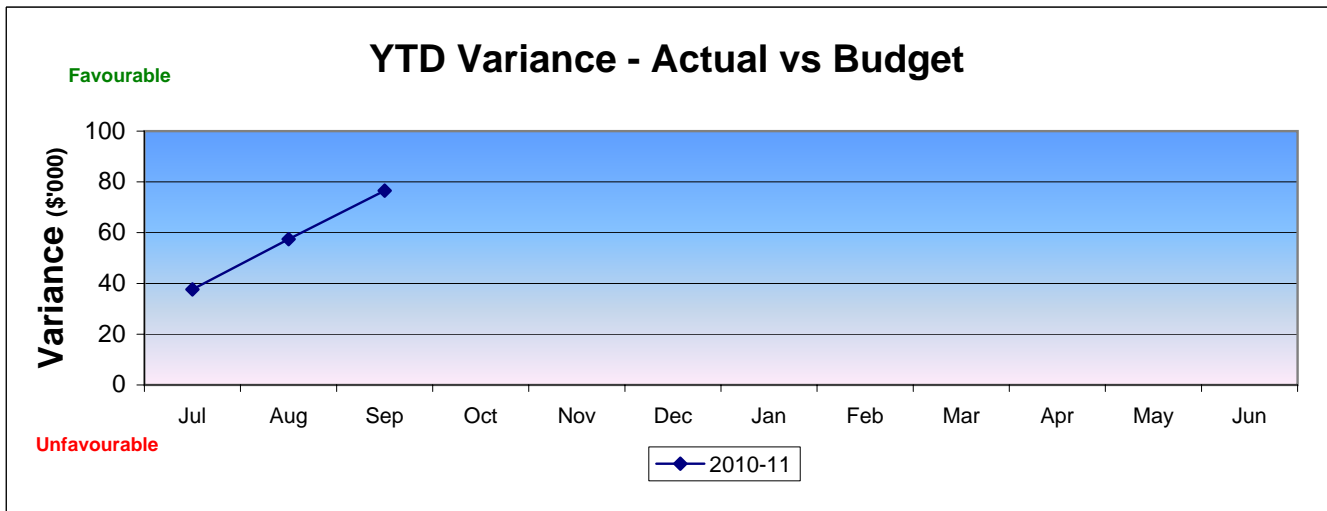
Most signage and street works have been scheduled. Those works not yet scheduled will be scheduled for the second half of the year but all these works will be complete at year's end

Carry over capital works - \$237K overspend

The majority of this relates to - Danks Street Median Play Space (project being delivered more quickly than anticipated), Sandridge Beach Masterplan (Project complete ahead of schedule), SMM Vegie Lane Roof (on target for November delivery) and SMM Substation (ahead of schedule).

