



City of Perth

Special Council Meeting

MINUTES

2 October 2020, 11.30am | Council Chamber, Level 9,
27 St Georges Terrace, Perth



Minutes to be confirmed at the next Ordinary Council Meeting

These minutes are hereby certified as confirmed

Presiding member's Signature: _____ Date: _____

Vibrant, Connected, Progressive.

This is the community's vision for Perth and the City of Perth.



Order of Business

Item

1. Prayer/Acknowledgement of country
2. Declaration of opening
3. Apologies
4. Question time for the public and notification of deputations
5. Disclosures of members interests
6. Matters for which the meeting may be closed
7. Reports

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8. Closure

Minutes of the Special Council Meeting of the City of Perth held in the Council Chamber, Level 9, St Georges Terrace, Perth on Friday, 2 October 2020.

Members in attendance

Chair Commissioner Andrew Hammond	Presiding Member
Deputy Chair Commissioner Gaye McMath	
Commissioner Len Kosova	(Entered at 11.39am)

Officers in attendance

Ms Michelle Reynolds	Chief Executive Officer
Mr Bill Parker	General Manager Corporate Services
Mr Jayson Miragliotta	General Manager Planning and Economic Development
Mr Michael Kent	Project Director Strategic Finance
Ms Danielle Uniza	Alliance Manager Governance
Ms Ashlee Rutigliano	Governance Officer

1. Acknowledgment of Country/Prayer

The Presiding Member read the Acknowledgement of Country.

The Chief Executive Officer read the prayer.

2. Declaration of opening

11.32am The Presiding Member declared the meeting open.

3. Apologies

Nil

4. Question time for the public and notification of deputations

4.1 Question time for the public

Nil

4.2 Notification of deputations

Nil

5. Disclosures of members interests

Nil

6. Matters for which the meeting may be closed

Nil

Reports

Item 7.1 - City of Perth Monthly Financial Report for August 2020

File reference	184146/20
Report author	Michael Kent, Project Director Strategic Finance
Other contributors	Financial Services Team
Reporting Service Unit and Alliance	Strategic Finance, Corporate Services
Report author disclosure of interest	Nil
Date of report	16 September 2020
Nature of Council's role	Executive
Voting requirement	Simple Majority
Attachment/s	Attachment 7.1A – Financial Activity Statement (Aug 2020) Attachment 7.1B – Net Current Asset Position (Aug 2020) Attachment 7.1C – Financial Report (Aug 2020) Attachment 7.1D – Financial Variance Analysis (Aug 2020)

Purpose

The purpose of this report is to provide timely, meaningful financial insights regarding the City's operating activities, financial performance and financial position to Council.

Background

Preparation of a monthly Financial Activity Statement (FAS), is the minimal statutory requirement of the *Local Government Act 1995* and regulation 34 of the *Local Government (Financial Management) Regulations 1996*. It is also a responsible financial management practice and should occur as part of the process of compiling a suite of essential financial data to provide to Council to allow them to effectively execute their financial management responsibilities.

Measuring financial performance against the Budget (the corporate document that guides the allocation of the financial resources necessary for the City to deliver on our community's aspirations), is a critical activity in demonstrating the City's commitment to managing its operations in a sustainable manner.

Timely identification of variances from budget expectations for revenues and expenditures or identification of emerging opportunities or changes in economic conditions is essential to allow informed remedial management interventions to occur. Contemporary financial management reporting is therefore a key responsibility of the City administration.

To allow Council to effectively discharge their financial management responsibilities and to ensure proper accountability to the community for the use of the City's financial resources, there are several key pieces of financial data that need to be regularly presented to Council.

This financial data includes:

Items that are to be directly reported to Council monthly:

- Operational financial performance against budget expectations
- Explanations for identified variances from expectations
- Financial position of the City at each given month end

These items are contained in the Financial Activity Statement, Net Current Asset Position Statement, Financial Report and Financial Variance Analysis.

