

7.4 FIRST QUARTER BUDGET REVIEW 2022-2023

- Attachments:**
1. Statement of Comprehensive Income
 2. Rate Setting Statement
 3. Reserves
 4. Capital Budget Adjustments
 5. WAFL Event Budget

RECOMMENDATION:

That Council **BY ABSOLUTE MAJORITY APPROVES** the following amendments to the 2022/2023 Annual Budget:

- a) A net increase in the Operating Budget of \$143,609 as per Attachment 1;
- b) An increase to Cash Backed Reserves of \$400,602 as per Attachments 2 and 3;
- c) A net decrease in the Capital Expenditure Budget of \$395,915 as per Attachment 4; and
- d) A net increase in the closing surplus of \$348,935, resulting in a forecast year end surplus at 30 June 2023 of \$506,074, as per Attachment 2.
- e) Approve the reallocation of LRCI funding of \$541,114 from the Beatty Park Changeroom project to the following projects:
 - (i) \$200,000 to the Banks Reserve Masterplan
 - (ii) \$100,000 to Les Lilleyman Reserve - Playground
 - (iii) \$100,000 to Les Lilleyman Reserve - Reticulation upgrade
 - (iv) \$141,114 to North Perth Town Hall – Main Hall Refurbishment
- f) Authorise the CEO to submit a variation to the project nomination form for Phase 3 funding of the LRCI program with the above project nominations.

PURPOSE OF REPORT:

The purpose of this report is to consider and authorise proposed first Quarterly Budget Review for 2022/2023, including amendments to the 2022/2023 capital carry-forward items.

BACKGROUND:

During the preparation of the 2022/2023 annual budget, an allowance was made to carry-forward funds for incomplete capital projects from 2021/2022. The value of the carry forwards was based on estimates of expenditure that would be unspent at 30 June 2022.

The Annual Financial Statements for the year ended 30 June 2022 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.

DETAILS:

The budget amendments from this review incorporates the following adjustments:

- A net increase in the operating budget of \$143,609 as per Attachments 1 and 2.
- An increase to cash backed reserves of \$400,602 as per Attachments 2 and 3.
- A net decrease in the capital budget of \$395,915 as per Attachment 4.
- A forecast year end surplus at 30 June 2022 of \$506,074, as per Attachment 2.

Capital Expenditure and Funding Source

The 2022/2023 adopted budget included a capital expenditure program totalling \$20,484,528 including carry forward funding of \$5,378,366. Overall, capital expenditure for carry forward projects as at 30 June 2022 was \$528,828 higher than required and the budget available in 2022/2023 for these projects should now be decreased accordingly.

The net decrease in capital expenditure of \$395,915 is 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.

There is an increase to cash backed reserves by \$400,602, as per **Attachments 3 and 4**, mainly resulting from a reduction in transfers out of reserve to fund capital projects.

Non-operating grants, subsidies and contributions has increased by \$232,013, primarily driven by additional grant funding for capital projects.

The details of the capital and funding source amendments are itemised at **Attachment 4** and key changes are summarised in the following table.

Capital Project	Description	Surplus Increase/(Decrease)
<u>Capital Expenditure:</u>		
Britannia Reserve – Floodlight Repair	Carry forward adjustments	480,666
Construct Norfolk St N/S Route Stage 1	Reduced capex spending due to DoT grant capped at \$25k (50% of project)	250,000
Woodville Pavilion - Roofing Renewal Program	Budget of \$150k reallocated to Leederville Oval Facility Renewal (Grandstand Roof Repairs)	150,000
Arts Rebound - Town Centre Artworks (COVID 19 Arts Relief - Phase 2)	Budget reduction due to carry forward adjustment and confirmation of lower artist fabrication costs.	147,700
Enterprise Applications upgrade	Carry forward adjustments	139,477
Other - Refer to attachment 4	Changes in other capex carry forward and reallocations	107,686
Britannia Reserve (Secondary, Litis)	Removal of Britannia/Litis car park works	160,000
Admin Building - Additional Meeting Spaces	New project to address meeting room space issues	(50,000)
Beatty Park Leisure Centre - Facilities Infrastructure Renewal	Reallocation of funds from carry forward savings	(164,615)
Leederville Oval Stadium Facility Renewal (Leased)	Reallocation of \$150k funds from Woodville Pavilion - Roofing Renewal to fund grandstand roof repairs	(175,000)
Infrastructure Works - Litis Stadium	Transfer of demolition costs from opex	(180,000)
North Perth Bowling Club	Increase in capital spending required due to potential funding from CSRFF (\$100k) and club contribution (\$20k)	(220,000)
Banks Reserve Master Plan Implementation - Stage 1	Increase in capital spending required due to grant funding of \$150k from DBCA	(250,000)
Net Change		395,915

