



City of **Perth**

Reports under Separate Cover

Ordinary Council Meeting

29 October 2024

Notice of Meeting

To the Lord Mayor and Councillors

The next Ordinary Council Meeting will be held on Tuesday, 29 October 2024 in the Council Chamber, Level 9, 27 St Georges Terrace, Perth commencing at 5:00pm.

Michelle Reynolds

Chief Executive Officer

25 October 2024

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15. Corporate Services Reports

15.4 Project Re-Prioritisation Budget Review

Responsible Officer	Michael Kent – Chief Financial Officer
Voting Requirements	Absolute Majority
Attachments	Attachment 15.4A – Project Re-Prioritisation Schedule ↓

Purpose

This report is for Council to consider the Special Budget Review - Projects Re-prioritisation of the 2024/25 Annual Budget. The recommended adjustments arise from a comprehensive review of the City's capital projects financial performance relative to budget expectations to date.

Recommendation

That Council ADOPTS the Special Budget Review - Projects Re-prioritisation of the 2024/25 Budget as is presented in **Attachment A**.

Background

1. The Annual Budget is an informed financial forecast of the anticipated revenues and expenditures arising from the City's operations over the year. As such, it is reasonably expected that some variations will occur between those forecasts and the actual financial outcomes. These differences may arise from cost savings, change of project scope, release of project contingency, changed economic conditions, limited availability of suitable contractors, absence of tender bids due to an overheated market or receipt of unanticipated revenues.
2. The variations may be either favourable or unfavourable - and it is important that the budget is dynamically managed so that Council maintains an informed perspective on the City's financial position.
3. This requirement is recognised by the Department of Local Government, Sport and Cultural Industries (the Department) who have legislated that all local governments should conduct a review of their financial performance for the period commencing 1 July and ending no earlier than 31 December and consider their financial position at review date.
4. However, this statutory obligation to review the budget does not preclude additional more timely reviews to the budgeted program of projects - especially when challenging market conditions manifest early in the budget year.
5. Such economic circumstances have manifested early in the 2024/25 financial year and the City has responded proactively to re-cast the adopted budget to ensure that the City's ratepayers continue to receive best value from the funds raised as rates in the 2024/25 financial year.

Discussion

6. When reading the financial information in the Project Re-Prioritisation Budget Review Schedules, amendments to budget expectations are classified as being either:
 - a. Favourable - increases the budget surplus
 - b. Unfavourable - decreases the budget surplus
7. Timing variances, which relate to a budgeted revenue or expense that has not occurred at the time it was expected, but which is still expected to occur within the budget year are not included as there should be no impact on the projected budget surplus by year end.
8. A realised or known variance represents a genuine difference between the actual and budgeted revenue or expenditure item and needs to be considered in the budget review process.
9. A realised favourable year to date variance on a revenue item is a positive outcome for the City as it increases the projected budget surplus. An unfavourable variance on a revenue item has the opposite effect, resulting a decrease to the projected budget surplus.
10. A realised favourable variance on an expenditure item has the effect of increasing the projected budget surplus. A realised unfavourable year to date variance on an expenditure item (an over-expenditure) results in a decrease to the projected budget surplus.
11. Realised favourable or unfavourable variances that are material in value (of significant size), are amended through this formal budget review process.

Consultation

12. Council adopted its 2024/25 Annual Budget on 16 July 2024 with a Projected Budget Closing Position (Surplus) of \$6,196,316 (approximately 2.7% of operating revenue).
13. As a consequence of late receipt of Catalina Estate dividends and prepayment of grant funds, the post year end revision to the 2023/24 Budget Closing Position (which becomes the Budget Opening Position for 2024/25), that Projected Budget Closing Position (Surplus) was increased by \$2,459,240.
14. This represents approximately 3.6% of operating revenue - just slightly outside the upper target range of between 1% and 3% of operating revenue).
15. It should be noted that the estimated surplus noted above is contingent on all funding and expenditure patterns running true to budget for the remainder of the year.

16. Table 1:

Details	Timing	Impact on Surplus \$	Impact
Projected Budget Surplus @ Budget Adoption	Jul 24	6,196,316	-
Adjustment to Opening Position		2,459,240	▲
Budget Amendments adopted by Council – Net (Full transaction reconciliation in Finance System) (including Carry Forwards & Budget Amendments)	Jul - Oct 24	(77,685)	▼
Adjustment to estimated Carry Forward Projects	Nov 24	(237,687)	▼
Projected Budget Surplus before Projects Budget Review	Nov 24	8,340,184	-

17. A comprehensive review of the City's projects budget after the first quarter of the 2024/25 year was undertaken with engagement across all service areas. Items considered in the review schedules included the following:
 - Recognition of revenues that differed from budget estimates.
 - Recognition of savings in project expenditure budgets.
 - Release of some project contingencies no longer required.
 - Re-prioritisation of certain capital works projects.
18. Since the adoption of the budget, the City has had the benefit of time to seek tender responses from the market - and it now has a better understanding of a heated contractor market for some services and the true costs of project delivery in this market.
19. Conversely, some projects have delivered realised savings.
20. Overall, the resultant budget amendments require a further \$1.08M decrease to the projected Budget Closing Position – bringing the figure to \$7,262,071.

