

The following material adjustments have been identified up to September 2018 and are reflected in the Comprehensive Income Statement Converted to Cash.

Note 1. Net Operating Income forecast increased by \$1.60 million, which comprises of \$0.66 million one-off increases, \$0.40m recurrent increases and \$0.54m reserves related adjustments:

Forecast Adjustments	One-off 2018/19 Adjustments (\$'000s)	Recurrent Adjustments (\$'000s)	Reserve Adjustments (\$'000s)	Total Forecast Adjustments (\$'000s)	Commentary
Efficiency and Budget Savings:					
• Investment interest income	120			120	Additional \$0.12 million of interest income expected due to higher investment yields from active treasury management, currently average yield at 2.7% which is higher than budgeted yield of 2.4%. \$20k relates to greater quantum of funds available for investment.
Favourable Items:					
• Supplementary Rates		296		296	Property assessment growth currently projected at 1.6% which is greater than budgeted growth of 1.3%.
• Diversity & Inclusion Food Services grants		106		106	CPI indexation was not budgeted due to uncertainty around the Federal Government Aged Care Reform. Forecast increased to reflect confirmed additional income.
• EcoCentre Redevelopment	181			181	Unbudgeted Victorian Government funding for the concept design of the EcoCentre redevelopment project. At this stage, funding for the construction phase is unconfirmed.
Budget Neutral Items:					
• Safer Street Infrastructure Program	100			100	Unbudgeted funding from Transport Accident Commissions for School Routes Travel Surveys and Audits offset by expenditure.
• Metro Access Program	140			140	Victorian Government committed to another year of funding for the Metro Access program which was not budgeted. This will be fully offset by unbudgeted expenditure.
• Joint Committee Access All Ability	460			460	Victorian Government funding for the Joint Committee Access All Ability program for 2018/19 which was not expected. This will be fully offset by associated expenditure - a large portion relates to labour.
• Blackspot Safety Improvements	(534)			(534)	Unsuccessful grants application for the Blackspot safety Program from Federal Government in 2018/19. Officer to review items that can be delivered in 2018/19.
• JL Murphy Pavilion upgrade	240		535	775	The timing of Sports Recreation Victoria funding has been changed - greater amount of funding expected in 2018/19.
• Ferrars St Precinct - Montague Park	300			300	Funding from Victorian Government linked to capital works milestone claims. Project on track to be completed in 2018/19.
• Ferrars St Precinct - Streetscape	255			255	Funding from Victorian Government linked to capital works milestone claims. Project on track to be completed in 2018/19.
• Recycling Contract	(408)			(408)	Adjustment to recycling contract budget. Nil net change.
• Peanut Farm Pavilion upgrade - grants			(90)	(90)	Funding was received in 2017/18 and quarantined in reserves.
Unfavourable Items:					
• Road to Recovery Funding	(64)			(64)	Council received greater amount of Federal funding in 2017/18 for the Road to Recovery program, therefore funding in the final year of the five-year program is lower.
• Other	(41)				A number of minor adjustments.
Total Operating Income	749	402	445	1,596	

Note 2. Net Operating Expenditure forecast increased by \$2.07 million, which comprises of \$0.99 million one-off increases, \$0.33 million recurrent increases and \$0.75 million reserves related adjustments:

