



City of **Perth**

Agenda

Agenda Briefing Session
19 September 2023

Notice of Meeting

To the Lord Mayor and Councillors

The next Agenda Briefing Session will be held on Tuesday, 19 September 2023 in the Council Chamber, Level 9, 27 St Georges Terrace, Perth commencing at 5:00pm.

Michelle Reynolds
Chief Executive Officer
15 September 2023

Information

This information is provided on matters which may affect members of the public. If you have any queries on procedural matters, please contact a member of the City's Governance team via governance@cityofperth.wa.gov.au.

Disclaimer

Members of the public should note that in any discussion during a meeting regarding any item, a statement or indication of approval by any council member, committee member or officer of the City is not intended to be, and should not be taken as, notice of approval from the City. No action should be taken on any item discussed at a meeting of a Committee prior to written advice on the Committee or Council's resolution being received.

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1. Declaration of Opening

2. Acknowledgement of Country/Prayer

3. Attendance

3.1 Apologies

3.2 Leave of Absence

3.3 Applications for Leave of Absence

This item will be dealt with at the Ordinary Council Meeting.

4. Announcements by the Lord Mayor

5. Disclosures of Interests

6. Public Participation

6.1 Public Questions

This item will be dealt with at the Ordinary Council Meeting.

6.2 Deputations

7. Confirmation of Minutes

This item will be dealt with at the Ordinary Council Meeting.

8. Questions by Members which due Notice has been Given

This item will be dealt with at the Ordinary Council Meeting.

9. Correspondence

This item will be dealt with at the Ordinary Council Meeting.

10. Petitions

This item will be dealt with at the Ordinary Council Meeting.

11. Planning and Economic Development Alliance Reports

Nil.

12. Community Development Alliance Reports

Nil.

13. Infrastructure and Operations Alliance Reports

Nil.

14. Commercial Services Alliance Reports

Nil.

15. Corporate Services Reports

15.1 Monthly Financial Statements - July 2023

Responsible Officer	Michael Kent – Chief Financial Officer
Voting Requirements	Simple Majority
Attachments	<p>Attachment 15.1A – Statement of Financial Activity July 23 ↓</p> <p>Attachment 15.1B – Notes on Significant Variances July 23 ↓</p> <p>Attachment 15.1C – Supplementary Notes to the SFA July 23 ↓</p> <p>Attachment 15.1D – Monthly Financial Statistics July 23 ↓</p> <p>Attachment 15.1E – Statement of Financial Position July 23 ↓</p> <p>Attachment 15.1F – Alliance Operating Variances July 23 ↓</p> <p>Attachment 15.1G – Capital Variances July 23 ↓</p> <p>Attachment 15.1H – Investment Report July 23 ↓</p> <p>Attachment 15.1I – Rates Monthly Debtors Report July 23 ↓</p>

Purpose

This suite of reports provides Council with timely, meaningful financial insights regarding the City’s operating activities, financial performance, and financial position.

Recommendation

That Council:

1. RECEIVES the following financial reports for the period ended 31 July 2023:
 - a) Statement of Financial Activity (SFA) - Attachment 15.1A.
 - b) Notes on Significant Variances - Attachment 15.1B.
 - c) Supplementary Notes to the Statement of Financial Activity - Attachment 15.1C.
 - d) Monthly Financial Statistics - Attachment 15.1D.
 - e) Statement of Financial Position - Attachment 15.1E.
 - f) Alliance Operating Variances - Attachment 15.1F.
 - g) Capital Variances - Attachment 15.1G.
 - h) Investment Report - Attachment 15.1H.
 - i) Rates Monthly Debtors Report - Attachment 15.1I.