21. Table 2:

Details	Timing	Impact on Surplus \$	Impact
Projected Budget Surplus @ Budget Adoption	Jul 24	6,196,316	-
Adjustment to Opening Position		2,459,240	▲
Budget Amendments adopted by Council – Net (Full transaction reconciliation in Finance System) (including Carry Forwards & Budget Amendments)	Jul - Oct 24	(77,685)	▼
Adjustment to estimated Carry Forward Projects	Nov 24	(237,687)	▼
Projected Budget Surplus before Projects Budget Review	Nov 24	8,340,184	-
Projects Budget Review (Net)	Nov 24	(1,078,113)	▼
Sub Total		7,262,071	

22. An executive level summary of the amendments is provided in Attachment A.

Decision Implications

23. Council's receipt of the Budget Review will meet its obligation under Regulation 33A of the *Local Government (Financial Management) Regulations 1996*.

Strategic, Legislative and Policy Implications

Strategy	
Strategic Pillar (Objective)	A Well-Governed City
Related Documents (Issue Specific Strategies and Plans):	<p>Long Term Financial Plan and Annual Budget</p> <p>The purpose of the budget review is to ensure that the City's financial position remains sustainable in both the short term and longer term. It also helps to encourage value for money outcomes from the deployment of the City's financial resources and transparently demonstrates accountability for their use.</p>

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 6.8(1) and (2) of the <i>Local Government Act 1995</i></p> <p>Regulation 33A of the <i>Local Government (Financial Management) Regulations 1996</i></p> <p>This section of the Act and the related regulation prescribe the requirement to prepare and present to Council, a review of the Annual</p>

	<p>Budget for the period commencing 1 July and no earlier than 31 December.</p> <p>That review of the Budget must consider:</p> <ul style="list-style-type: none"> • The local government’s financial performance for that period. • The local government’s financial position as at review date. • The financial outcomes as forecast in the budget for the end of the financial year. <p>A local government is not precluded from conducting additional reviews of the Budget considering the preceding factors at any stage of the year as is deemed prudent by the administration.</p> <p>It is timely to conduct a review of projects after the first quarter.</p>
<p>Authority of Council/CEO:</p>	<p>The above legislation prescribes that Council is to consider a review submitted to it within 30 days of the review being carried out.</p>
<p>Policy:</p>	<p>2.3 Strategic Financial Planning & Budgeting 2.6 Budget Variations</p>

Financial Implications

- 32 The Budget Review as presented will result in a (projected) budget surplus of \$7,262,071. This represents around 3.6% of Operating Revenues which is within the guidance target band of 1% to 3% referenced in Council Policy 2.3 Strategic Financial Planning & Budgeting.
- 33 The financial implications of receiving this report will be reflected in revised Annual Budget once adopted by Council. This ensures that Council continues to receive current, complete, and accurate assessments of the City’s financial performance and financial position each month.
- 34 Any other budget amendments arising from this Ordinary Council Meeting have not been included in this review as they are approved after the review date.

Further Information

Nil.