Divisional Operating Statement
for the Three Months Ended 30 September 2010

	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	(69)	(98)	29	(414)	(414)	(0)
Information Systems	(1,110)	(1,567)	457	(6,398)	(6,398)	(0)
Community & Councillor Support	(669)	(692)	23	(3,062)	(3,062)	(0)
Finance & Investments	20,643	20,577	65	80,758	80,758	0
People & Organisational Development	(426)	(455)	29	(1,783)	(1,783)	(0)
Governance & Engagement	(1,631)	(1,667)	36	(6,705)	(6,705)	0
Total CS	16,739	16,098	641	62,395	62,395	(0)
CHIEF EXECUTIVE OFFICER (CEO)						
Office of the Chief Executive Officer	(137)	(158)	21	(662)	(662)	(0)
Internal Audit	(9)	(65)	56	(273)	(273)	0
Total CEO	(146)	(223)	77	(935)	(935)	(0)
CULTURAL & COMMUNITY DEVELOPMENT (ccd)						
Gen Mgr - Cultural & Comm Development	(82)	(101)	18	(426)	(426)	0
Culture & Leisure	(1,199)	(1,247)	47	(6,192)	(6,192)	0
Family, Youth & Children	(1,080)	(1,058)	(22)	(4,964)	(4,964)	(0)
Community Development	(510)	(630)	119	(2,171)	(2,171)	0
Diversity & Ageing	(656)	(647)	(9)	(2,494)	(2,494)	0
Total CCD	(3,527)	(3,681)	154	(16,247)	(16,247)	0
ENVIRONMENT & PLANNING (EP)						
Gen Mgr - Environment & Planning	(102)	(119)	17	(575)	(575)	(0)
City Development	822	613	210	(577)	(577)	0
City Strategy	(460)	(532)	72	(3,520)	(3,520)	0
Compliance & Parking	3,440	3,196	243	14,012	14,012	0
Sustainability	(265)	(285)	20	(1,449)	(1,449)	0
Total EP	3,436	2,873	563	7,891	7,891	0
CITY & INFRASTRUCTURE SERVICES (CIS)						
Gen Mgr - City & Infrast Services	(84)	(102)	18	(432)	(432)	(0)
Engineering Services	(629)	(666)	37	(3,680)	(3,680)	(0)
Infrastructure Services	(4,645)	(5,116)	471	(20,866)	(20,866)	0
Parks & Open Space Services	(1,405)	(1,558)	152	(7,313)	(7,493)	(180)
Property Services	445	555	(110)	1,870	1,870	(0)
Total CIS	(6,318)	(6,886)	568	(30,420)	(30,600)	(180)
Grand Total	10,183	8,181	2,002	22,684	22,504	(180)



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2010

Operating Surplus/(Loss)

	YTD Actuals	YTD Budget	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	(146)	(223)	77	(935)	(935)

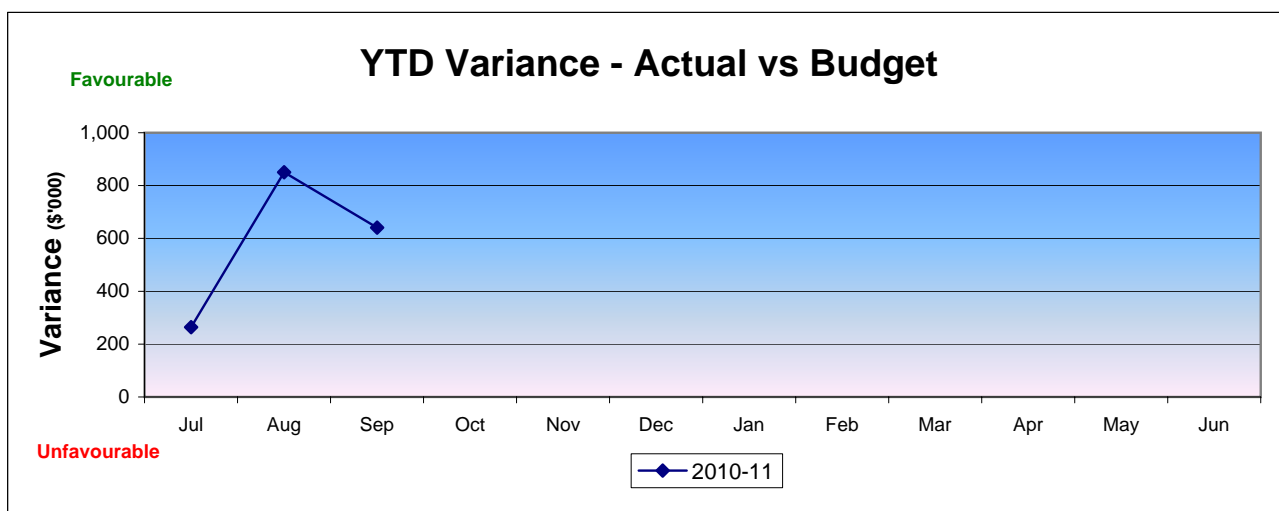
Favourable Neutral (Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Wages And Salaries	29	Due to delays in the appointment of the internal auditor. Also, savings have been made based upon original budget projection due to rescoping of the role.	No action required
Professional Services	41	Relates to delays in the appointment of the internal auditor and the subsequent rolling out of the internal audit program / engagement of consultants/auditors.	Monitor.

