

<b>Committee report to Council</b>	<b>Agenda Item 5.1</b>
<b>2013-14 Fourth Quarter June 2014 YTD Financial Performance Report</b>	<b>Council</b>
	<b>26 August 2014</b>

**Committee** Future Melbourne (Finance and Governance Portfolio) Committee

**Presenter** Cr Mayne

**Purpose**

1. The purpose of this report is to inform Council of the financial performance of the Council for the financial year ended 30 June 2014, in accordance with the *Local Government Act 1989* and to provide information on supplementary valuations adopted by the Chief Executive Officer under delegation (see attachment 3 of the report from Committee).

**Recommendation**

2. That Council:
  - 2.1. Accept the preliminary underlying surplus of \$1.20 million for the Council financial performance for the 2013–14 financial year.
  - 2.2. Accept the preliminary comprehensive result of \$107.91 million for the Council financial performance for the 2013–14 financial year.
  - 2.3. Approve the submission of the Consolidated Financial Statements to the Audit Committee on 29 August 2014 and then to Council.
  - 2.4. Call a special Council meeting on 9 September 2014 to consider and approve in principle the Consolidated Financial Statements as required by the *Local Government Act 1989*.

**Council Report Attachment:**

1. Future Melbourne Committee, Agenda Item 6.8, 12 August 2014

## Report to the Future Melbourne (Finance and Governance) Committee

2013–14 Fourth Quarter June 2014 YTD Financial Performance Report

12 August 2014

**Presenter:** Phu Nguyen, Chief Financial Officer

### Purpose and background

1. The purpose of this report is to inform the Future Melbourne Committee of the financial performance of the Council for the financial year ended 30 June 2014, in accordance with the *Local Government Act 1989* (the Act) and to provide information on supplementary valuations adopted by the Chief Executive Officer under delegation (refer Attachment 3).

### Key issues

2. The preliminary result from ordinary activities for the 12 month period ending 30 June 2014 shows an underlying surplus on the Income Statement of \$1.20 million. This is a favourable variance of \$0.10 million against the budgeted underlying surplus of \$1.10 million.
3. A detailed analysis of revenue and expenditure is included in Attachment 2.
4. In addition to the underlying surplus, in accordance with accounting standards, the Council is also required to reflect a comprehensive result in the Annual Report. The comprehensive result includes additional non-cash items including revaluation of Council assets. The Council has an asset base in excess of \$3.63 billion with parkland, roads, footpaths, buildings, kerbs and channels and infrastructure assets being the most significant items.
5. Given the asset base size, revaluations often generate significant non cash gains or (loss) that are unlikely to be realised but do need to be reflected to comply with accounting standards.
6. The comprehensive result for Council in 2013–14 is \$107.91 million (\$85.38 million 2012–13) with revaluation of assets being the most significant reason.
7. The reported result is subject to audit by the Victorian Auditor General's Office.

### Recommendation from management

8. That the Future Melbourne Committee recommend Council:
  - 8.1. Accept the preliminary underlying surplus of \$1.20 million for the Council financial performance for the 2013–14 financial year.
  - 8.2. Accept the preliminary comprehensive result of \$107.91 million for the Council financial performance for the 2013–14 financial year.
  - 8.3. Approve the submission of the Consolidated Financial Statements to the Audit Committee on 29 August 2014 and then to Council.
  - 8.4. Call a special Council meeting on 9 September 2014 to consider and approve in principle the Consolidated Financial Statements as required by the *Local Government Act 1989*.

### Attachments:

1. Supporting Attachment
2. Financial Performance Report June 2014
3. Summary Listing of Supplementary Valuations

**Supporting Attachment**

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**Legal**

1. Section 138 of the Act provides that at least every three months, the Chief Executive Officer must ensure that a statement comparing the budgeted revenue and expenditure for the financial year with the actual revenue and expenditure to date is presented to the Council.
2. Section 131 (7) of the Act provides the Council must not submit the standard statements or financial statements to its auditor or the Minister unless it has first passed a resolution giving its approval in principle to the same.

**Finance**

3. The financial implications are detailed in the body of the report and attachments.
4. The comprehensive result for the Council is summarised in the table below.

	<b>\$M</b>
<b>Underlying Surplus/(Deficit)</b>	<b>1.20</b>
Plus external contributions to capital	21.35
Plus gain on property investment revaluation	5.64
Plus transfer in/(out) of assets to/from external parties	3.69
Less loss on investment revaluation	(0.54)
<b>Profit/(loss)</b>	<b>31.34</b>
Net asset revaluation increment (decrement)	76.57
<b>Comprehensive Result</b>	<b>107.91</b>

**Conflict of interest**

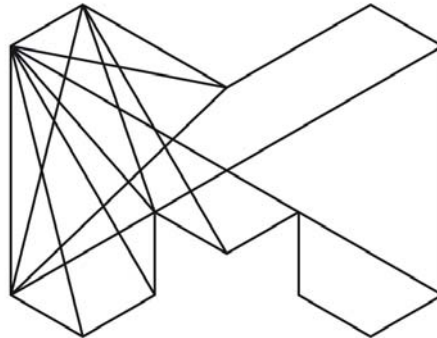
5. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

**Stakeholder consultation**

6. Consultation with the various branches of Council has been undertaken in preparation of this report.

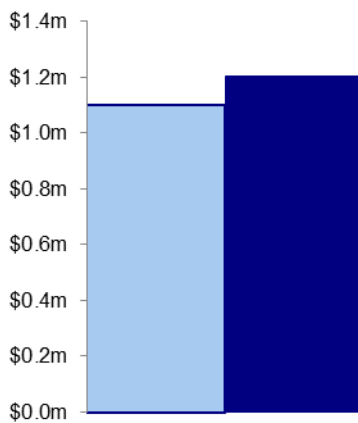
**Environmental sustainability**

7. The financial performance for the quarter ended 30 June 2014 reflects many activities impacting on environmental sustainability. There is no direct impact on environmental sustainability from the recommendations in this report.