Supplementary items that may be reported via Council Information Bulletin include:

- Listing of Payments made - Monthly
- Investment performance - Monthly
- Rates collection profile and statistical information
- Planned versus actual execution of financing activities - Periodically
- Success in pursuing planned grant / external funding opportunities - Periodically.
- Planned versus Actual use of Reserve Funds - Quarterly

Whilst these financial datasets should evidence best value and operational efficiency, they are of course, necessarily less detailed than the more granular financial management information that is used by the City's service units to support their operational business decisions. Nonetheless, these are important reports for Council to effectively execute their financial management responsibilities. The measure of success in conveying such financial data is its timeliness, accuracy and its understandability. For this reason, the key financial information is supported by explanatory commentary rather than just presenting proforma financial statements.

Details

The Financial Activity Statement (Attachment 7.1A and Attachment 7.1B) indicates that operating revenue currently sits at \$21.4M versus a budget of \$18.9M to the end of August 2020. This represents a favourable variance of 13.4%.

The major contributing factors to this variance were:

- Parking revenues for both on-street and off-street parking were \$2.1M ahead of budgeted targets. This was because performance in July saw higher than expected patronage and the phased reintroduction of paid off street parking, resulting in a significantly positive impact. Performance for August was very close to budget expectations.
- Fees & charges in the Community Services area were \$234K lower (67.6%) after being impacted by Covid related temporary closures in July at the Town Hall, Library, Community

Centre, the free childcare initiative. Billing of food premises licences is currently delayed pending data cleansing activities.

- Waste fees and charges were \$586K (6.7%) ahead of budget expectations due to incorrect budget phasing. This is a timing difference only and it will reverse out in future months.
- Interest revenues were within 1% of budget expectations at the end of August. They should improve with higher cash holdings as rates are collected.
- Rental and hire revenues were \$24K (3.5%) lower than budget expectations with that shortfall being evenly split between commercial property vacancies and venue hire.
- Contributions were \$24K (6.3%) behind target with the reversal of the earlier favourable timing variance.
- Other revenues were not materially different for the first month of the year.

Operating expenditure is disclosed as \$28.9M versus a budget of \$31.3M to the end of August which represents a favourable variance of 9.9%.

The major contributing factors to this variance were:

- Employee costs were \$897K (7.0%) favourable to budget due to some vacant positions that are currently in the process of recruiting or yet to be advertised, staff on long service leave and timing differences on staff development costs.
- Contractors and consultant expense was \$1.6M (35.6%) below budget expectations to date largely due to timing differences on operating projects including container deposit scheme, core system consolidation, feasibility studies and safer city initiative. These are expected to reverse in later months.
- Materials and services reflects unfavourable timing variances relating to advertising (\$40K) and waste tipping fees (\$166K) and favourable timing variances for software licensing to be invoiced in a later month.
- Utilities and Insurances were \$46K (7.7%) under budget which is the result of the impact of temporarily closed venues in July and some small timing differences.
- Parking bay levies relate only to the re-opening of some previously closed bays. The main invoice for the 2020/21 parking bay licence will not be due until September this year due to a Covid related deferred payment date negotiated by the City.
- Depreciation for the month (a non-cash expense) has been estimated at 7.7% less than budget amount, but this is likely to change once the revised building valuations are incorporated into the City's accounts in the next month.
- Other expenses are 924K (73%) under budget due to timing differences relating to sponsorships and incorrect budget phasing of emergency services levy.

The aggregation of operating revenues and operating expenses reflects a Net Cash Surplus (Deficit) from Operations of (\$0.1M) compared to a year to date budget of (\$6.2M) - a favourable variance of \$6.1M.

Investing activities reflect a result of (\$4.7M) compared to a year to date budget of (\$ 6.5M). This is a variance of \$1.8M, attributable to slightly slower progress on the capital program - which should ramp up significantly in the next few months.

The major contributing factors to this variance were:

- Capital expenditure - Property, Plant & Equipment was \$961K (59%) behind budget largely due to a timing difference on the billing of supply of Christmas decorations now to be invoiced in November.
- Capital expenditure - Infrastructure was \$841K behind budget at 31 August, due to a timing difference with invoicing on the East End Revitalisation project.
- Grants for the acquisition of assets reflect a small grant payment received by the City earlier than expected.

