

The following material adjustments have been identified up to December 2017 and are reflected in the Comprehensive Income Statement Converted to Cash.

**Note 1. Net Operating Income forecast increased by \$4.2 million, which comprises of \$1.2 million one-off increases, \$0.16m recurrent increases and \$2.84m reserves related adjustments:**

| Forecast Adjustments                           | One-off<br>2017/18<br>Adjustments<br>(\$'000s) | Recurrent<br>Adjustments<br>(\$'000s) | Reserve<br>Adjustments<br>(\$'000s) | Total<br>Forecast<br>Adjustments<br>(\$'000s) | Commentary  |
|--|--|---------------------------------------|-------------------------------------|---|---|
| <b>Efficiency and Budget Savings:</b>          |  |                                       |                                     |   |   |
| • Palais Theatre Redevelopment                 |  |                                       | 2,047                               | 2,047   | The Palais Theatre redevelopment project was completed on time at lower costs than budgeted which will be reimbursed from State Government. The underspend will be quarantined in reserves to fund \$1.5m of planned works over the two financial years 2017-19 and future works. |
| • Investment interest income                   | 500  |                                       |                                     | 500   | Additional interest income from higher investment yields from active treasury management, currently at 2.5% which higher than the 2.1% in the Budget 2017/18.   |
| <b>Favourable Items:</b>                       |  |                                       |                                     |   |   |
| • Paid Parking                                 | 240  |                                       |                                     | 240   | Increased paid parking income due to greater utilisation and lower occurrence of machine breakdowns.  |
| • Statutory Planning Income                    | 300  |                                       |                                     | 300   | Increased statutory planning income due to higher development activities than budgeted.   |
| • Street Occupation Permits                    | 150  |                                       |                                     | 150   | Increased income due to higher development activities than budgeted.  |
| • Open Space Contributions                     |  |                                       | 500                                 | 500   | Increased open space contributions due to higher development activity than budgeted. All open space contributions are quarantined in reserves to fund future open space enhancements.   |
| • Supplementary Rates                          |  | 65                                    |                                     | 65  | The growth in property numbers has increased by approximately 300 more than Budget 2017/18.   |
| • Peanut Farm Pavilion Upgrade                 |  |                                       | 500                                 | 500   | Budget 2016/17 capital grants for Peanut Farm Pavilion received in 2017/18.   |
| • Failure to Vote Infringement                 | 219  |                                       |                                     | 219   | Receipt of unbudgeted "failure to vote" infringements income from the 2016 Local Government election.   |
| • Diversity & Inclusion grants                 |  | 124                                   |                                     | 124   | Diversity & Inclusion funding income to be greater than budget due largely to the inclusion of CPI indexation which was not budgeted due to uncertainty around the Federal Government Aged Care Reform.   |
| • Family, Youth & Children                     | 77   | 42                                    |                                     | 119   | \$77k of additional kindergarten funding due to enrolment numbers.<br>Unexpected \$42k increase in funding for Maternal Child Health due to growth and indexation.  |
| • Other  | 114  |                                       |                                     | 114   | A number of minor adjustments.  |
| <b>Budget Neutral Items:</b>                   |  |                                       |                                     |   |   |
| • Infrastructure Maintenance Services          | 160  |                                       |                                     | 160   | Full cost recovery of reinstatement works from damages by developers to Council infrastructure.   |
| • Street Tree Planting                         | 80   |                                       |                                     | 80  | Recovery of costs for replanting trees damaged by developers. This is offset additional expenditure.  |
| • Blackspot Safety Improvements                | (180)  |                                       |                                     | (180)   | Lower funding than expected from Federal Government for the Blackspot safety Program which will be offset by a reduced scope of works.  |
| • Kerferd Rd Safety Improvements & Streetscape | (115)  |                                       |                                     | (115)   | Lower funding than expected will be offset by a reduced scope of works.   |
| • Alcohol Harm Minimisation Program            | 162  |                                       |                                     | 162   | Unbudgeted funding for "What's your story?" alcohol harm minimisation program offset by program expenditure.  |
| • Ferrars St Precinct - Montague Park          | (220)  |                                       |                                     | (220)   | Lower funding from State Government for Ferrars St Montague Park due to lower tendered prices.  |
| • Ferrars St Precinct - Streetscape            |  |                                       | (206)                               | (206)   | Reduction in funding from State Government due to the timing of Ferrars St Precinct Streetscape works.  |
| <b>Unfavourable Items:</b>                     |  |                                       |                                     |   |   |
| • Parking Infringements                        | (280)  |                                       |                                     | (280)   | Reduction in parking infringements income partly due to staff turnovers and greater compliance (increased utilisation of paid parking).   |
| • Delivered Meals                              |  | (75)                                  |                                     | (75)  | Lower utilisation of delivered meals service which has been on a downward trend.  |
| <b>Total Operating Income</b>                  | <b>1,207</b>                                   | <b>156</b>                            | <b>2,841</b>                        | <b>4,204</b>                                  |   |