Background

1. Presentation of a monthly financial report to Council is both a statutory obligation and good financial management practice that:
 - a. Demonstrates the City's commitment to managing its operations in a financially responsible and sustainable manner.
 - b. Provides timely identification of variances from budget expectations for revenues and expenditures and identification of emerging opportunities or changes in economic conditions.
 - c. Ensures proper accountability to the community for the use of financial resources.
2. Preparation of a monthly Statement of Financial Activity (SFA) 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 to allow Council to effectively execute their financial management responsibilities.
3. Financial information that is required to be reported directly to Council monthly includes:
 - a. Operational financial performance against budget expectations.
 - b. Explanations for identified variances from expectations.
 - c. Financial position of the City at each given month end.
4. This statutory financial information is supported by additional supplementary information including investments performance and reports on rates and general debtors.

Understanding the Financials

5. When reading the financial information provided in this report, 'variances' (deviations from budget expectations) are classified as being either:
 - a. Favourable variance.
 - b. Unfavourable variance.
 - c. Timing variance.
6. A timing variance relates 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. That is, the financial transaction will still occur - but just in a different month. There should be no impact on the projected budget surplus by year end.
7. A realised favourable or unfavourable variance is different to a timing variance. It represents a genuine difference between the actual and budgeted revenue or expenditure item.
8. 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.
9. A realised favourable variance on an expenditure item may have either of two causes - one being a saving because the outcome was achieved for a lesser cost, which has the effect of increasing the projected budget surplus. The other cause may be that the proposed expenditure may not have been undertaken and is not expected to be incurred in that financial year. Whilst this may seem positive from the financial position perspective, it may not be a positive outcome for the community if the service or project is not delivered.

10. A realised unfavourable year to date variance on an expenditure item, (over-expenditure) results in a decrease to the projected budget surplus.
11. The Schedule of Significant Variances (Attachment 15.1B) provides commentary on whether the nature of the variance is savings related, timing related or otherwise.
12. If a realised favourable or unfavourable variance is material in value (of significant size), it will be amended through a formal budget review process.

Discussion

13. It is a statutory requirement to present a set of Monthly Management Accounts within two months of the end of the month to which they refer.
14. The SFA by Nature & Type - Attachment 15.1A presents a whole of organisation perspective on the attainment of revenue and expenditure targets overall - classified by nature and type.
15. The headline data from the SFA is shown in Table 1 below.

Table 1:

Item Details	Annual Budget	YTD Budget	Actual 23/24	Variance	F/ U
Operating Revenue	\$ 113.24 M	\$ 18.15 M	\$ 18.42 M	\$ 271 K	F
Rates Revenue	\$ 103.80 M	\$ 103.80 M	\$ 100.88 M	\$ 580 K	F
Cash Operating Exp.	\$ 174.93 M	\$ 13.01 M	\$ 11.31 M	\$ 1.70 M	F
Non-Operating Revenue	\$ 12.92 M	\$ 0.00 M	\$ 0.00 M	\$ 0.00 M	-
Capital - Infrastructure	\$ 32.99 M	\$ 0.00 M	\$ 242 K	\$ 242 K	U
Property, Plant & Equip.	\$ 36.00 M	\$ 341 K	\$ 513 K	\$ 172 K	U
Capital Contributions	\$ 19.00 M	\$ 0.00 M	\$ 0.00 M	\$ 0.00 M	-

16. Material operating revenue and expenditure variances from Attachment 15.1A are detailed (with explanatory comments) in the Notes on Significant Variances (Attachment 15.1B).
17. Each line item listed in the SFA by Nature & Type Attachment 15.1A can be cross referenced (using the Note reference) back to the relevant note.
18. Examining the SFA (Attachment 15.1A) in more detail; the aggregation of operating revenues and operating expenses reflects a year-to-date Net Cash Position from Operations of \$111.50M compared to a year-to-date budgeted surplus of \$108.94M. This is a favourable variance of \$2.56M at the end of the month.
19. Investing activities reflect a result of (\$0.75M) compared to a year-to-date budget of (\$0.37M). This is an unfavourable variance of (\$0.38M). This is largely related to an accelerated start to the capital program, albeit a program with a very modest first month budget.
20. Construction of infrastructure to month end is ahead of year-to-date budget expectations at \$242K, against a \$0.00M year to date budget as noted at paragraph 15.
21. Acquisition of non-infrastructure to month end is \$513K and is also ahead of the year-to-date budget.