Financing activities reflect a result of \$0.4M compared to a year to date budget of \$0.4M which is an on-budget result.

The major contributing factors to this variance were:

- There has not been any action yet in relation to proposed borrowing activities and repayments made on existing loans are precisely on budget.
- Transfers to Reserves for the month relating to the allocation of interest to the reserves and proposed movements between reserves were in line with budget.
- Transfers from Reserves were in line with budget phasing.

Adjusting for opening funds (Net Current Asset Position), generates the Budget Deficiency before Rates. This then indicates the Amount Required to be Raised from Rates.

The difference between the rates amount and the deficiency before rates is the closing position. The Financial Activity Statement for the period to 31 August shows that a rate yield of \$98.43M was levied on August 21, 2020 compared to the \$98.3M budget.

The disclosed year to date closing position of \$130.9M compares favourably to the year to date budgeted closing position of \$122.8M - a variance of 6.6%, reflecting the impact of the variances described earlier in this report for revenues, expenses, financing activity and investing activity.

The Financial Report (Attachment 7.1C) contains the statutory format financial information and supporting notes as well as some commentary about the City's financial position.

This report will also include some analysis of the rates collection profile in future months once the due date for the first rates instalment (28 September 2020) passes.

The Financial Variance Analysis (Attachment 7.1D(1) and Attachment 7.1D (2)) provide comments on the material variances disclosed in core services, operating projects and capital projects for each service area.

Stakeholder engagement

As the contents of this report focus on the organisation's recent past financial performance, only internal consultation is relevant to the preparation of this report.

Strategic alignment

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 - 2029:

Aspiration:	Performance
Strategic Objective:	A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability

This report demonstrates financial oversight that encourages transparency, best value and accountability for use of the City’s financial resources.

Corporate Business Plan

Aspiration:	All
Number:	Various
Operational Initiative:	All initiatives having financial or resource implications.

This report demonstrates the financial implications of the City’s execution of the various initiatives contained in the Corporate Business Plan.

Legal and statutory implications

Section 6.4(1) and (2) of the *Local Government Act 1995* and *Local Government (Financial Management) Regulation 34(1)* prescribe the requirement to prepare and present to Council (monthly), a Financial Activity Statement (FAS). *Local Government (Financial Management) Regulations 34(1)* prescribes that the FAS should contain:

- Annual Budget estimates, and approved revisions to these for comparison purposes.
- Actual amounts of income and expenditure to the end of the month of the FAS.
- Material variances between the comparable amounts and commentary on reasons for these variances.
- The net current assets at the end of the month to which the FAS relates.
- An explanation of the composition of the net current assets at the end of the month to which the FAS relates.

Risk implications

Impact of decision			
Organisation	Low		
Community	Low		
Risk domain	Consequence	Likelihood	Risk rating
Financial	Moderate	Unlikely	Low
Legal & Regulatory	Minor	Unlikely	Low

A carefully considered, well informed budget aligned to the City’s Community Strategic Plan, Corporate Business Plan and Long Term Financial Plan is the most effective way to manage risk associated with financial sustainability and cashflow management. Timely and accountable management reporting and regular monitoring of actual financial performance against budget provides continued assurance moving forward.

Approval implications

This report seeks Council acknowledgement of receiving the Financial Activity Statement and accompanying documents within two months of the period to which they relate.

Financial implications

There are no direct financial implications of receiving this report as it reflects a historical accounting of financial transactions. When material variances are noted, appropriate remedial action will be initiated by the administration in a timely and prudent manner.

Policy references

There are no direct policy implications of this report, although the thresholds for determining material variances are as adopted by Council at the 4 August 2020 Budget Adoption meeting.