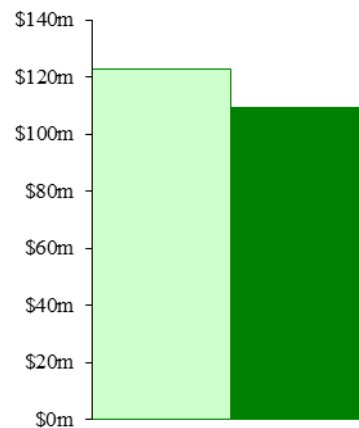
**CITY OF MELBOURNE**  
**FINANCIAL**  
**PERFORMANCE**  
**REPORT**  
**June 2014**

**Underlying Surplus/(Deficit)**



YTD Budget	\$1.100m
YTD Actual	\$1.200m
YTD Variance	\$0.100m

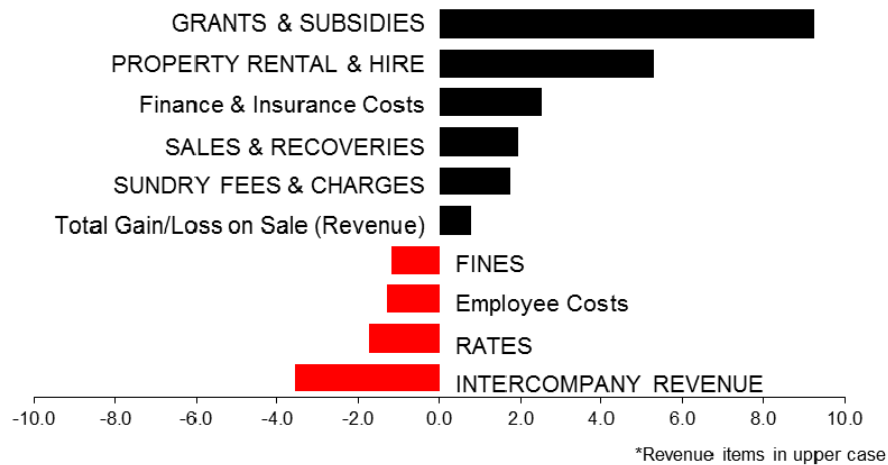
**Council Works Program**



YTD Budget	\$122.791m
YTD Actual	\$109.280m
YTD Variance	\$13.511m

## Executive Summary

Top 10 Variances (\$millions)



### Key Financial Implications:

The actual underlying surplus is \$1.200 million, which is \$0.100 million favourable against budget. The most significant variances are:

- Grants & Subsidies (\$9.261 million Fav) mainly due to higher external capital contributions for Public Open Space and Northbank Promenade redevelopment;
- Property Rental & Hire (\$5.283 million Fav) due to revaluation gains on investment assets;
- Finance & Insurance costs (\$2.510 million Fav) largely due to lower provision for doubtful PINs;
- Sales & Recoveries (\$1.929 million Fav) due to additional reimbursements and grants-in-kind revenue;
- Sundry Fees & Charges (\$1.738 million Fav) mainly due to higher overall fees and charges across multiple revenue categories including tree removal income, building and planning fees;
- Fines (\$1.172 million Unfav) mainly due to refunds and write off of some fines revenue;
- Rates (\$1.730 million Unfav) mainly due to higher number of objections; and
- Intercompany Revenue (\$3.545 million Unfav) due mainly to lower than anticipated operating profit by Council's subsidiaries.

### Underlying Operating Results

2012-13 Actual	2013-14 Budget	\$000s	2013-14		
			Budget	Actual	Variance
387,563	379,097	Revenue	379,096	390,841	11,745
357,062	365,053	Operating Expenditure	365,053	364,148	905
30,500	14,043	<b>Results from Ordinary Activities</b>	14,043	26,693	12,650
102	154	Net Gain/(Loss) on disposal of Assets	154	955	801
20,611	0	Asset Transfers In/Out to External Parties	0	3,695	3,695
<b>51,214</b>	<b>14,197</b>	<b>Profit/(Loss)</b>	<b>14,197</b>	<b>31,343</b>	<b>17,146</b>
(29,814)	(13,097)	Less External Contributions to Capital	(13,097)	(21,349)	(8,252)
0	0	Less Gain on Investment Revaluation	0	(5,640)	(5,640)
(20,611)	0	Asset Transfers In/Out to External Parties	0	(3,695)	(3,695)
0	0	Add Writedown on Investment	0	541	541
<b>789</b>	<b>1,100</b>	<b>Underlying Surplus/(Deficit)</b>	<b>1,100</b>	<b>1,200</b>	<b>100</b>

### Council Works Program

The value of works completed is \$109.280 million compared to the planned \$122.791 million work.