22. Comments on significant capital variances are contained in Attachment 15.1G.
23. Adjusting for opening funds (Net Current 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.
24. The SFA for the period to 31 July shows that a rate yield of \$104.39M has been levied compared to the budget of \$103.80M after adjusting for interim rates immediately prior to rates strike.
25. The disclosed year to date SFA Closing Position of \$128.06M compares favourably to the projected budget closing position of \$126.01M - reflecting the combined impact of the favourable variances noted in this report for revenues, expenses, and financing activity.
26. Contributing to this difference are a positive first month's revenue performance and slower than anticipated operating cash outflows.
27. Key financial statistics at each month end are presented graphically in Attachment 15.1D as an alternative representation of the data.
28. The Net Current Position Note (Attachment 15.1C) indicates a year-to-date adjusted Net Current Position value of \$132.85M versus the year end projection of \$4.10M.
29. Headline data from this month's Net Current Position report is shown in Table 2 below.

Table 2:

Item Details	June 2023 Actual	June 2024 Annual Budget	July 2023 Actual
Current Assets	\$ 210.03 M	\$ 181.80 M	\$ 337.60 M
Current Liabilities	(\$ 35.22 M)	(\$ 45.10 M)	(\$ 52.11 M)
Unadjusted Net Assets	\$ 174.81 M	\$ 136.70 M	\$ 285.49 M
Less Restricted Items	(\$ 155.11 M)	(\$ 132.60 M)	(\$ 152.64 M)
Adjusted Net Current Position	\$ 19.69 M	\$ 4.10 M	\$ 132.85 M

30. The Net Current Position (Budget Closing Position) as at month end is favourably impacted by four major factors :
 - a. A \$20M higher value of reserve funds versus the projected year-end balance - which will be reduced later in the financial year based on planned drawdown of funds.
 - b. An increase of \$104M for rates levied - but not yet due, \$10M for rubbish services levied - but not yet due and \$24M for the state government ESL - levied but not yet due for collection.
 - c. A \$24M liability for remitting the ESL (once collected) to the Fire & Emergency Services Authority (FESA).
 - d. A \$14M lesser balance for payables at month end - simply reflecting a timing difference.
31. As noted above, there is currently a higher value of reserve funds (restricted assets) at present, and this difference will remain until drawn down to make the capital contributions for the WACA Aquatic Facility and Perth Concert Hall when required.
32. The remaining variances are essentially timing differences attributable to 'unusual' but relatively predictable pattern of local government cashflows. That is, revenue is largely recognised at the beginning of the year – but cash collections and expenditure are phased across the whole year.

33. A Statement of Financial Position as at month end (showing 2022/23 Actual balances, the Revised 2023/24 Budget and the 2023/24 Year to Date Actual balances) is presented as Attachment 15.1E.
34. In line with recent local government financial management reporting changes, Attachments 15.1A to Attachment 15.1C form the portion of monthly management accounts that is a statutory obligation.
35. The remaining attachments 15.1D through to 15.1I are supplementary information provided to give Council additional transparency of the City’s financial management performance.
36. Attachment 15.1F - Operating Variances and Attachment 15.1G - Capital Variances provide a more granular view of variances by alliance and service.
37. Attachment 15.1H - Investment Report for July 2023 presents detail of the City’s cash investment portfolio in terms of performance, percentage exposure of total portfolio by credit risk, counterparty exposure and maturity profile.
38. The report indicates the City has adequate cash flow to meet its financial obligations as and when they will fall due; and it has achieved compliance with the various Investment Policy limits.
39. It also shows the impact of recent uplifts in investment rates and performance is currently ahead of the upward revision to the interest revenue budget in the 2023/24 annual budget.
40. Attachment 15.1I - Rates Debtors provides a monthly update and analysis of rates collections by differential property rating category and overall. The 2023/24 rates notices were issued on 28 July with a first instalment due date of 6 September 2023.

Consultation

Nil.