Comments

Nil

Recommendation and Council Resolution

Moved: Commissioner McMath

Seconded: Commissioner Kosova

That Council RECEIVES the following financial reports for the period ended 31 August 2020:

1. Financial Activity Statement (Attachment 7.1A)
2. Net Current Asset Position (Attachment 7.1B)
3. Financial Report for the Period (Attachment 7.1C)
4. Financial Variance Analysis (Attachment 7.1D(1) & 7.1D(2))

CARRIED 2 / 0

For:

Commissioner Hammond

Commissioner McMath

Against:

Nil

11.39am Commissioner Kosova entered the meeting.

Item 7.2 – Capital Works Projects carried forward from 2019/20

File reference	CM 180443/2020
Report author	Michael Kent, Project Director Strategic Finance
Other contributors	Financial Services Team
Reporting Service Unit and Alliance	Strategic Finance, Corporate Services
Report author disclosure of interest	Nil
Date of report	10 September 2020
Nature of Council's role	Executive
Voting requirement	Absolute Majority
Attachment/s	Attachment 7.2A – Schedule of Carried Forward Projects

Purpose

The purpose of this report is to seek Council approval for the revised Schedule of Carried Forward Capital Projects to be incorporated into the 2020/2021 Annual Budget.

Background

In adopting its annual budget, the City includes an estimated value for those capital projects that are in progress but are anticipated to be incomplete at year end.

There can be a numerous factors that may impact the timing of cashflows associated with the delivery of the capital works program including:

- Projects with minor residual amounts not invoiced at year end
- Projects with multi-year delivery timelines
- Projects awaiting approvals from other authorities
- Mobilising statutory tendering and procurement processes
- Design delays
- Internal resourcing challenges
- Access to project management skillsets
- Public consultation processes
- Tardy invoicing by suppliers and contractors
- The impact of Covid 19 on availability of contractor resources and transport logistics

In the 2019/20 year, the impact of Covid 19 was particularly disruptive, with the City effectively losing the last quarter of the year as far as project delivery was concerned.

Details

At 30 June 2020, the City had 46 incomplete capital works projects with an estimated value of outstanding works of \$14.0M.

However, it is important to note that four of these projects represented \$8.1M or 58% of this total figure. The four projects concerned were:

- Wellington Square (planned multi-year delivery timeline) \$1.6M
- East End Revitalisation (planned multi-year delivery timeline) \$3.3M
- Container Deposit Scheme (scheme introduction date deferred) \$1.3M
- Perth Concert Hall Works (deferred pending discussion with State Govt) \$1.9M

Of the remaining projects, twenty of them had anticipated residual values of \$50, 000 or less.

An amount of \$14,006,115 was included for 2019/2020 carried forward capital projects in the 2020/2021 Annual Budget capital program total of \$63,646,600.

Following the finalisation of the 2019/2020 annual accounts, the actual amounts available for carry forward have now been determined and need to be incorporated into the 2020/2021 Budget in substitution for the estimated values used at budget adoption date.

The Schedule of Carried Forward Capital Projects (Attachment 7.2A) details the relevant projects, contrasting the estimated value used at budget adoption time with the updated figure to be taken forward into the revised budget. The adjusted Carried Forward Capital Projects list totals \$13,346,879, taking the revised Capital Program to \$62,987,364.

Stakeholder engagement

As the contents of this report focus on the organisation’s recent past project delivery and financial performance, only internal consultation is relevant to the preparation of this report.

Strategic alignment

Strategic Community Plan

This item addresses the community’s vision for the future and specifically the following aspiration and Strategic Objective(s) contained in the Strategic Community Plan 2019 - 2029:

Aspiration:	Performance
Strategic Objective:	A financial business model underpinned by a culture of cost management, best value and strategic financial analysis that is subject to ongoing oversight, transparency and accountability

This report demonstrates financial oversight that encourages transparency, best value and accountability for use of the City’s financial resources.

Corporate Business Plan

Aspiration:	All
Number:	Various
Operational Initiative:	All initiatives having financial or resource implications.

This report demonstrates the financial implications of the City’s execution of the various initiatives contained in the Corporate Business Plan.

Legal and statutory implications

There are no specific statutory implications relating to carried forward capital works - although the project values attributed to them, and the corresponding funding in the Budget Opening Balance are highly relevant to the statutory disclosures associated with the Annual Budget.