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## Income Statement

\$ Thousands

Period: Jun-14

2012-13 Actual	2013-14 Budget		2013-14		
			Budget	Actual	Variance
		REVENUE			
203,576	215,568	Rates	215,568	213,839	(1,729)
40,375	23,780	Grants & Subsidies	23,780	33,041	9,261
40,021	47,364	Parking Fees	47,364	46,796	(568)
43,006	41,431	Fines	41,431	40,259	(1,172)
19,695	20,042	Sundry Fees & Charges	20,042	21,780	1,738
8,594	7,467	Property Rental & Hire	7,467	12,750	5,283
5,776	3,155	Sales & Recoveries	3,155	5,084	1,929
639	412	Project Income	412	583	171
5,907	3,506	Finance Income	3,506	3,884	378
19,973	16,372	Intercompany Revenue	16,372	12,826	(3,546)
<b>387,563</b>	<b>379,097</b>	<b>Total Revenue</b>	<b>379,096</b>	<b>390,841</b>	<b>11,745</b>
		EXPENDITURE			
117,939	128,199	Employee costs	128,199	129,480	(1,281)
147,559	146,944	Materials & Services	146,944	147,243	(299)
10,952	10,188	Finance & Insurance Costs	10,188	7,678	2,510
52,822	55,332	Depreciation & Amortisation	55,332	55,280	52
10,261	10,399	Maintenance Costs	10,399	10,305	94
13,465	12,656	Grants & Contributions	12,656	13,350	(694)
4,065	1,335	Government Taxes & Levies	1,335	813	522
<b>357,062</b>	<b>365,053</b>	<b>Total Operating Expenditure</b>	<b>365,053</b>	<b>364,148</b>	<b>905</b>
102	154	Total Gain/Loss on Sale	154	955	801
20,611	0	Asset Transfers In/Out to External Parties	0	3,695	3,695
<b>51,214</b>	<b>14,197</b>	<b>Profit/(Loss)</b>	<b>14,197</b>	<b>31,343</b>	<b>17,146</b>
(29,814)	(13,097)	Less External Contributions to Capital	(13,097)	(21,349)	(8,252)
0		Less Gain on Investment Revaluation	0	(5,640)	(5,640)
(20,611)	0	Asset Transfers In/Out to External Parties	0	(3,695)	(3,695)
0	0	Add Writedown on Investment	0	541	541
<b>789</b>	<b>1,100</b>	<b>Underlying Surplus/(Deficit)</b>	<b>1,100</b>	<b>1,200</b>	<b>100</b>

## Balance Sheet

\$ Thousands		Period:	
Prior Year 2012-13 Actual		Current Jun-14 Actual	Jun-14 Movement 2012-13 Actual
<b>Assets</b>			
<b>Current Assets</b>			
102,876	<i>Ref 1</i> Cash assets	99,340	(3,536)
27,812	<i>Ref 2</i> Receivables	26,573	(1,239)
337	Prepayments	156	(181)
3,624	Other Current Assets	3,761	137
<b>134,649</b>	<b>Total Current Assets</b>	<b>129,829</b>	<b>(4,820)</b>
<b>Non current assets</b>			
32,856	Investments	32,315	(541)
8,737	<i>Ref 3</i> Intangible Assets	11,003	2,266
3,327,945	<i>Ref 3</i> Property, Plant & Infrastructure	3,454,402	126,457
<b>3,369,538</b>	<b>Total Non-Current Assets</b>	<b>3,497,720</b>	<b>128,182</b>
<b>3,504,187</b>	<b>TOTAL ASSETS</b>	<b>3,627,549</b>	<b>123,362</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
(55,340)	<i>Ref 4</i> Payables	(68,271)	(12,930)
(26,351)	Employee entitlements	(26,999)	(648)
(518)	<i>Ref 5</i> Provisions	(1,991)	(1,474)
<b>(82,209)</b>	<b>Total Current Liabilities</b>	<b>(97,261)</b>	<b>(15,052)</b>
<b>Non- current Liabilities</b>			
(2,643)	Employee entitlements	(3,042)	(399)
<b>(2,643)</b>	<b>Total Non-Current Liabilities</b>	<b>(3,042)</b>	<b>(399)</b>
<b>(84,852)</b>	<b>TOTAL LIABILITIES</b>	<b>(100,303)</b>	<b>(15,451)</b>
<b>3,419,334</b>	<b>NET ASSETS</b>	<b>3,527,247</b>	<b>107,913</b>
<b>Equity</b>			
(1,811,035)	Accumulated Surplus	(1,838,383)	(27,349)
(1,608,299)	Reserves	(1,688,863)	(80,565)
<b>(3,419,334)</b>	<b>TOTAL EQUITY</b>	<b>(3,527,247)</b>	<b>(107,913)</b>



## Balance Sheet

### Comparison to prior Year June 2013 Actual

1. Cash assets have decreased by \$3.536 million mainly due to capital works payments.
2. Receivables are lower by \$1.239 million due to decrease in debtors.
3. Property, Plant and Infrastructure assets and intangible assets have increased by \$128.182 million mainly due to capital works (\$98.982 million) and revaluation of fixed assets (\$76.568 million). These are partially offset by asset depreciation (\$55.280 million).
4. Payables increased by \$12.930 million mainly due to higher creditors balance.
5. Provisions increased by \$1.474 million mainly due to increase in Rate Objection provision (\$1.250 million).

## Statement of Cashflow

\$ Thousands

Period: **Jun-14**

2012-13 Actual		2013-14 Actual
	<b>Cashflows from Operating Activities</b>	
	<b>Receipts</b>	
333,642	Rates, Fees and Charges (inclusive GST)	334,498
42,835	Grants and Other Contributions (inclusive GST)	34,801
23,572	Sales & Recoveries (inclusive GST)	21,186
5,867	Interest	4,027
	<b>Payments</b>	
(125,178)	Employee Costs	(127,864)
(204,883)	Materials & Services (inclusive GST)	(154,044)
(5,176)	Government Taxes and Levies	(13,746)
70,678	<b>Net Cash Inflow / (Outflow) from Operating Activities</b>	98,858
	<b>Cashflows from Investing Activities</b>	
1,726	Proceeds from sale of property, plant & equipment	1,819
5,000	Investment Funds Received from MWFM	541
(111,422)	Payment for property, plant & equipment	(114,925)
(104,696)	<b>Net Cash Inflow / (Outflow) from Investing Activities</b>	(112,565)
	<b>Cashflows from Financing Activities</b>	
(2,716)	Finance & Insurance (inclusive GST)	(3,262)
10,125	Dividends Received - Subsidiaries	13,432
7,409	<b>Net Cash Inflow / (Outflow) from Financing Activities</b>	10,170
(26,609)	<b>Net Cash Inflow/ (Outflow) from all Activities</b>	(3,536)
129,485	Cash at beginning of the financial period	102,876
102,876	Cash at the end of Period	99,340
(26,609)	<b>Movement in cash equivalents</b>	(3,536)

