

7.5 FIRST QUARTER BUDGET REVIEW 2021-2022

- Attachments:**
1. **Operating Statement by Nature or Type**
 2. **Operating Statement by Program**
 3. **Rate Setting Statement**
 4. **Cash Backed Reserves**
 5. **Capital Budget**

RECOMMENDATION:

That Council BY ABSOLUTE MAJORITY APPROVES the following amendments to the 2021/2022 Annual Budget:

- a) **A net increase in the Operating Budget of \$143,936 as per Attachments 1 and 2;**
- b) **An increase to Cash Backed Reserves of \$85,377 as per Attachments 3 and 4;**
- c) **A net increase in the Capital Expenditure Budget of \$318,303 as per Attachment 5; and**
- d) **A net increase in the opening surplus of \$1,076,504, resulting in a forecast year end surplus at 30 June 2022 of \$512,631, as per Attachment 3.**

PURPOSE OF REPORT:

The purpose of this report is to consider and authorise proposed first Quarterly Budget Review for 2021/2022, including amendments to the 2021/2022 capital carry-forward items.

BACKGROUND:

The 2021/2022 budget was approved by Council on 22 June 2021, and reflected the following budget themes:

- Return to **normal operating conditions**, post COVID in 2020/2021, with revenue set at 95% of a typical year, allowing for a COVID lockdown buffer.
- **Vincent Rebound Plan** to continue, as does **financial hardship** support for ratepayers.
- Implementation of **waste service changes**, providing 3-bin FOGO service to 16,500 households and a trial of Verge Valet bulk waste collection.
- Improving our long-term financially sustainable approach to **asset management**, with an increased renewal of Parks, Reserves, Buildings and Roads.
- Implementation of the **Community Engagement** Framework.
- Improved **public open space planning** at Robertson Park, Axford Park, Woodville Reserve and Banks Reserve.
- Delivering a **large capital works program**, supported by strong project management disciplines
- Enhanced **customer service** and support.
- Remaining **open, transparent & accountable** in our operations and decision making.

During the preparation of the 2021/2022 annual budget, an allowance was made to carry-forward funds for incomplete capital projects from 2020/2021. The value of the carry forwards was based on estimates of expenditure that would be unspent at 30 June 2021.

The Annual Financial Statement for the year ended 30 June 2020 is in the process of being finalised and audited, therefore the estimated funds available to be carried forward can now be updated.

The City has continued to maintain a conservative budget approach during the first quarterly budget review, while increasing its budgeted revenue and expenditure to more realistic estimates.

DETAILS:

The budget amendments from this review incorporates the following adjustments:

- A net increase in the operating budget of \$143,936 as per Attachments 1 and 2.
- An increase to cash backed reserves of \$85,377 as per Attachments 3 and 4.
- A net increase in the capital budget of \$318,303 as per Attachment 5.
- A net increase in the opening surplus of \$1,076,504, and a forecast year end surplus at 30 June 2022 of \$512,631, as per Attachment 3.

Capital Expenditure

The 2021/2022 adopted budget included a capital expenditure program totalling \$22,158,710 including carry forward funding of \$4,587,776.

Overall, the capital expenditure for carry forward projects as at 30 June 2021 was under estimated by \$167,334 and the budget available in 2021/2022 for these projects should now be increased accordingly.

Additional expenditure of \$153,460 is also proposed for this budget review, reflecting adjustments to grant-related capital works and minor budget corrections. Other changes relate to reallocating program funding to specific projects.