**Note 2. Net Operating Expenditure forecast reduced by \$0.23 million, which comprises of \$1.39 million one-off increases, net \$0.45 million recurrent reductions and \$1.17 million reserves related adjustments:**

| Forecast Adjustments                                    | One-off<br>2017/18<br>Adjustments<br>(\$'000s) | Recurrent<br>Adjustments<br>(\$'000s) | Reserve<br>Adjustments<br>(\$'000s) | Total<br>Forecast<br>Adjustments<br>(\$'000s) | Explanations   |
|---|--|---------------------------------------|-------------------------------------|---|--|
| <b>Efficiency and Budget Savings:</b>                   |  |                                       |                                     |   |  |
| • Workcover premium                                     |  | 305                                   |                                     | 305   | Ongoing savings due to improved performance rating from reduced impact on premiums from the Streets cleaning program combined with an overall local government sector performance.   |
| • Coin Collection                                       |  | 230                                   |                                     | 230   | Collaborative procurement of coin collection services for our parking ticket machines will provide significant ongoing savings for Council.  |
| <b>Favourable Items:</b>                                |  |                                       |                                     |   |  |
| • Organisational Parental Leave                         | 150  |                                       |                                     | 150   | Lower provision required due to current payments of Paid Parental leave.   |
| • Organisational Employee costs                         | 377  |                                       |                                     | 377   | Realised budget savings from organisational wide vacancies.  |
| • Integrated Council Plan & Budget                      | 131  |                                       |                                     | 131   | Lower planned expenditure mainly due to lower community consultation for the 2018/19 Integrated Council Plan & Budget.   |
| • Montague Park Remediation                             | 220  |                                       | 980                                 | 1,200   | Lower than budgeted remediation works for the Montague Park.   |
| • Employee Lifecycle Process                            | 60   |                                       |                                     | 60  | Savings expected from this project.  |
| • Learning Management System                            | 90   |                                       |                                     | 90  | Savings expected from this project.  |
| <b>Budget Neutral Items:</b>                            |  |                                       |                                     |   |  |
| • Affordable Housing Program                            |  |                                       | 500                                 | 500   | Work is in progress to design an expression of interest process for our "Affordable Housing" program that aligns with the funding opportunities under State Government "Homes for Victoria" strategy released in March 2017. The \$0.50m budgeted expenditure in 2017/18 has been transferred to reserves. |
| • Street Tree Planting & Infrastructure Re-instatements | (240)  |                                       |                                     | (240)   | Additional costs incurred due to damage done by developers to our street trees and infrastructure, which have been fully recouped.   |
| • Diversity & Inclusion grants                          | (160)  | 50                                    |                                     | (110)   | Increased expenditure for unbudgeted funding received in August for Alcohol Harm Minimisation initiatives "What's your Story?"   |
| • Maternal Child Health System Implementation           |  |                                       | (85)                                | (85)  | Funds carried over from 2016/17 for innovative projects and better customer experience.  |
| • Business Enablement and Innovation Program            |  |                                       | (215)                               | (215)   | Funds carried over from 2016/17 for innovative projects and better customer experience.  |
| • Soil Contamination Management                         | 290  |                                       |                                     | 290   | Soil Contamination Management Plan works are in progress. \$0.18m is to be spent for Peanut Farm (capital works) and the remainder \$0.11m of works to be finalised in 2018/19.  |
| • Energy Performance Contracting                        |  |                                       | 98                                  | 98  | Initial project scoping has revealed that the EPC procurement process will take approximately 6 months. Therefore, only expenditure related to procurement will be incurred in 17/18 and the detailed facility study will occur in 2018/19.  |
| • Pride Centre Contributions                            |  |                                       | 105                                 | 105   | Additional payments made in 2016/17 for the Pride Centre which resulted in lower expenditure for 2017/18.  |
| • Childrens Centres Improvements Implementation         | (142)  |                                       |                                     | (142)   | Budgeted capital expenditure expensed due to nature of works performed.  |
| • South Melb Market Building Compliance                 | (237)  |                                       |                                     | (237)   | Budgeted capital expenditure expensed due to nature of works performed.  |
| • Tied Grants expenditure                               |  |                                       | (217)                               | (217)   | A number of unbudgeted expenditure related to tied grants received in prior financial years.   |
| <b>Unfavourable Items:</b>                              |  |                                       |                                     |   |  |
| • Council approved initiatives September 2017           | (250)  |                                       |                                     | (250)   | Combustible Cladding Audit due to safety requirements.   |
| • Council approved initiatives October 2017             | (793)  |                                       |                                     | (793)   | A number of initiatives approved by Council in October 2017 including Marriage Equality, In our Backyard Taskforce, Social & Cultural Heritage Program, St Kilda Rd North Planning Scheme Amendment, Fishermans Bend Precinct Planning, OHS, Emergency Management and Security Improvements.               |
| • Integrated Transport Strategy                         | (175)  |                                       |                                     | (175)   | Increase in costs for community consultation, strategy development and data collection activities.   |
| • Graffiti Management                                   |  | (135)                                 |                                     | (135)   | Council endorsed Graffiti Management Strategy to increase expenditure by \$135k per annum including a Graffiti Management Officer and increased funding for Street Art Program.  |
| • Sustainability Hub feasibility                        | (500)  |                                       |                                     | (500)   | Council approval for a Sustainability Hub feasibility study.   |
| • St Kilda Marina lease                                 | (210)  |                                       |                                     | (210)   | Detailed investigative works for the and community engagement to ensure best outcomes for the site.  |
| <b>Total Operating Expenditure</b>                      | <b>(1,389)</b>                                 | <b>450</b>                            | <b>1,166</b>                        | <b>227</b>                                    |  |