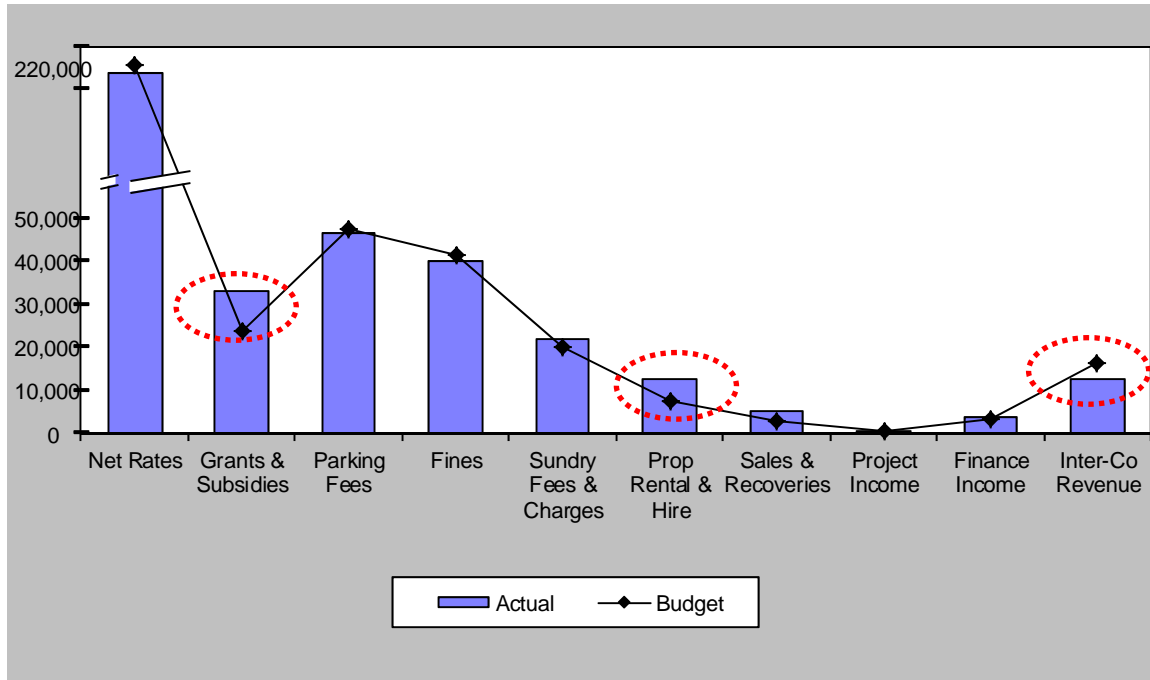
**Statement of Cash Flow (reconciliation)**

\$ Thousands		Period:	Jun-14
2012-13 Actual			2013-14 Actual
51,214	<b>Net Surplus/(Deficit) from operations</b>		31,343
	<b>Add Back Non-Cash Items</b>		
52,822	Depreciation & Amortisation		55,280
(102)	Loss(Profit) on Sale of Assets		(955)
(1,468)	Recognition of increase in investment		(5,640)
(20,611)	Non Current Assets Additions		(7,895)
0	Transfer Assets to External Parties		4,200
0	Writedown on Investment		541
81,855	<b>Operating Surplus/(Deficit) before Non cash items</b>		76,873
(8,582)	Net Movement in Working Capital		23,026
(106,608)	Capital Expenditure		(105,255)
1,726	Proceeds from sale of assets		1,819
5,000	Melbourne Wholesale Fish Markets		0
(26,610)	<b>Net Cash inflow/(outflow)</b>		(3,536)

Council had a total cash outflow of \$3.536 million. This is comprised:

- An outflow associated with capital expenditure of \$105.255 million;
- An operating surplus before non-cash items of \$76.873 million;
- An inflow from working capital of \$23.026 million; and
- Proceeds from sale of assets of \$1.819 million.

### YTD Revenue Summary



\$ Thousands

Period: Jun-14

Annual Budget	REVENUE	Year to Date		
		Budget	Actual	Variance
215,568	<i>Ref 3.1</i> Net Rates	215,568	213,839	(1,730)
23,780	<i>Ref 3.2</i> Grants & Subsidies	23,780	33,041	9,263
47,364	<i>Ref 3.3</i> Parking Fees	47,364	46,796	(570)
41,431	<i>Ref 3.4</i> Fines	41,431	40,259	(1,172)
20,042	<i>Ref 3.5</i> Sundry Fees & Charges	20,042	21,780	1,738
7,467	<i>Ref 3.6</i> Property Rental & Hire	7,467	12,750	5,283
3,155	<i>Ref 3.7</i> Sales & Recoveries	3,155	5,084	1,929
412	<i>Ref 3.8</i> Project Income	412	583	171
3,506	<i>Ref 3.9</i> Finance Income	3,506	3,884	377
16,372	<i>Ref 3.10</i> Intercompany Revenue	16,372	12,826	(3,545)
<b>379,097</b>	<b>Total Revenue</b>	<b>379,097</b>	<b>390,842</b>	<b>11,744</b>

## Analysis of Revenue Variances

<b>Budget \$379.097m</b>	<b>Actual \$390.842m</b>	<b>Variance \$11.744m Favourable</b>
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**3.1 Net Rates** **-0.8% Variance** **(\$1.730m) Unfav**

This unfavourable variance is mainly due to higher than expected objections (\$2.031 million unfavourable), partially offset by higher supplementary rate income (\$0.453 million favourable).

**3.2 Grants & Subsidies** **39.0% Variance** **\$9.263m Fav**

This favourable variance is mainly due to:

- \$5.853 million additional capital contributions for Public Open Space;
- \$2.997 million contribution for Northbank Promenade Redevelopment;
- \$1.388 million contribution relating to Royal and Princes Parks Recreation Infrastructure Improvements;
- \$0.900 million unbudgeted state grants for Active Cities Program;
- \$0.637 million additional contributions for engineering projects from the Vichealth Water Refill Station initiative (\$0.350 million) and Federal Taxi Security Scheme (\$0.180 million);
- \$0.532 million higher grants income related to various arts programs including Dance Massive, Greenie in Residence program and Live Art Festival;
- \$0.212 million higher sponsorship income and external contributions in relation to Melbourne Spring Fashion Week and Moomba;
- \$0.145 million higher funds for Chinatown Lighting and Heffernan Lane Upgrade projects; and
- \$0.131 million higher grants in relation to aging, maternal and health services.