<u>Capital Grants/Contributions:</u>		
Banks Reserves	Additional funding from the following: - \$150k Department of Biodiversity, Conservation and Attractions - \$200k LRCI funding reallocation	350,000
North Perth Town Hall – Main Hall Refurbishment	\$141k LRCI funding reallocation	141,114
North Perth Bowling Club	Seeking \$100k CSRFF grant from DLGSC and \$20k contribution from clubs	120,000
Beaufort / Harold, Highgate	Project funded 2/3 by the Black Spot Program	100,000
Les Lilleyman – Playground and softfall replacement	\$100k LRCI funding reallocation	100,000
Les Lilleyman - upgrade in-ground irrigation system and electrical cabinet	\$100k LRCI funding reallocation	100,000
Mount Hawthorn St Lighting Upgrade	Carry forward project being funded by election commitments	95,679
Other	Other minor adjustments	(13,139)
Main Roads Direct Grant	Reallocation to operating grants	(95,527)
Construct Norfolk St N/S Route Stage 1	DoT grant capped at \$25k (50% of project)	(125,000)
Beatty Park Leisure Centre – Construction & Fit Out Indoor Pool Changerooms	Reallocation of LRCI funding to the following projects: - \$200,000 to the Banks Reserve Masterplan - \$100,000 to Les Lilleyman Reserve - Playground - \$100,000 to Les Lilleyman Reserve - Reticulation upgrade - \$141,114 to North Perth Town Hall – Main Hall Refurbishment	(541,114)
Net Change		232,013
<u>Reserves</u>		
Other	Decrease in transfer from the Asset Sustainability Reserve due to adjustment of carry forwards	(55,902)
Construct Norfolk St N/S Route Stage 1	Decrease in transfer from the Asset Sustainability reserve due to reduced capex spending and the DoT grant being capped at \$25k (50% of project)	(125,000)
Arts Rebound - Town Centre Artworks (COVID 19 Arts Relief - Phase 2)	Decrease in transfer from Percentage For Public Art Reserve due to carry forward adjustments and lower fabrication costs	(147,700)
Future Capital Project	Increase in transfer to the Cash in Lieu Parking Reserve due to a contribution from the valuation of 13 Bold Court Leederville	(72,000)
Net Change		(400,602)

LRCI Funding

The LRCI Phase 3 funding of \$541,114 is currently allocated to the Beatty Park Changeroom upgrade project, which is currently in the detailed design phase. The architects have advised the City that there are delays in completion of tender specification documents due to a lack of available contractor/resources and therefore are unable to complete the work package by October. They have given an indicative timeframe of completion for the end of November or early December. This delay will impact our internal procurement timeframes which will likely draw out the contract evaluation and award to March/April. This will then only leave approximately two months for construction to meet the funding conditions for completion by 30 June 2023.

The purpose of the LRCI Program is to support local councils to deliver priority local road and community infrastructure projects across Australia, supporting jobs and the resilience of local economies to help communities bounce back from the COVID-19 pandemic. The objective of the LRCI Program is to maintain and create jobs by stimulating additional infrastructure construction activity in communities across Australia. The intended outcomes of the LRCI Program are to:

- provide stimulus to protect and create local short-term employment opportunities through funding construction projects following the impacts of COVID-19; and
- deliver benefits to communities, such as improved road safety, accessibility and visual amenity.

To ensure the City does not lose the eligible funding that has been allocated, it is recommended the City apply to the Department with a project nomination variation, requesting to reallocate the \$541,114 funding to the following projects:

- \$200,000 – Banks Reserve Masterplan – This project requires a municipal amount of \$300,000 for the installation of toilet amenities, landscaping and for the City's contribution for the interpretation node. The total budget allocated for these elements of the Masterplan in 2022/2023 capital budget is \$450,000 with \$150,000 being funded from DBCA for the interpretation node.
- \$200,000 – Les Lilleyman Reserve – Playground & softfall replacement and upgrade to in-ground irrigation system. These two projects have a combined budget of \$295,000 and will provide a community benefit of improved parks, accessibility and visual amenity.
- \$141,114 – North Perth Town Hall – This project has a budget of \$176,000 and along with the Lesser Hall refurbishment project (budget \$120,000) will provide a community benefit of improved facilities for hire purposes, with kitchen facilities upgraded to modern day standards and upgraded toilets that meet disability compliance.