**Note 3. Capital expenditure forecast decreased by \$1.75 million, mainly due to \$2.66 million of project deferrals to 2018/19.**

| Forecast Adjustments  | One-off<br>2017/18<br>Adjustments<br>(\$'000s) | Recurrent<br>Adjustments<br>(\$'000s) | Reserve<br>Adjustments<br>(\$'000s) | Total<br>Forecast<br>Adjustments<br>(\$'000s) | Explanations   |
|---|--|---------------------------------------|-------------------------------------|---|--|
| <b>Additional Capital Projects carried forward from 2016/17</b> |  |                                       |                                     |   |  |
| • RF Julier Netball Upgrade                                     |  |                                       | (15)                                | (15)  | Additional cost for acrylic surfacing of netball courts.   |
| • Desktop and SOE Renewal                                       |  |                                       | (114)                               | (114)   | Timing of expenditure between financial years.   |
| • Bubup Nairn Non Compliance Works                              |  |                                       | 63                                  | 63  | Construction works as per approved business case. Overspent in 2016/17 resulting in an underspend in 2017/18.                            |
| • Geographic Information System Renew                           |  |                                       | (36)                                | (36)  | Implement Help Me Plan, FBURA and Foreshore Disability Maps.   |
| • Eco Centre Service Opportunity                                |  |                                       | (46)                                | (46)  | Minor internal works and decking/ramp/pergola for portables.   |
| <b>Budget reduction/ savings</b>                                |  |                                       |                                     |   |  |
| • Beach Street Separated Queuing Lane                           | 240  |                                       |                                     | 240   | Construction commenced earlier than expected and finished under budget.  |
| • Parking Technology Renewal and Upgrade Program                | 35   |                                       |                                     | 35  | Machine renewals and upgrades completed under budget.  |
| • Blackspot Safety Improvements                                 | 180  |                                       |                                     | 180   | Reduced scope of works to match funding approved from Federal Government for the Blackspot safety Program.                               |
| • Disaster Recovery Replacement                                 | 30   |                                       |                                     | 30  | Saving during tender process.  |
| • Sandridge Trugo Public Toilets                                | 65   |                                       |                                     | 65  | Project completed with a saving.   |
| • Sandbar Roof Works  | 100  |                                       |                                     | 100   | Project completed with a saving.   |
| • Depot Accommodation Renewal                                   | 180  |                                       |                                     | 180   | Project completed with a saving.   |
| • Stormwater CCTV Data Collection                               | 150  |                                       |                                     | 150   | Work will continue into 2018/19 and funded through the 2018/19 Stormwater program.   |
| • Childrens Centres Improvements Implementation                 |  |                                       | 258                                 | 258   | No capital works in 2017/18 as the strategy work is still ongoing. These expenditure are related to the Child Care Improvement Reserves. |
| • Kerferd Road Safety Improvements                              | 255  |                                       |                                     | 255   | Revised design and community engagement costs lower than budget.   |
| • Litter Bin Renewal & Upgrade Program                          | 96   |                                       |                                     | 96  | Purchase and installation completed under budget.  |
| <b>Budget Increases</b>   |  |                                       |                                     |   |  |
| • Queens Lane Upgrade Stage 2                                   |  |                                       | (28)                                | (28)  | Minor increase to complete 2016/17 project.  |
| • Albert Park Stormwater Harvesting Development                 | (88)   |                                       |                                     | (88)  | Increase in budget for connection ready work and project management costs.   |
| • Energy Efficiency and Solar Program                           | (80)   |                                       |                                     | (80)  | New federal funding to install additional solar panels on four Council owned buildings.  |
| • Telephony renewal   |  |                                       | (510)                               | (510)   | Project will be completed in 2017/18 rather than over two years. Shortfall funded from the Smart Technology Fund.                        |
| • Outdoor Fitness Stations                                      |  |                                       | (32)                                | (32)  | Increase in cost for contaminated soil and increase in the market price of equipment.  |
| • Childrens Centre Minor Capital Works                          |  |                                       | (150)                               | (150)   | Increased expenditure due to Worksafe compliance works for baby change tables.   |
| <b>New Projects</b>   |  |                                       |                                     |   |  |
| • Pier Street St Kilda Lockable Gates                           | (45)   |                                       |                                     | (45)  | Supply and installation of a metal gate and frame and a new solar street light.  |
| • Town Hall Security  | (185)  |                                       |                                     | (185)   | Implementing immediate actions to counter the risk of occupational violence, unauthorised access and terrorism at St Kilda Town Hall.    |
| • Palais Theatre Upgrade  |  |                                       | (290)                               | (290)   | Additional expenditure for urgent and highly desirable works. Funded from the savings from previous upgrade works completed in 2016/17.  |
| • Smart Parking Technology                                      | (910)  |                                       |                                     | (910)   | Strategic Business Case approved by Council to implement new smart parking technology.   |
| • Hostile Vehicle Mitigation Barriers                           | (230)  |                                       |                                     | (230)   | Purchase of portable barriers in response to security threats around major events.   |