Decision Implications

41. Council’s acknowledgement of receiving the Statement of Financial Activity and supporting documents will meet its statutory obligation in respect of oversighting the City’s financial resources.

Strategic, Legislative and Policy Implications

Strategy	
Strategic Pillar (Objective)	Prosperous
Related Documents (Issue Specific Strategies and Plans):	Nil.

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 6.4(1) and (2) of the Local Government Act 1995 Regulation 34(1) of the Local Government (Financial Management) Regulations 1996</p> <p>This section of the Act and the related regulation prescribe the requirement to prepare and present to Council a Monthly Financial Report including a Statement of Financial Activity (SFA).</p> <p>That Statement of Financial Activity (SFA) should contain:</p> <ul style="list-style-type: none"> • 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 SFA. • Material variances between the comparable amounts and commentary on reasons for these variances. <p>The Monthly Financial Report should also contain:</p> <ul style="list-style-type: none"> • A Statement of Financial Position at the end of the month. • An explanation of the composition of the Net Current Position at the end of the month to which the SFA relates. <p>Any other information which the local government deems relevant.</p>
Authority of Council/CEO:	The above legislation prescribes that this report be presented to Council on a monthly basis.
Policy:	CP 2.1 Management of Investments.

Financial Implications

42. 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.

Further Information

Nil



City of Perth Statement of Financial Activity

Jul - 2023

Attachment A

Detail	Note	Revised Annual Budget \$	YTD Budget \$	YTD Actual \$	YTD Budget Variance \$	YTD Budget Variance %	Budget Impact
Operating Activities							
Revenue from Operating Activities							
Rates	1	103,806,638	103,806,638	104,390,706	584,068	0.6%	✓
Grants, Subsidies and Contributions	2	2,827,255	87,494	116,106	28,612	32.7%	✓
Fees & Charges - Parking	3A	74,275,326	6,143,401	5,855,981	(287,420)	(4.7%)	✗
Fees & Charges - Waste	3B	10,469,150	9,964,983	10,049,936	84,952	0.9%	✓
Fees & Charges - Other	3C	2,869,888	237,448	182,032	(55,416)	(23.3%)	✗
Interest Revenue	4A	8,000,866	614,239	744,716	130,477	21.2%	✓
Distribution from Investments	4B	500,000	0	794	794	0.0%	!
Fines & Associated Costs	5	7,081,869	652,483	710,581	58,098	8.9%	✓
Rental and Hire Revenue	6	5,015,965	356,935	390,083	33,149	9.3%	✓
Other Revenue	7	1,906,708	97,402	201,249	103,847	106.6%	✓
Change in Valuation of Investment	8	0	0	173,661	173,661	0.0%	!
Profit on Asset Disposals	9	293,288	0	0	0	0.0%	!
Sub Total		217,046,953	121,961,022	122,815,846	854,823	0.7%	✓
Expenditure from Operating Activities							
Employee Costs	10	(85,607,168)	(6,782,254)	(6,326,017)	456,237	(6.7%)	✓
Materials and Contracts	11	(56,046,203)	(3,807,564)	(2,736,282)	1,071,282	(28.1%)	✓
Utility Charges	12	(3,797,162)	(324,868)	(237,454)	87,415	(26.9%)	✓
Finance Costs	13	(115,144)	(9,595)	(8,942)	654	(6.8%)	✓
Insurance	14	(1,535,396)	(127,533)	(128,903)	(1,370)	1.1%	✗
Parking Levy	15	(18,352,533)	(1,529,378)	(1,301,087)	228,291	(14.9%)	✓
Other Expenditure	16	(9,184,874)	(435,624)	(399,955)	35,669	(8.2%)	✓
Change in Valuation of Investment	17	0	0	0	0	0.0%	!
Depreciation & Amortisation	18	(36,512,699)	(3,062,298)	(3,415,412)	(353,114)	11.5%	✗
Loss on Asset Disposals	19	(1,275,280)	0	0	0	0.0%	!