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Corporate Services



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2010

Operating Surplus/(Loss)

	YTD Actuals	YTD Budget	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	16,739	16,098	641	62,395	62,395

Favourable
Neutral
(Unfavourable)

Summary of Key Variances

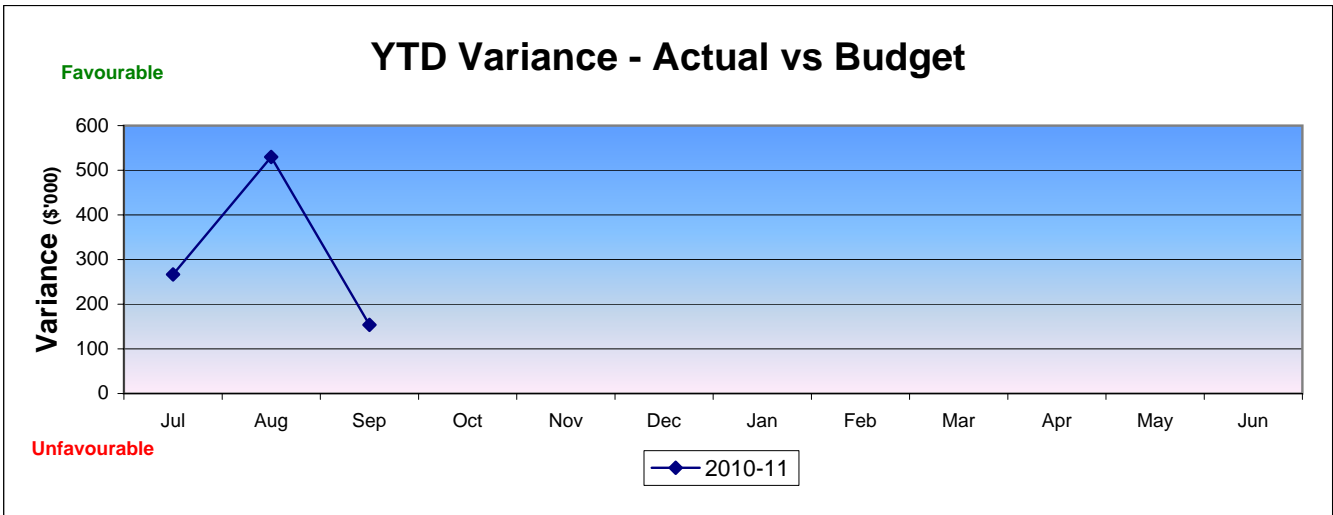
Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Rates	113	Due to several offsetting factors: - special rates \$644K favourable which is a timing issue. Special rates have been raised but the payments to trader associations have not occurred. - Rate rebates and cultural & rec land grants \$512K unfavourable which is a phasing issue and will diminish as the year proceeds	Follow up with Economic Development re: payment to trader associations and confirm when this will be occurring. Monitor budget and update full year projections (forecast) as part of October month end reporting.
Interest Income	342	Due to \$36.5M being available for investment which significantly exceeds the \$25M on which the budget was based. Better investment returns also contribute to this favourable variance.	Monitor budget and update full year projections (forecast) as part of October month end reporting.

Corporate Services

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Government Grants	(535)	Delay in receipt of the first quarter Victorian Grants Commission grant as a result of the caretaker government following the inconclusive elections.	<p>Following resolution of the federal government this variation should be a timing issue.</p> <p>It should be noted that due to the early receipt of a 2010/11 grant (in June) from the VGC that there will be a shortfall against budget of approx \$435K. This full year forecast adjustment will be submitted for October month end reporting.</p>
Wages And Salaries	89	Due to unfilled positions within the Governance & Engagement department (\$41K favourable) and budgeted redundancy costs not being required (\$60K favourable).	Continue to monitor
Lease Charges (external)	116	Due to delays in the receipt of invoices from vendors (Information Systems department).	These invoices will be processed in October. Continue to monitor timing of invoices.
Telephone Charges	202	Due to delays in processing a Telstra invoice. This has now been resolved and will be processed accordingly.	Continue to monitor
Maintenance	91	Due to delays in the receipt of invoices from vendors (Information Systems department).	These invoices will be processed in October. Continue to monitor timing of invoices.