Revenue and Expenditure from Operating Activities

Overall, there is a proposed net decrease of **\$143,609** in operating activities (as per **Attachment 1**) that consists of the following:

- An increase of \$83,466 to operating revenue
- A decrease of \$60,143 to operating expenses

Some of the key budget movements in the operating activities are summarised in the table below:

Service Area	Description	Surplus Increase/(Decrease)
<i>Income:</i>		
Public Works	Reclassification of Main Roads Direct Grant from non-operating to operating grants	103,966
Policy & Place	Cash in Lieu contribution received in Jul22	75,000
Rates	Instalment interest due to an increase of rate payers opting for instalment plans	25,000
Health	Fines income from planned prosecutions	20,000
Insurance	Claims for Hobart St and Multicultural garden capital projects	12,300
Leases	\$165k lease incentive reallocated to lease income	(165,000)
Other	Other minor budget adjustments	12,200
Total Income		83,466
<i>Expenditure:</i>		
City Buildings	Overall building maintenance savings	220,000
City Buildings	Transfer of Litis Stadium demolition costs to capex	180,000
Leases	\$165k lease incentive reallocated to lease income	165,000
Policy & Place	Design required for the Mount Hawthorn Youth Skate Space to conduct community consultation and make any required changes to the design following consultation	(9,800)
Health	Legal cost for planned prosecutions	(20,000)
Other	Other minor budget adjustments	(23,948)
Sustainability	Operating initiatives/programmes including Beatty Park energy feasibility studies and sustainable environmental strategies which have been deferred from FY22 due to staffing issues. Additional \$20k for utility monitoring	(54,963)
Utilities	Increased based on last year actual spend	(59,746)
WAFL Event	Net increase in budget required to fund the WAFL event after savings reallocations (Maintenance, traffic, community costs etc)	(71,400)
Parks	Consulting fees for street mapping and detailed condition audits	(120,000)
City Buildings	Consulting fees for the Asset Management Sustainability Strategy and structural audits	(145,000)
Total Expenditure		60,143
NET OPERATING IMPACT		143,609

West Australian Football League (WAFL) Event

There is a proposed increase in operational expenditure of \$140,000 for the funding of the WAFL Grand Final event. This increase is based on an estimate and will be updated as part of the mid-year budget review when all invoices have been received.

The net budget increase is \$62,700 after accounting for \$77,300 of savings from various service areas that are summarised in the table below (as per **Attachment 5**):

Event Funding Sources	(\$) Amount
CEO Management Initiative savings	20,000
Community events savings - Mt Hawthorn Hawks Markets and Mt Hawthorn Hub	15,000
Leederville oval maintenance savings	12,000
Year-round event funding savings	10,000
Additional estimated car parking revenue for the WAFL Event	8,700
Engineering Design - Traffic management & road closures savings	5,000
Ranger's salary budget funding for casual ranger's employed during the event	3,000
Community & Safety savings - traffic cones, signage	2,400
Revenue from one-off permits issued to food trucks	1,200
Total	77,300

Opening operating surplus

The estimated opening surplus of \$5,657,084 is based on the 2022/23 adopted annual budget. This figure will be updated in the next budget review to reflect the closing surplus of the finalised 2021/22 audited financial statements.

As detailed in the Rate Setting Statement at **Attachment 3**, the revised budget forecast at 30 June 2023 is a surplus of \$506,074, representing an increase of \$348,935 from the adopted budget.

The additional surplus is primarily driven by a reduction in the capital expenditure of \$395,915, increase in the non-operating grants of \$232,013 and a net reduction in reserve transfers of \$400,602 to fund capital projects.

Financial Hardship Programs in the 2022/2023 budget

The City is monitoring requests for financial hardship support.

The City has received 5 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:

The various budget amendments set out in this paper increase the budget surplus at 30 June 2023 from \$157,140 to \$506,074.