Forecast Adjustments	One-off 2018/19 Adjustments (\$'000s)	Recurrent Adjustments (\$'000s)	Reserve Adjustments (\$'000s)	Total Forecast Adjustments (\$'000s)	Explanations
Additional Operating Projects carried forward from 2017/18					
• Inner Metro Sustainability Hub			(290)	(290)	Expenditure deferred from 2017/18 financial year.
• Customer Experience Program			(247)	(247)	Expenditure deferred from 2017/18 financial year.
• Children's Services Review			(140)	(140)	Expenditure deferred from 2017/18 financial year.
• Staff Accommodation Plan			(70)	(70)	Expenditure deferred from 2017/18 financial year.
Favourable Items:					
• Organisational Employee costs	420			420	Realised budget savings from organisational wide vacancies.
Budget Neutral Items:					
• Metro Access Program	(140)			(140)	Increased employee costs forecast due to the unbudgeted Metro Access program which will be funded by the Victorian Government for another year.
• Joint Committee Access All Ability	(520)			(520)	Expenditure for the Joint Committee Access All Ability program which Council received funding Victorian Government for 2018/19. This was not budgeted. \$0.35 million will be spent on labour and \$0.11 million on materials & services.
• Reclassification between operating and capital expenditure	(545)			(545)	In reviewing a number of planned project expenditure to date has resulted in the reclassification of some expenditure from capital to operational. Projects include Ferrars St Streetscape, Peanut Farm and Carlo Catani Rock Wall.
• Recycling Contract	408			408	Adjustment to recycling contract budget. Nil net change.
• South Melb Market Building Compliance	(350)			(350)	South Melbourne Market Compliance capital works budget to used for compliance assessment (non-capital).
Unfavourable Items:					
• St Kilda Festival		(120)		(120)	Festival setup changes to provide a more family friendly event. Reduction in capacity in the licensed area will have a negative impact to income.
• Culture & Capability		(130)		(130)	System support to implement Human Resource system enhancements and for ongoing support.
• Information Technology Lease		(84)		(84)	Budget correction for inclusion of information technology equipment lease.
• Other	(259)			(259)	A number of minor adjustments.
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Total Operating Expenditure	(986)	(334)	(747)	(2,067)	
Net Operating	(237)	68	(302)	(471)	

Note 3. Capital expenditure forecast decreased by \$0.83 million.

Forecast Adjustments	One-off 2018/19 Adjustments (\$'000s)	Recurrent Adjustments (\$'000s)	Reserve Adjustments (\$'000s)	Total Forecast Adjustments (\$'000s)	Explanations
Additional Capital Projects carried forward from 2017/18					
• Peanut Farm Sports Pavilion Upgrade			(188)	(188)	Tied grants received in prior years to be utilised in 2018/19.
• Ferrars St Precinct - Montague Park	(300)		(36)	(336)	Funding from Victorian Government linked to capital works milestone claims. Project on track to be completed in 2018/19.
• Ferrars St Precinct - Streetscape	(255)		(269)	(524)	Funding from Victorian Government linked to capital works milestone claims. Project on track to be completed in 2018/19.
• Carlo Catani Lava Rock Walls			(100)	(100)	Expenditure deferred from 2017/18 financial year.
• Other			(170)	(170)	A number of minor project expenditure deferred from 2017/18 financial year.
Budget reduction/ savings					
• Blackspot Safety Improvements	534			534	Unsuccessful grants application for the Blackspot safety Program from Federal Government in 2018/19. Officer to review items that can be delivered in 2018/19.
• Balaclava Station Interchange Upgrade			170	170	Work was completed in 2017/18.
• South Melb Market Building Compliance	350		115	465	South Melbourne Market Compliance capital works budget to used for compliance assessment (non-capital).
• South Melb Lifesaving Club redevelopment	866			866	South Melbourne Lifesaving Club redevelopment is ahead of schedule with a large portion of expenditure spent in 2017/18.
Budget Increases					
• Safer Street Infrastructure Program	(100)			(100)	Unbudgeted funding from Transport Accident Commissions for School Routes Travel Surveys and Audits offset by expenditure.
• Peanut Farm Sports Pavilion Upgrade	(118)			(118)	Tender price greater than budgeted.
• Linden Gallery	(150)			(150)	Linden Gallery upgrade project increased scope to address Disability Discrimination Act non-compliance and safety concerns at the rear laneway.
• Other	(66)			(66)	Minor adjustments.
Transfer to Operating (expensed)/ Budget Neutral					
• Reclassification between operating and capital expenditure	545			545	In reviewing a number of planned project expenditure to date has resulted in the reclassification of some expenditure from capital to operational. Projects include Ferrars St Streetscape, Peanut Farm and Carlo Catani Rock Wall.
Total Capital Expenditure	1,306	-	(478)	828	

Note 4. Net drawdown on reserves increased by \$1.18 million

Forecast Adjustments	Reserve Adjustments (\$'000s)	Explanations
Operating Income adjustments	(445)	Net replenish of reserves mainly due to early receipt of JL Murphy grants to be utilised in 2019/20.
Operating expenditure adjustments	747	Drawdown on reserves for projects deferred from 2017/18.
Capital Works adjustments	478	Net drawdown on reserves for projects deferred from 2017/18.
Other adjustments	400	Coventry St Child Care Centre works funded from Childcare Infrastructure Levy.
Total Reserves Movement	1,180	