| Forecast Adjustments                                    | One-off<br>2017/18<br>Adjustments<br>(\$'000s) | Recurrent<br>Adjustments<br>(\$'000s) | Reserve<br>Adjustments<br>(\$'000s) | Total<br>Forecast<br>Adjustments<br>(\$'000s) | Explanations  |
|---|--|---------------------------------------|-------------------------------------|---|---|
| <b>Transfer to Operating (expensed)/ Budget Neutral</b> |  |                                       |                                     |   |   |
| • Childrens Centres Improvements Implementation         |  |                                       | 142                                 | 142   | Children's Centres Strategy work (operating project) will continue through to 2017/18 and will be funded from this project. The implementation project cannot commence until the strategy work is complete. |
| • South Melb Market Building Compliance                 | 237  |                                       |                                     | 237   | Funds transferred to South Melb Market Building Compliance Assessment project for further asset consultants and a concept design.   |
| • Soil Contamination Management Plan                    | (180)  |                                       |                                     | (180)   | Soil contamination management work at Peanut Farm was originally budgeted as operating.   |
| <b>Project Deferrals</b>                                |  |                                       |                                     |   |   |
| • South Melbourne Community Centre Upgrade              |  |                                       | 457                                 | 457   | Works will now be staged with the Liardet Street Community Centre Upgrade and will be partially delayed into 2018/19.   |
| • Peanut Farm Sports Pavilion Upgrade                   |  |                                       | 1,195                               | 1,195   | Business case approved with a new schedule which extends the construction further out in 2018/19.   |
| • Fitzroy St Streetscape Upgrade                        |  |                                       | 170                                 | 170   | PTV have advised that works are likely to occur in October 2018. Design will be completed this financial year.  |
| • SMM Building Compliance                               |  |                                       | 263                                 | 263   | The assessment and design work has not been completed resulting in the compliance implementation works to be delayed.   |
| • EcoCentre Redevelopment                               |  |                                       | 165                                 | 165   | Delay in commencement of design work.   |
| • Sails on the Bay Roof and HVAC (Heating & Cooling)    |  |                                       | 410                                 | 410   | Design in 2017/18 with a revised timeline for works commencing in 2018/19.  |
| <b>Total Capital Expenditure</b>                        | <b>(150)</b>                                   | <b>-</b>                              | <b>1,902</b>                        | <b>1,752</b>                                  |   |

**Note 4. Net drawdown on reserves decreased by \$5.73 million**

| Forecast Adjustments              | Reserve<br>Adjustments<br>(\$'000s) | Explanations  |
|-----------------------------------|-------------------------------------|---|
| Operating Income adjustments      | (2,841)                             | Net replenish of reserves mainly due to additional open space developer contributions and project saving from Palais Redevelopment. |
| Operating expenditure adjustments | (1,166)                             | Net replenish of reserves mainly due to lower expenditure for Affordable Housing to be carried over to 2018/19.                     |
| Capital Works adjustments         | (1,902)                             | Net replenish of reserves mainly due to capital project deferrals to 2018/19.   |
| Other adjustments                 | 179                                 | Budgeted expenditure to be funded from tied grants received in prior financial years.   |
| <b>Total Reserves Movement</b>    | <b>(5,730)</b>                      |   |