Project Re-Prioritisation Budget Review

Attachment A

Detail	Revised Annual Budget	Budget Amendment	Amended Budget	Variance %	Budget Impact	Comment on Proposed Amendments
Budget Amendments - Projects						
Community Development Alliance						
10208	Diversity and Inclusion Advisory Group	28,500	(6,000)	22,500	21.1%	✓ City will not progress with LGBTQIA+ accreditation under the new LGBTQIA+ Plan.
10330	Access and Inclusion Program	16,500	(6,000)	10,500	36.4%	✓ Saving from Interpreters for DAIP Advisory Group attendances.
10862	10862 - Rod Evans Community Centre Fitout	0	20,000	20,000	0.0%	⚠ Create a doorway from Kitchen to the hall to fix the inappropriate kitchen access point.
Infrastructure and Operations Alliance						
10815	Drainage - Renewal	0	44,195	44,195	0.0%	⚠ Drainage survey for Langely/Bennett St.
10946	Path - Council House Car Park CP38	30,000	(9,000)	21,000	30.0%	✓ Savings realised.
10949	Path - Terrace Rd	320,000	141,000	461,000	(44.1%)	✓ Shortfall as additional drainage works carried out.
10837	Road - Bennett St	168,000	45,000	213,000	(26.8%)	✗ Additional funds required following detailed design.
10838	Road - Broadway	161,000	(66,000)	95,000	41.0%	✓ Scope reduced following higher than expected tender submissions.
10845	Road - Fitzgerald St	131,000	(14,000)	117,000	10.7%	✓ Savings realised.
10850	Road - Henry St	90,000	43,000	133,000	(47.8%)	✗ Additional funds required following detailed design.
10856	Road - Loftus St	198,000	35,000	233,000	(17.7%)	✗ Additional funds required following detailed design.
10860	Road - Mounts Bay Rd	800,000	453,000	1,253,000	(56.6%)	✗ Additional budget required following tender submissions. The City already has an awarded but yet to be expended \$350K grant that will be forfeited if the project is not delivered this financial year.
10866	Road - Newcastle Street/ Fitzgerald St Intersection	54,000	(14,000)	40,000	25.9%	✓ Savings realised.
	Grant Funding - Road - Newcastle Street/ Fitzgerald St Inter	(34,284)	7,617	(26,667)	22.2%	✓ Grant funding adjusted in line with budget amendments.
10874	Road - Railway St	164,000	20,000	184,000	(12.2%)	✗ Additional funds required following detailed design.
10876	Road - Royal St	263,000	(53,000)	210,000	20.2%	✓ Savings to be reallocated following detailed design.
10878	Road - St Georges Tce	662,000	579,000	1,241,000	(87.5%)	✗ Additional budget required following tender submissions.
10880	Road - Thomas Street	174,000	63,000	237,000	(36.2%)	✗ Additional funds required following detailed design.
10883	Road - Zempilas St	50,000	(50,000)	0	100.0%	✓ Project to be deferred following detailed design.
10951	Road - Convention Centre Carpark	945,000	(200,000)	745,000	21.2%	✓ Savings to be reallocated following concept design.
10761	Building - Council House End of Trip Facilities	540,000	(60,000)	480,000	11.1%	✓ Multi-year project, 24/25 savings to be reallocated.
10963	Building - Roe Street Car Park - Air Conditioner Renewal	50,000	(10,000)	40,000	20.0%	✓ Savings realised.
10768	Building - Mayfair St Carpark Lighting	435,000	(142,000)	293,000	32.6%	✗ Savings to be reallocated following procurement of contractor.
10780	Lighting - Murray St	1,550,000	(75,000)	1,475,000	4.8%	✓ Savings to be reallocated following procurement of contractor.
10784	Lighting - St Georges Tce (Milligan - Elder)	1,400,000	(60,000)	1,340,000	4.3%	✓ Savings to be reallocated following procurement of contractor.
10789	Lighting - Wickham St (Bennet - Plain)	70,000	(30,000)	40,000	42.9%	✓ Savings to be reallocated following procurement of contractor.
10790	Lighting - Wittenoom St (Plain St - Trafalgar)	800,000	170,000	970,000	(21.3%)	✗ Additional budget required following procurement of contractor.
10905	EV Charging Points for City Vehicles	160,000	(46,000)	114,000	28.8%	✓ Savings realised.
	Grant Funding - EV Charging Points for City Vehicles	(140,000)	26,000	(114,000)	18.6%	✓ Grant funding adjusted in line with budget amendments.
10968	Lighting - Park Rd	480,000	185,000	665,000	(38.5%)	✗ Additional budget required following procurement of contractor.
10969	Lighting - Totterdell Park	400,000	125,000	525,000	(31.3%)	✗ Additional budget required following procurement of contractor.
Commercial Services Alliance						
10331	Property performance and analysis	250,000	(250,000)	0	100.0%	✓ Valuation is undertaken by Asset Management team and funds are not required.
NEW	Building -His Majesty's Car Park - Toilet Wall Partition Replac	0	27,500	27,500	0.0%	⚠ Existing fixtures and fittings have been extensively vandalised.
NEW	Building -Regal Place Car Park - Gas supply ratification works	0	6,500	6,500	0.0%	⚠ Existing meter feeds multiple commercial tenancies. Needs to be split.
NEW	Building -Stirling Gardens -Manhole Covers	0	10,800	10,800	0.0%	⚠ Replacement of corroded existing covers.
NEW	Building -Forrest Place Loading Dock -Safety Barrier	0	70,000	70,000	0.0%	⚠ WHS recommendation.
NEW	Building -Concourse -Fire Panel upgrade	0	30,000	30,000	0.0%	⚠ Fire panel at end of life.
NEW	Building - Council House - Fire door closers	0	58,000	58,000	0.0%	✓ Existing doors leading to male toilets on each floor require to be upgraded to automatically closing fire doors.
NEW	Building - Library - Chilled water pump motor assembly	0	9,500	9,500	0.0%	⚠ Recommendation from HVAC contractor. Existing pump has failed.
					0.0%	⚠
Net Municipal Fund Impact			1,078,113			Decrease / (Increase) to Budget Closing Position