The above favourable variances are partially offset by the following unfavourable variances:

- \$2.000 million Return to Royal Park funding will now be paid directly to the contractor by the State Government;
- \$0.885 million due to timing of receipt of Vic Grants Commission funding;
- \$0.500 million due to timing of payments from Office of Living Victoria; and
- \$0.152 million VicRoads Blackspot funding with deferral of Elgin/Lygon street signal remodel until next financial year due to tram works.

**3.3 Parking Fees** **-1.2% Variance** **(\$0.570m) Unfav**

This unfavourable variance is mainly due to less on-street parking revenue impacted by damage to parking meters in the Carlton area and a reduction in occupancy levels.

**3.4 Fines (Parking Fines and General Fines)** **-2.8% Variance** **(\$1.172m) Unfav**

This unfavourable variance is mainly due to unbudgeted refunds and parking fines withdrawals.

**3.5 Sundry Fees & Charges (excluding parking and hire fees)** **8.7% Variance** **\$1.738m Fav**

This favourable variance is mainly due to:

- \$0.541 million higher building fees due to law & road management permits being higher than expected;
- \$0.842 million higher tree removal fees;
- \$0.231 million higher child care fees income which is partly offset by lower child care subsidies;
- \$0.185 million higher events income;
- \$0.176 million higher planning fees due to several large development applications and higher than expected number of subdivision applications;
- \$0.104 million higher long term Docklands berthing fees; and
- \$0.097 million resident parking permits due increase in demand.

## Analysis of Revenue Variances

<b>Budget \$379.097m</b>	<b>Actual \$390.842m</b>	<b>Variance \$11.744m Favourable</b>
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The above favourable variances are partially offset by \$0.333 million lower than expected tickets revenue from Melbourne Visitor Shuttle and \$0.246 million lower recreation centre membership fees, which is reflective of the current industry trend.

**3.6 Property Rental & Hire Fees****70.8% Variance****\$5.283m Fav**

This favourable variance is due to \$5.640 million non-cash gain on the revaluation of investment assets.

**3.7 Sales & Recoveries (includes proceeds from asset sales)****61.1% Variance****\$1.929m Fav**

The favourable variance is mainly due to:

- \$0.916 million grants-in-kind revenue for events which will be exactly offset by an unfavourable variance in the Grants and Contributions expenditure;
- \$0.345 million higher than anticipated shared cost recovery in relation to valuation information and fire service levy;
- \$0.307 million unbudgeted reimbursements for a project not proceeding;
- \$0.158 million recovery costs for various works including Line Marking works, Balcombe Place and pedestrian monitoring cost on St Kilda Rd; and
- \$0.119 million higher recoveries in relation to monthly landscaping and tree maintenance services, boating safety and facilities program and recreational fishing grants program.

**3.8 Project Income****41.5% Variance****\$0.171m Fav**

This favourable variance is largely due to additional landscape architectural consultancy services for the Western Park Stage One.

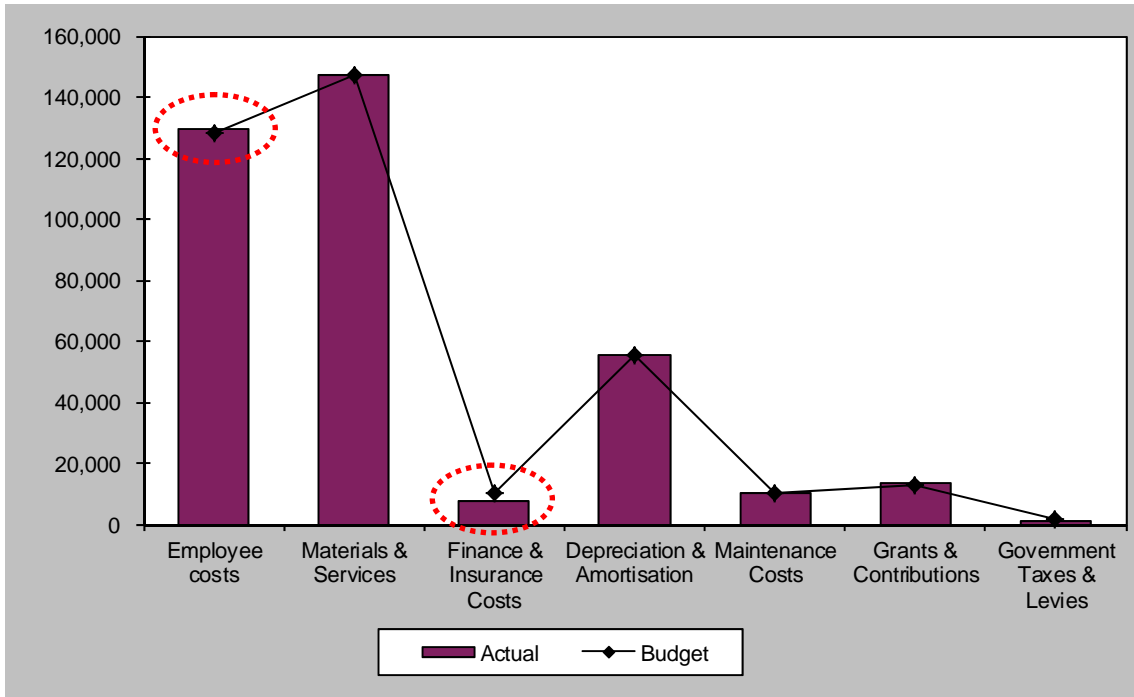
**3.9 Finance Income****10.8 % Variance****\$0.377m Fav**

The favourable variance is primarily due to higher interest revenue generated by higher cash balances.

**3.10 Intercompany Revenue****-21.7% Variance****(\$3.545)m Unfav**

The unfavourable variance is mainly due to lower than anticipated returns from subsidiaries.