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Cultural & Community Development



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2010

Operating Surplus/(Loss)

	YTD Actuals	YTD Budget	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	(3,527)	(3,681)	154	(16,247)	(16,247)

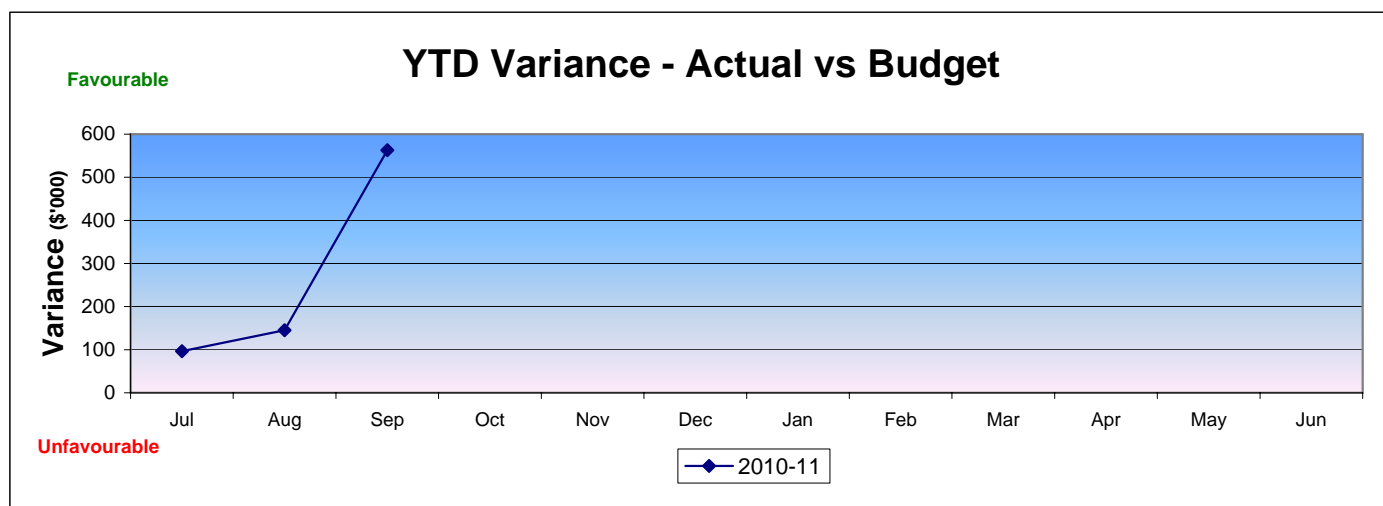
Favourable
Neutral
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Government Grants	117	Primarily due to the receipt of an \$80K grant for the Clarke Shields pavilion, which will subsequently be paid to Parks Victoria.	Ensure payment is made to Parks Victoria as required.
Other Expenses	123	Primarily due to an \$87K favourable variance in Long Day Care Maintenance due to the phasing of infrastructure levy expenditure having been applied across the first quarter of the financial year (when it actually occurs in June).	No action required. This is a timing issue.