Risk implications

Impact of decision			
Organisation	Low		
Community	Low		
Risk domain	Consequence	Likelihood	Risk rating
Financial	Moderate	Unlikely	Low
Legal & Regulatory	Minor	Unlikely	Low

A carefully considered, well informed budget aligned to the City’s Community Strategic Plan, Corporate Business Plan and Long Term Financial Plan is the most effective way to manage risk associated with financial sustainability and cashflow management. Timely and accountable management reporting and regular monitoring of actual financial performance against budget provides continued assurance moving forward.

Approval implications

This report seeks Council approval to adjust the estimated values used for Carried Forward Capital Projects and the corresponding Budget Opening Position used at budget adoption on 4 August 2020 to reflect the revised values determined upon finalisation of the 2019/20 annual accounts.

Financial implications

The financial implications of this report result in a downwards adjustment of \$659,236 to the 2020/2021 Capital Program and a corresponding adjustment to the Estimated Budget Closing Position as at 30 June 2021. The revised closing position, allowing for budget amendments approved to date and the impact of this report will be \$11,301,807.

It is important to note that the Financial Activity Statement (FAS) is required to show the Budget

Closing Position as at budget adoption date. The figure shown above is the Revised Budget Closing Position incorporating all budget changes to this date (the figure used to dynamically manage the City’s finances).

The two figures are reconciled as follows:

Estimated Budget Closing Position at budget adoption date	10,342,571
Net budget amendments to date - excluding this report	300,000
Budget Closing Position impact of this report	659,236
Revised Budget Closing Position at budget adoption date	11,301,807

Policy references

There are no direct policy implications of this report.

Comments

Over the last six months the City has proactively put in place measures to better position it to deliver its proposed capital program. These have included building organisational project management capacity, procurement capacity and better integration between design and construction/delivery activities.

As at the date of this report, approximately 45% of the City’s proposed capital works program, including the carried forward capital works, have already been tendered or committed.

Recommendation
<p>That Council:</p> <ol style="list-style-type: none"> 1. <u>APPROVES</u> the Schedule of Carried Forward Capital Projects totalling \$13,346,879. (Attachment 7.2A); 2. <u>APPROVES</u> the incorporation of the Schedule of Carried Forward Capital Projects totalling \$13,346,879 into the 2020/21 budget in substitution of the estimated Carry Forward Capital Program of \$14,006,115; and 3. <u>NOTES</u> the revised Estimated Budget Closing Position as at 30 June 2021 of \$11,301,807.

Moved with amendment

Moved: Commissioner Hammond
Seconded: Commissioner McMath

That Council

1. APPROVES the Schedule of Carried Forward Capital Projects totalling \$13,346,879. (Attachment 7.2A);
2. APPROVES AMENDS the incorporation of the Schedule of Carried Forward Capital Projects totalling \$13,346,879 into the 2020/21 budget in substitution of the estimated Carry Forward Capital Program of \$14,006,115; and
3. NOTES the revised Estimated Budget Closing Position as at 30 June 2021 of \$11,301,807.

Reason:

The use of the word 'amend' is more appropriate as the Council is amending the budget.

Council Resolution

That Council

1. APPROVES the Schedule of Carried Forward Capital Projects totalling \$13,346,879. (Attachment 7.2A);
2. AMENDS the incorporation of the Schedule of Carried Forward Capital Projects totalling \$13,346,879 into the 2020/21 budget in substitution of the estimated Carry Forward Capital Program of \$14,006,115; and
3. NOTES the revised Estimated Budget Closing Position as at 30 June 2021 of \$11,301,807.

CARRIED 3 / 0

For:

Commissioner Hammond
Commissioner McMath
Commissioner Kosova

Against:

Nil

Meeting Note:

The Commissioners acknowledged the efforts of the Project Director Strategic Finance for the improvements made to the financial reporting and accounting systems.

8. Closure

The Presiding Member declared the meeting closed at 11.49am.