### YTD Expense Summary



\$ Thousands

Period:

Jun-14

Annual Budget	Year to Date				
	Budget	Actual	Variance		
<b>EXPENDITURE</b>					
128,199	Ref 4.1	Employee costs	128,199	129,480	(1,281)
146,944	Ref 4.2	Materials & Services	146,944	147,243	(299)
10,188	Ref 4.3	Finance & Insurance Costs	10,188	7,678	2,510
55,332	Ref 4.4	Depreciation & Amortisation	55,332	55,280	52
10,399	Ref 4.5	Maintenance Costs	10,399	10,305	94
12,656	Ref 4.6	Grants & Contributions	12,656	13,350	(693)
1,335	Ref 4.7	Government Taxes & Levies	1,335	813	523
<b>365,053</b>		<b>Total Expenditure</b>	<b>365,053</b>	<b>364,148</b>	<b>905</b>

## Analysis of Expense Variances

<i>Budget \$365.053m</i>	<i>Actual \$364.148m</i>	<i>Variance \$0.905m Unfavourable</i>
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**4.1 Employee Costs****- 1.0% Variance (\$1.281m) Unfav**

The unfavourable variance is largely due to provision for terminations, partially offset by savings in net vacant positions and overhead costs. Savings in net vacant positions have been offset by higher agency staff costs used to backfill those positions.

**4.2 Materials & Services****-0.2% Variance (\$0.299m) Unfav**

Materials and services are made up of a number of different cost categories. Major variances between actual and budget have occurred in the following categories:

- Contractors and Intercompany Contractors unfavourable \$1.335 million;
- Plant & Equipment unfavourable \$0.465 million;
- Supplies favourable \$0.452 million;
- Administrative expenses favourable \$0.365 million;
- Utilities favourable \$0.160 million; and
- Professional services favourable \$0.135 million.

The main variances in each category are listed below.

**Contractors and Intercompany Contractors** (unfavourable \$1.335 million)

This unfavourable variance is mainly due to:

- \$1.119 million property services contracts due to increase of reactive work order claims;
- \$0.337 million Arts House Council programs which is offset by additional grant income; and
- \$2.078 million higher agency staff cost mainly due to backfilling vacant positions

The above unfavourable variance is offset by the following favourable variances:

- \$0.113 million lower Melbourne Spring Fashion Week sponsorship servicing costs;
- \$0.140 million lower homelessness and syringe contractor costs;
- \$0.071 million lower contractors costs as a result of timing of the opening of Dockland Library;
- \$0.601 million savings in HACC and mobility services due to less than expected demand;
- \$0.613 million savings in open space facility management costs;
- \$0.160 million lower recruitment management system contract costs; and
- \$0.375 million savings in online communication projects and graphic design costs.

**Plant & Equipment** (unfavourable \$0.465 million)

This unfavourable variance is mainly due to higher IT support costs and subsequent licence requirements, including eDocs licence audit, Asset Master system support and other software maintenance costs.

**Administrative Expenses** (favourable \$0.365 million)

This favourable variance is mainly due to:

- \$0.471 million advertising costs on marketing campaigns, mainly for Melbourne Convention and Exhibition Centre; Destination and Docklands Destination (offset by unfavourable variance in professional services for these programs);
- \$0.332 million lower travel and conference costs; and
- \$0.281 million lower than anticipated training costs.

The above favourable variance is offset by \$0.814 million higher court filing fees for PINS (\$0.512 million).



### Analysis of Expense Variances

<b>Budget \$365.053m</b>	<b>Actual \$364.148m</b>	<b>Variance \$0.905m Unfavourable</b>
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#### Professional Services (favourable \$0.135 million)

This favourable variance is mainly due to savings in:

- \$0.479 million engineering services projects due to work being later than expected;
- \$0.331 million Melbourne for All People strategy and other aging and family services projects;
- \$0.237 million parking and traffic permit and animal management promotional activities;
- \$0.194 million arts program costs including Indigenous Festival and the public arts;
- \$0.173 million Melbourne Spring Fashion Week, New Year's Eve and Moomba;
- \$0.156 million sustainability promotion costs; and
- \$0.115 million community projects including City Safety strategies and Homelessness deliverables.

The above favourable variance is offset by the following unfavourable:

- \$0.859 million higher than expected legal cost as a result of numerous substantial capital works, litigious and planning issues;
- \$0.424 million marketing campaign professional services costs, offset by savings in advertising costs for these programs; and
- \$0.226 million higher than expected costs for city design related projects.

#### Supplies (favourable \$0.452 million)

This favourable variance is mainly due to savings in catering and general supplies across branches.

#### Utilities (favourable \$0.161 million)

This favourable variance is mainly due to \$0.821 million savings in public lighting and power which is offset by \$0.615 million higher water costs in parks as a result of the very dry summer and autumn.

#### 4.3 Finance and Insurance

**24.6% Variance**

**\$2.510m Fav**

This favourable variance is mainly due to \$3.432 million lower provision for doubtful PINs. This favourable variance is partially offset by \$0.480 million higher provision for insurance claims and \$0.541 million revaluation of investment.

#### 4.4 Depreciation

**0.1% Variance**

**\$0.052m Fav**

Minor favourable variance.

#### 4.5 Maintenance

**0.9% Variance**

**\$0.094m Fav**

Minor favourable variance.

#### 4.6 Grants & Contributions

**-5.5% Variance**

**(\$0.693m) Unfav**

This unfavourable variance is mainly due to \$0.916 million grants-in-kind for events expenditure, which is fully offset by a favourable variance in grants-in-kind revenue (refer to Sales & Recoveries). This unfavourable variance is offset by \$0.342 million lower precincts program funding and various other business project funding.