The details of the capital amendments are itemised at **Attachment 5** and summarised in the following table.

| Description | Current Budget | Proposed Revised Budget | Difference | Comments |
|----------------------------------------------------------------------------------------------|----------------|-------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2021/22 | 2021/22 | 2021/22 | |
| | \$ | \$ | \$ | |
| Allocation of carry forward surplus to 2021/22 works | 619,868 | 784,702 | 164,834 | Surplus allocations of \$787,202 offset by reduced carry forward estimates of \$619,868. |
| Grant money received, and the corresponding capital expense item is created/increased | | | | |
| Forrest Park Croquet Club | 16,450 | 49,314 | 32,864 | Capital budget increased to reflect the CSRFF grant funding and club funds that will be received for the project. Corrects an underestimation of the capital expense for the total project. |
| North Perth Bowling Club | - | 80,000 | 80,000 | Project is being scoped and further funds may be requested later. |
| Margaret Kindergarten Toilet Renewal | - | 70,000 | 70,000 | |
| Old Aberdeen Plan Greening | 10,000 | 28,000 | 18,000 | |
| Budget Corrections | | | | |
| East Perth Football Club Function Room Carpet | - | 30,000 | 30,000 | Omitted during budget. Requirement of tenancy. |
| Design Bike Network Plan | | 50,000 | 50,000 | Omitted in error. Funded through reallocation from Norfolk St N/S Stage 1 |
| Mini Roundabouts | - | 12,605 | 12,605 | Fully funded MRWA project. Includes provision for the City asset component. |
| Budget Reallocation to Electrical Infrastructure Renewal | | | | |
| Electrical Infrastructure Renewal | - | 300,000 | 300,000 | Reallocation to fund urgent electrical works (safety priority) |
| Vincent Community Centre – Airconditioning | 170,000 | 60,000 | -110,000 | Reallocation of unused budget to Electrical Infrastructure Renewal |
| Building Management software (Admin) | 120,000 | - | -120,000 | Airconditioning unit included building management program. No longer needed. Reallocation of unused budget to the Electrical Infrastructure Renewal. |
| Distribution of Footpath program funding to specific projects | | | | |

| | | | | |
|-----------------------------------------------------|------------------|------------------|----------------|--------------------------------------------------|
| Footpath Program | 415,520 | 415,520 | - | Reallocations from programs to specific projects |
| Local Roads Program (Refer commentary below) | | | | |
| Car Park Upgrade/Renewal | 330,300 | 155,300 | -175,000 | |
| Norfolk St N/S Stage 1 | 375,000 | 0 | -375,000 | |
| Various Road Project Allocations | | 340,000 | 340,000 | Refer detail in Attachment 5 |
| TOTAL EXPENDITURE | 2,057,138 | 2,375,441 | 318,303 | |

Local Roads Program

In order to qualify for Roads to Recovery (R2R) funding the City is obliged to achieve a reference amount of own source expenditure in road maintenance each financial year. The reference amount is reassessed every 5 years. In 2020/2021 the City met its obligations and will continue to receive its full funding allocation for 2021/2022.

In the City's 2019/2020 COVID Recovery program, several Local Road re-surfacing projects were bought forward from the 2021/2022 road program. As a result, the City has now identified that further spending is required this financial year to maintain the required levels of spending. While the R2R funding is not under threat, each year spending drops below the reference amount requires the Local Government to make it up in subsequent years to meet the 5-year averaged reference amount.

Increased spending on the Local Roads Program is funded through the following reallocations:

1. The Norfolk Street Safe Active Street

This is a two staged project, jointly funded (50/50) by the Department of Transport (DoT) and the City of Vincent. The initial stage (2021/22) is for design and public consultation, with construction to occur in 2022/2023. Therefore, it is proposed to re-allocate the City's portion of the funding to the Local Roads Program.

2. Car Park Upgrade/Renewal.

The majority of the funds were to be expended on the Loftus Centre car park. The carpark was listed on the Long-Term Financial Plan for renewal in 2021/22 and was subsequently included in the budget. However, a recent pavement condition assessment indicates that the car park does not require a full re-surfacing at this time, but rather targeted improvement works, such as the root shaving and broken kerbing around the trees creating hazards. Therefore, it is proposed, as per the Safe Active Street project, to re-allocate \$175,000 to the Local Roads Program.

Revenue from Operating Activities (excluding Rates)

Operating revenue has increased by \$142,483 (as per **Attachment 3**) and some of the key movements include:

- Improved parking and infringement revenue.
- Additional grant funding of \$98,000.
- Additional \$15,000 in rates instalment interest due to higher uptake of instalment payment methods.
- Offset by a reduction in Beatty Park revenue of \$186,000, due to the late opening of the indoor pool.