Sub Total		(212,426,458)	(16,079,114)	(14,554,050)	1,525,064	(9.5%)	✓
Non Cash Amounts excluded from Operating Activities		37,494,691	3,062,298	3,241,750	179,452	5.9%	✓
Amount attributable to Operating Activities		42,115,186	108,944,206	111,503,546	2,559,340	2.3%	✓
Investing Activities							
Inflows from Investing Activities							
Capital Grants, Subsidies and Contributions (Cash)	20	12,091,698	0	0	0	0.0%	!
Contributed, Recognised and Right of Use Assets	21	0	0	0	0	0.0%	!
Distribution from Investments in Associates	22	0	0	0	0	0.0%	!
Proceeds from Disposal of Assets	23	824,316	0	0	0	0.0%	!
Sub Total		12,916,014	0	0	0	0.0%	!
Outflows from Investing Activities							
Purchase of Property, Plant and Equipment	24	(36,006,019)	(341,248)	(513,433)	(172,185)	50.5%	✗
Construction of Infrastructure	25	(32,987,254)	(30,000)	(242,359)	(212,359)	707.9%	✗
Contributed, Recognised and Right of Use Assets	26	0	0	0	0	0.0%	!
WACA Aquatic Centre Contribution	27	(15,000,000)	0	0	0	0.0%	!
Perth Concert Hall Contribution	27	(4,000,000)	0	0	0	0.0%	!
Sub Total		(87,993,272)	(371,248)	(755,792)	(384,544)	103.6%	✗
Amount attributable to Investing Activities		(75,077,258)	(371,248)	(755,792)	(384,544)	(103.6%)	✗
Financing Activities							
Inflows from Financing Activities							
Transfer from Reserves	28	53,664,565	2,448,109	2,464,487	16,378	0.7%	✓
Proceeds from New Borrowings	29	0	0	0	0	0.0%	!
Sub Total		53,664,565	2,448,109	2,464,487	16,378	0.7%	✓
Outflows from Financing Activities							
Transfer to Reserves	30	(43,440,489)	(12,134,038)	(12,279,118)	(145,080)	1.2%	✗
Repayment of Borrowings	31	0	0	0	0	0.0%	!
Payments for Principal Portion of Leases	32	(284,605)	0	0	0	0.0%	!
Sub Total		(43,725,094)	(12,134,038)	(12,279,118)	(145,080)	1.2%	✗
Amount attributable to Financing Activities		9,939,471	(9,685,929)	(9,814,631)	(128,702)	(1.3%)	✗
Movement in Surplus or (Deficit)							
Surplus / (Deficit) at Start of Financial Year	33	27,127,928	27,127,928	27,127,928	0	0.0%	!
Amount attributable to Operating Activities		42,115,186	108,944,206	111,503,546	2,559,340	2.3%	✓
Amount attributable to Investing Activities		(75,077,258)	(371,248)	(755,792)	(384,544)	(103.6%)	✗
Amount attributable to Financing Activities		9,939,471	(9,685,929)	(9,814,631)	(128,702)	(1.3%)	✗
Surplus / (Deficit) after Imposition of Rates		4,105,326	126,014,957	128,061,051	2,046,094	1.6%	✗
Favourable Impact on Budget Surplus	✓						
Unfavourable Impact on Budget Surplus							✗

This Statement is to be read in conjunction with the accompanying notes



Notes to Statement of Financial Activity - July 2023

Attachment B

The Note reference and descriptor in each summary box below link back to the relevant line item on the Financial Activity Statement. The variance is then expressed as both a dollar value and a percentage. Letter F or U refers to the impact of the variance on the budget surplus (favourable / unfavourable).

Notes to Accompany Statement of Financial Activity - Operating Revenues

Comments on the 0.7% favourable variances in Operating Revenues are provided below.

Note 1	Rates	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 548K	0.6%	F

A rate yield of \$104.4M has been levied compared to the revised budget of \$103.8M. The rate yield was inflated by \$180K for a new interim rate for 238 Adelaide Terrace which was received in early July. The yield will be reduced by approximately \$200K after allowing for heritage rate rebates.