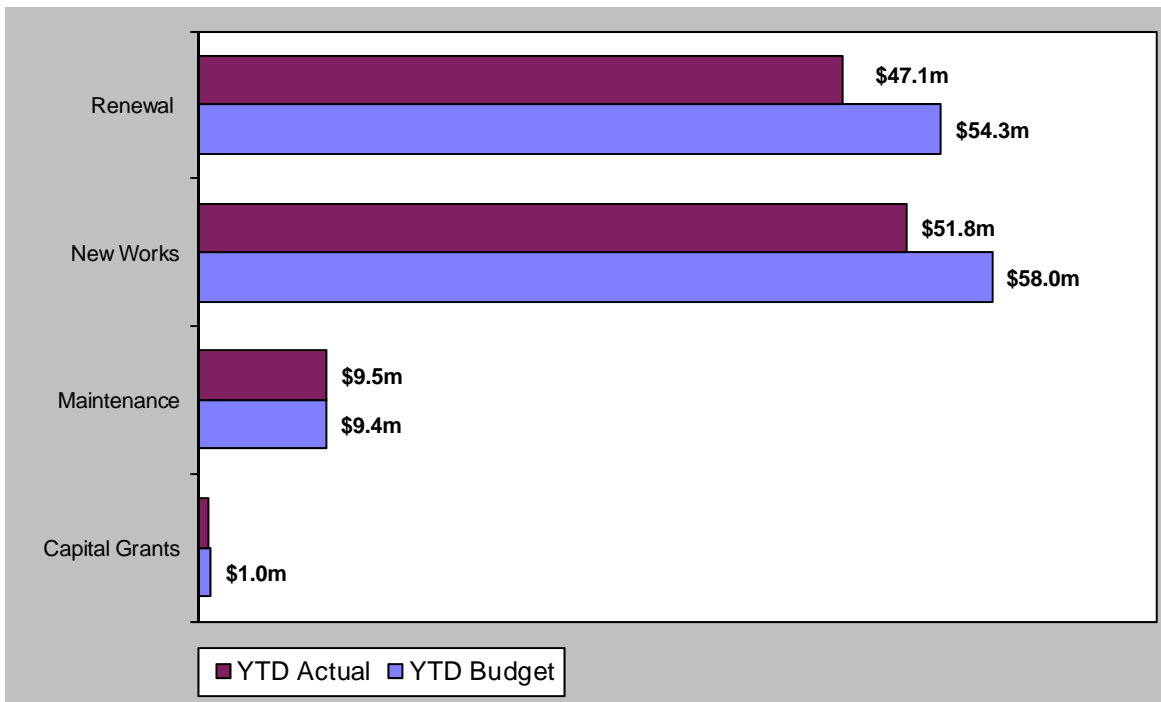
#### 4.7 Government Taxes & Levies

**39.2% Variance**

**\$0.523m Fav**

The favourable variance is mainly due to \$0.541 million lower fire service levy.

### YTD Council Works Program Summary



\$ Thousands

Period: Jun-14

Council Works Area	Year to Date		
	Budget	Actual	Variance
<b>Maintenance</b>			
Capital Grants	1,003	844	159
Maintenance	9,395	9,453	(59)
<b>Total Maintenance</b>	<b>10,398</b>	<b>10,297</b>	<b>100</b>
<b>Capital Works</b>			
New Works/Upgrade	58,044	51,838	6,206
Renewal / Refurbishment	54,350	47,143	7,207
<b>Total Capital Expenditure</b>	<b>112,393</b>	<b>98,982</b>	<b>13,412</b>
<b>Total Council Works Program</b>	<b>122,791</b>	<b>109,280</b>	<b>13,511</b>

### Investment Portfolio Performance 2013-2014

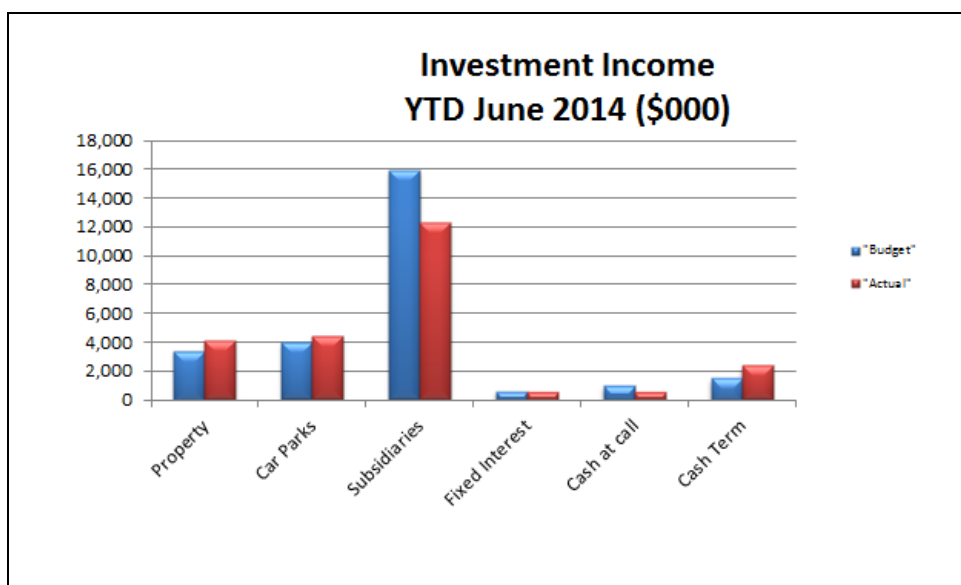
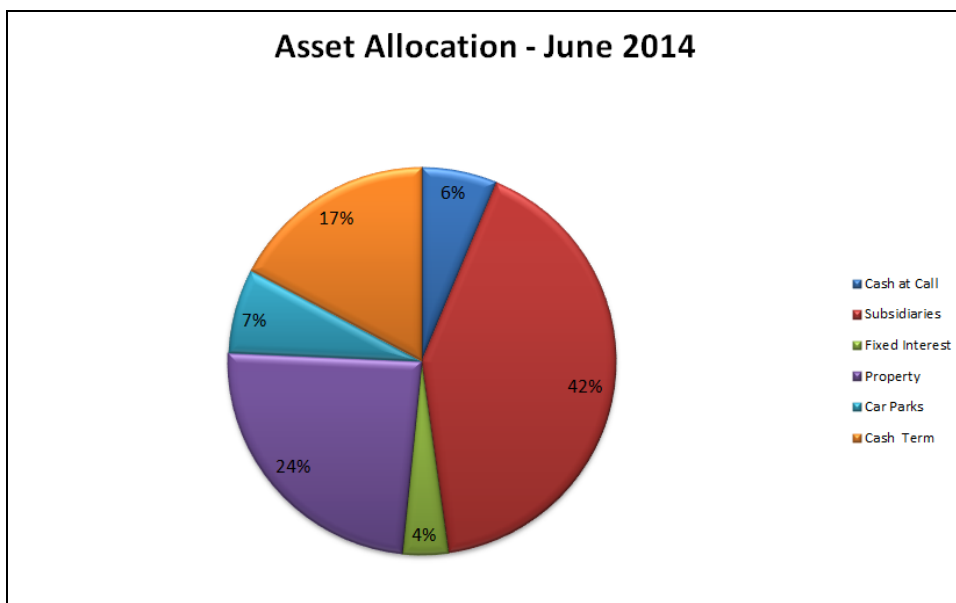
The Investment Portfolio returned \$24.329 million for the year to date, behind the budgeted \$26.345 million. The portfolio returned a yield of 6.81%.