Expenditure from Operating Activities

Operating expenses have increased by \$1,453 (as per **Attachment 3**) and some of the key budget amendments include:

- Vacant maintenance position was reinstated, increasing employment costs by \$27,000.
- Beatty Park casuals were reinstated after the indoor pool closure, primarily in the swim school, increasing employment costs by \$93,000.
- An additional \$25,000 provision for CCTV operations provided by the Ranger Services.
- Offset by a decrease in:
 - Workers compensation insurance by \$72,000.
 - Loan interest of \$21,000.
 - Other insurances by \$18,000.

Cash Backed Reserves

There is an increase to cash backed reserves by \$85,377, as per **Attachments 3 and 4**, resulting from a reduction in transfers out of reserve to fund operational activities.

The breakdown is:

- Transfer out of the Percent for Art reserve has decreased by \$82,227 due to an adjustment to the percent for art program and
- Transfer out of the Asset Sustainability Reserve has decreased by \$3,150 due to adjustments to the capital works program.

Opening operating surplus

The estimated opening surplus for 2021/2022 has been adjusted to \$6,243,478, an increase of \$1,076,504. This reflects the draft audited financial statement and is subject to change.

As detailed in the Rate Setting Statement at **Attachment 3**, the revised budget forecast at 30 June 2022 is a surplus of \$512,631, representing an increase of \$406,008 from the adopted budget.

The additional surplus is primarily driven by a reduction in new borrowings, arising from a reduction in the Resource Recovery Facility exit loan by \$416,667 and an increase in operating revenue of \$143,936.

Financial Hardship Programs in the 2021/2022 budget

The City is monitoring requests for financial hardship support.

The City has received 24 financial hardship requests, and those ratepayers have had their rates payments deferred for 6 months.

The budget provisions for financial hardship support are sufficient for the current level of demand and no changes are required.

CONSULTATION/ADVERTISING:

Not applicable

LEGAL/POLICY:

This budget review is performed as a matter of good governance and is not required by the Act or associated regulations. The review is in accordance with the functions of the CEO as set out in section 5.41 of the Act:

5.41(d) *“manage the day to day operations of the local government.”*

Imposition of fees and charges

(1) *A local government may impose* and recover a fee or charge for any goods or service it provides or proposes to provide, other than a service for which a service charge is imposed.*

** Absolute majority required.*

(3) *Fees and charges are to be imposed when adopting the annual budget but may be —*

(a) *Imposed* during a financial year; and*

(b) *Amended* from time to time during a financial year.*

** Absolute majority required.*

RISK MANAGEMENT IMPLICATIONS

Low: Conducting this budget review ensures Council is aware of any proposed expenditure which varies from that in the approved budget.

STRATEGIC IMPLICATIONS:

This is in keeping with the City's *Strategic Community Plan 2018-2028*:

Innovative and Accountable

Our resources and assets are planned and managed in an efficient and sustainable manner.

Our community is satisfied with the service we provide.

Our community is aware of what we are doing and how we are meeting our goals.

Our resources and assets are planned and managed in an efficient and sustainable manner.

SUSTAINABILITY IMPLICATIONS:

The proposed Budget provides sufficient resourcing to deliver the City's sustainability initiatives.

PUBLIC HEALTH IMPLICATIONS:

Expenditure within this report facilitates various projects, programs and services that contribute to the priority health outcomes within the City's *Public Health Plan 2020-2025*.

FINANCIAL/BUDGET IMPLICATIONS:

Administration is conducting a detailed analysis of the Beatty Park Infrastructure Project budget and expenses, due to higher than planned expenditure arising from pool filtration works.

A project status report and project change request will be presented to Council for review and approval in December 2021.

It is foreshadowed that further budget may be required by this project to complete the planned indoor pool change rooms. However, prior to making a submission, management is updating its cost estimates.