Note 2	Grants, Subsidies & Contributions	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 29K	32.7%	F

The rental affordability scheme incentive ceased at the end of July. Receipt of the final payment was budgeted for August but was received in July. The timing variance will reverse at that time.

Note 3A	Fees & Charges - Parking	Variance \$	Variance %	Type
▲	Increase Actual Surplus	(\$ 287K)	(4.7%)	U

Increased use of free parking opportunities and a reduced use of event parking in the winter.

Note 3B	Fees & Charges - Waste	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 85K	0.9%	F

The number of waste services billed at the commencement of the year was above budget expectations.

Note 3C	Fees & Charges - Other	Variance \$	Variance %	Type
▼	Decrease Actual Surplus	(\$ 55K)	(23.3%)	U

Overall, the Other Fees & Charges classification is \$55K below budget expectations. However, there are several offsetting variances involved.

Activity approval fees are \$41K ahead of budget as booking fees for subsequent events are required to be prepaid.

Health approval fees are \$32K under budget due a slight delay in issuing food premises licences. Development approval fees are also \$20K under budget expectations.

Note	Category	Variance \$	Variance %	Type
Note 4A	Interest Revenue			
▲	Increase Actual Surplus	\$ 130K	21.2%	F

Interest earned on investments is ahead of budget due to higher investment rates and, in particular, higher investment balances.

Note	Category	Variance \$	Variance %	Type
Note 4B	Distribution from Investments			
▲	Increase Actual Surplus	\$ 794	0.0%	F

Minor variance against budget on 'mark to market' investment.

Note	Category	Variance \$	Variance %	Type
Note 5	Fines & Costs			
▲	Increase Actual Surplus	\$ 58K	8.9%	F

Fines revenue is higher than budgeted due to poor parking practices.

Note	Category	Variance \$	Variance %	Type
Note 6	Rental & Hire			
▲	Increase Actual Surplus	\$ 33K	9.3%	F

Rental & Hire Revenue reflects higher than was budgeted revenue for social housing. The agreement that created that revenue has now ceased, so the revenue will not continue going forward.

Note	Category	Variance \$	Variance %	Type
Note 7	Other Revenue			
▲	Increase Actual Surplus	\$ 104K	100.6%	F

The variance is related to a continuing positive trend in higher than estimated income for the Container Deposit Scheme, proceeds from disposal of impounded vehicles and recoverable works proceeds associated with Perth Concert Hall.

Note	Category	Variance \$	Variance %	Type
Note 8	Change in Investment Valuation			
▲	Increase Actual Surplus	\$ 173K	0.0%	F

Minor net change for the year in the City's Colonial First State Investment which is marked to the ASX share index.

Note	Category	Variance \$	Variance %	Type
Note 9	Profit on Disposal of Assets (Non-Cash)			
Nil	No Cash Impact on Surplus	\$ 0	0.0%	-

No impact on balance to date.

Notes to Accompany Statement of Financial Activity - Operating Expenses

Comments on the 2.3% favourable variance in Operating Expenses are provided below.

Note 10	Employee Costs	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 456K	(6.7%)	F

The employee costs are under budget (6% to 8%) due to current vacancies in the Corporate Services, Community Development , Infrastructure and Commercial Services alliances.

The consistency in vacancies across all alliances reflects the very competitive labour market in the wider community.

Note 11	Materials & Contracts	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 1,078K	28.1%	F

The favourable variance in expenditure is mainly caused by the timing of invoices to be paid pending receipt of goods and services. Further details by service are listed below:

- LPS Scheme 3 consultancy \$ 159K
- QEII consultancy \$ 113K
- Marketing program consultancy \$ 208K
- Electrical maintenance \$ 75K
- Infrastructure maintenance \$ 109K
- Cleaning contract \$ 75K
- FIFA World Cup activations \$ 75K
- Park maintenance contractors \$ 100K
- Software licences \$ 193K
- Stores and signage for Parking operations \$ 33K

Note 12	Utilities	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 87K	26.9%	F

This favourable variance is largely attributed to a timing variance in relation to billing of power costs.