Investment properties were favourable against budget by \$0.744 million.

Council car parks overall returned \$4.400 million approximately 11% above the budget of \$3.947 million.

Subsidiaries were unfavourable against budget by \$3.627 million, primarily due to profits from subsidiary companies being lower than expected.

The cash investments portfolio was \$0.415 million favourable against budget and yielded 3.35% overall. The favourable variance was due to slightly higher than forecast cash balances.



## Supplementary Valuations

Supplementary valuations are undertaken for a variety of reasons and these are prescribed in the *Valuation of Land Act 1960*. In February 2013, Council resolved to authorise that future supplementary valuation returns be forwarded to the Chief Executive Officer and subsequently provide a quarterly report to Council.

In the April to June 2014 quarter, there were two supplementary valuation returns; the totals of these returns are as follows:

Date - 2014	NAV Change	Total Rate Change	New Rates	Exemptions	Objections
23 April 2014	\$16,919,512	(\$149,096.54)	\$122,394.52	(\$30,453.93)	(\$241,037.13)
30 June 2014	(\$1,272,279)	(\$104,412.10)	(\$786.19)	(\$7,939.95)	(\$95,685.96)
<b>Total</b>	<b>\$15,647,233</b>	<b>(\$253,508.64)</b>	<b>\$121,608.33</b>	<b>(\$38,393.88)</b>	<b>(\$336,723.09)</b>

The 2013-14 supplementary (new) rates budget was \$3.54 million. For the year ended 30 June 2014, the actual new rates was \$3.93 million, total rateable NAV was \$4,895 million and there were 94,493 rateable assessments.

See Attachment 3 for a listing of the major projects completed in these supplementary valuation returns.

Detailed listings of all supplementary valuation returns are attached to each supplementary return and are available for inspection upon request.

Ref #	Address	Category	Previous NAV	Current NAV	NAV Change	Rate Change	Comments
<b>23 April 2014</b>							
9	Level 1 715 Swanston Street Carlton	Exemption	\$162,900	\$162,900	-	(\$7,777.48)	Previous Rateable, now exempt
8	102-118 Sturt St, Southbank	Exemption	\$635,500	\$635,500	-	(\$15,045.93)	Previous Rateable, now exempt
12	285 Walsh St, South Yarra	Exemption	\$128,000	\$128,000	-	(\$5,195.58)	Previous Rateable, now exempt
16	258-278 Collins St, Melbourne	Objection	\$7,750,000	\$6,130,000	(\$1,620,000)	(\$142,703.58)	Reduction as per VCAT order
15	17-65 Collins St, Melbourne	Objection	\$7,298,000	\$6,510,000	(\$788,000)	(\$73,884.53)	Reduction as per VCAT order
18	103-137 Spring St, Melbourne	Objection	\$4,446,600	\$4,200,000	(\$246,600)	(\$23,121.74)	Reduction as per VCAT order
25	717-731 Collins St, Docklands	New Rates	\$425,000	\$14,398,562	\$13,973,562	\$124,291.37	New commercial development
	Balance of 177 assessments		\$15,588,850	\$21,189,400	\$5,600,550	(\$5,659.07)	
	<b>April 2014 Total</b>		<b>\$36,434,850</b>	<b>\$53,354,362</b>	<b>\$16,919,512</b>	<b>(\$149,096.54)</b>	
<b>30 June 2014</b>							
2	Lot 93 Rear, 424-432 Footscray Rd, Melbourne	Exemption	\$144,500	\$144,500	-	(\$6,445.36)	Previous Rateable, now exempt
8	338-352 Bourke St, Melbourne	Objection	\$5,561,000	\$4,600,000	(\$961,000)	(\$90,105.38)	Reduction as per VCAT order
13	425-441 Docklands Drive, Docklands	Objections	\$3,415,800	\$3,272,300	(\$143,500)	(\$5,240.15)	VGV approved objection
29	87-101 Roden St, West Melbourne	New Rates	\$2,147,500	\$2,072,500	(\$75,000)	(\$675.60)	Correction to valuation
	Balance of 2100 assessments (division of assessments by occupancy for rates and Fire Services Property Levy)		\$514,586,650	\$514,493,871	(\$92,779)	(\$1,945.61)	
	<b>June 2014 Total</b>		<b>\$525,855,450</b>	<b>\$524,583,171</b>	<b>(\$1,272,279)</b>	<b>(\$104,412.10)</b>	
<b>Total for fourth quarter</b>			<b>\$562,290,300</b>	<b>\$577,937,533</b>	<b>\$15,647,233</b>	<b>(\$253,508.64)</b>	