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Environment & Planning



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2010

Operating Surplus/(Loss)

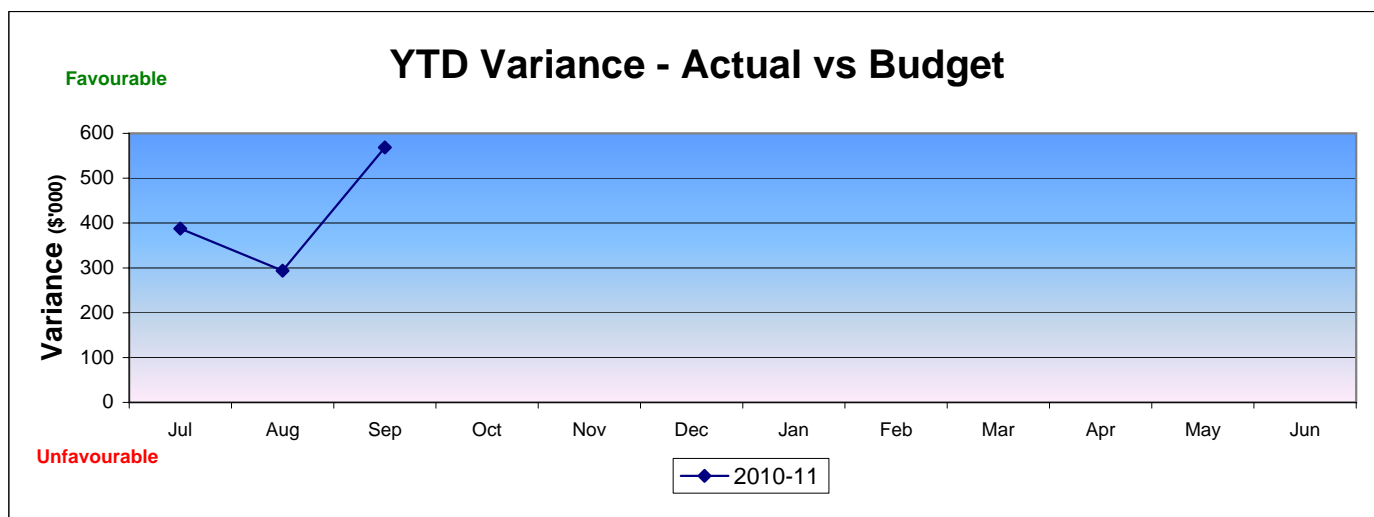
	YTD Actuals (\$'000)	YTD Budget (\$'000)	Variance (\$'000)	Full Year Budget (\$'000)	Full Year Forecast (\$'000)
Sept	3,436	2,873	563	7,891	7,891

Favourable
Neutral
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Fees & Charges	241	Due to the receipt of greater than anticipated development permit fees (\$217K favourable) and statutory planning fees (\$30K favourable).	Monitor budget and update full year projections (forecast) as part of October month end reporting.
Parking Revenue	112	Due to ticket machine income tracking higher than the rephased budget. This positive variance can be attributed to the replacement of parking machines across the city and the improved service provided by our contractors improving the up-time of our machines.	Continue to monitor
Contract Payments	168	Due to delays in the receipt of invoices from towing contractors.	Ensure that pending invoices are processed in a timely manner and accrued monthly if necessary.
	<u><u>521</u></u>		

City & Infrastructure Services



Note - Target for YTD Variance against Budget is zero.

Financial Performance - Three Months Ended 30 September 2010

Operating Surplus/(Loss)

	YTD Actuals	YTD Forecast	Variance	Full Year Budget	Full Year Forecast
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Sept	(6,318)	(6,886)	568	(30,420)	(30,600)

Favourable
Neutral
(Unfavourable)

Summary of Key Variances

Account Structure	Variance Fav/(Unfav) (\$'000)	Explanation of Variance	Management action to address variance
Other Income	(90)	Primarily due to waived rental income (\$217K unfavourable) as a result of building works on the foreshore. This is partially offset by unbudgeted street furniture sales (\$99K favourable).	Amend full year income forecast as required.
Contract Payments	512	Primarily due to delays in the receipt of invoices from contractors for building cleaning services (\$285K favourable) and tree services (\$114K favourable).	Ensure that pending invoices are processed in a timely manner and accrued monthly if necessary.
Utilities	68	This is a phasing issue in relation to public lighting expenditure.	Monitor variance and adjust full year forecast if necessary.
490			