Note 13	Finance Costs	Variance \$	Variance %	Type
▲	Increase Actual Surplus	\$ 0.6K	0.0%	F

Lease interest expenses are broadly in line with the budget.

Note 14	Insurance	Variance \$	Variance %	Type
▼	Decrease Actual Surplus	\$ (1K)	(1.1%)	U

Insurance expenses are broadly in line with the budget.

15.2 Schedule of Accounts Paid - July 2023

Responsible Officer	Michael Kent – Chief Financial Officer
Voting Requirements	Simple Majority
Attachments	Attachment 15.2A – Schedule of Accounts Paid - July 2023 ↓

Purpose

For Council to note details of payments made under delegated authority for the month of July 2023.

Recommendation

That Council:

1. RECEIVES the Schedule of Accounts Paid for the period ended 31 July 2023 as attached as Appendix 15.2A.
2. RECORDS in the Ordinary Council Meeting minutes the summary of accounts paid being:

Total Accounts Paid	
Municipal Fund	\$21,692,008.90
Trust Fund	0
Total - All Funds	\$21,692,008.90

Background

1. In accordance with Regulation 13(2) and 13(3) of the *Local Government (Financial Management) Regulations 1996*, where this power has been delegated, a list of payments for each month is to be compiled and presented to the Council. The Chief Executive Officer is delegated this authority under Delegation 2.14.
2. This authority has then been subdelegated by the Chief Executive Officer.
3. The listing of payments with full disclosure of all required information, is presented as an attachment to this report.
4. The listing of payments was made available to the Elected Members via the Council Hub, ahead of the agenda distribution, to provide additional time for review.
5. This summary report then facilitates the acknowledgement of the listing having been received.

Discussion

6. The Schedule of Accounts Paid (Attachment 15.2A) contains the following payments made under Delegated Authority 2.14 - Payments from the Municipal & Trust Fund:

Schedule of Accounts Paid - July 2023		
Municipal Fund		
EFT & Cheque Payments	Direct Creditor Payments	17,995,646.67
Sub Total - EFT & Cheques		17,995,646.67
Direct Debits	Bank Charges and Merchant Fees	60,800.82
Sub Total - Direct Debits		60,800.82
Payroll	30/06/2023	1,793,982.69
	14/07/2023	1,824,811.50
Sub Total - Payroll		3,618,794.19
Corporate Cards		60,800.82
Sub Total - Cards		60,800.82
Total per Attachment 15.2A		21,692,008.90
Total Payments from Municipal Fund		
Investments in Term Deposits		0
Trust Fund		
Trust EFT & Cheques		0
Total - Trust Funds		

Consultation

Nil.

Decision Implications

7. Council’s acknowledgement of receiving the Schedule of Accounts Paid will meet its statutory obligation under Regulation 13(1) of the *Local Government (Financial Management) Regulations 1996*.

Strategic, Legislative and Policy Implications

Strategy	
Strategic Pillar (Objective)	Prosperous
Related Documents (Issue Specific Strategies and Plans):	Annual Budget

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 6.10 of the <i>Local Government Act 1995</i> Regulation 13(1) of the <i>Local Government (Financial Management) Regulations 1996</i></p> <p>This section of the Act and the related regulation prescribes the requirement to prepare a list of all payments made for each month and to present them to Council. The Schedule of Accounts Paid (the ‘list’) should contain, for each payment:</p> <ul style="list-style-type: none"> • Payee Name • Amount of the Payment • Date of the Payment • Sufficient information to identify the transaction
Authority of Council/CEO:	In accordance with Regulation 13(2) and 13(3) of the <i>Local Government (Financial Management) Regulations 1996</i> , where this power has been delegated, a list of payments for each month is to be compiled and presented to the Council.
Policy:	Nil.

Financial Implications

8. There are no direct financial implications of receiving this report as it reflects a historical accounting of financial transactions that were provided for in the adopted budget (as amended).

Further Information

Nil.

15.3 Monthly Financial Statements - August 2023

Responsible Officer	Michael Kent – Chief Financial Officer
Voting Requirements	Simple Majority
Attachments	<p>Attachment 15.3A – Statement of Financial Activity Aug 23 ↓</p> <p>Attachment 15.3B – Notes on Significant Variances Aug 23 ↓</p> <p>Attachment 15.3C – Supplementary Notes to SFA Aug 23 ↓</p> <p>Attachment 15.3D – Financial Performance Statistics Aug 23 ↓</p> <p>Attachment 15.3E – Statement of Financial Position Aug 23 ↓</p> <p>Attachment 15.3F – Alliance Operating Variances Aug 23 ↓</p> <p>Attachment 15.3G – Capital Variances Aug 23 ↓</p> <p>Attachment 15.3H – Investment Report Aug 23 ↓</p> <p>Attachment 15.3I – Monthly Rates Debtor Report Aug 23 ↓</p>

Purpose

This suite of reports provides Council with timely, meaningful financial insights regarding the City’s operating activities, financial performance, and financial position.

Recommendation

That Council:

1. RECEIVES the following financial reports for the period ended 31 August 2023:
 - a) Statement of Financial Activity (SFA) - Attachment 15.3A.
 - b) Notes on Significant Variances - Attachment 15.3B.
 - c) Supplementary Notes to the Statement of Financial Activity - Attachment 15.3C.
 - d) Monthly Financial Statistics - Attachment 15.3D.
 - e) Statement of Financial Position - Attachment 15.3E.
 - f) Alliance Operating Variances - Attachment 15.3F.
 - g) Capital Variances - Attachment 15.3G.
 - h) Investment Report - Attachment 15.3H.
 - i) Rates Monthly Debtors Report - Attachment 15.3I.

Background

1. Presentation of a monthly financial report to Council is both a statutory obligation and good financial management practice that:
 - a. Demonstrates the City's commitment to managing its operations in a financially responsible and sustainable manner.
 - b. Provides timely identification of variances from budget expectations for revenues and expenditures and identification of emerging opportunities or changes in economic conditions.
 - c. Ensures proper accountability to the community for the use of financial resources.
2. Preparation of a monthly Statement of Financial Activity (SFA) 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 to allow Council to effectively execute their financial management responsibilities.
3. Financial information that is required to be reported directly to Council monthly includes:
 - a. Operational financial performance against budget expectations.
 - b. Explanations for identified variances from expectations.
 - c. Financial position of the City at each given month end.
4. This statutory financial information is supported by additional supplementary information including investments performance and reports on rates and general debtors.

Understanding the Financials

5. When reading the financial information provided in this report, 'variances' (deviations from budget expectations) are classified as being either:
 - a. Favourable variance.
 - b. Unfavourable variance.
 - c. Timing variance.
6. A timing variance relates 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. That is, the financial transaction will still occur - but just in a different month. There should be no impact on the projected budget surplus by year end.
7. A realised favourable or unfavourable variance is different to a timing variance. It represents a genuine difference between the actual and budgeted revenue or expenditure item.
8. 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.
9. A realised favourable variance on an expenditure item may have either of two causes - one being a saving because the outcome was achieved for a lesser cost, which has the effect of increasing the projected budget surplus. The other cause may be that the proposed expenditure may not have been undertaken and is not expected to be incurred in that financial year. Whilst this may seem positive from the financial position perspective, it may not be a positive outcome for the community if the service or project is not delivered.

10. A realised unfavourable year to date variance on an expenditure item, (over-expenditure) results in a decrease to the projected budget surplus.
11. The Schedule of Significant Variances (Attachment 15.3B) provides commentary on whether the nature of the variance is savings related, timing related or otherwise.
12. If a realised favourable or unfavourable variance is material in value (of significant size), it will be amended through a formal budget review process.

Discussion

13. It is a statutory requirement to present a set of Monthly Management Accounts within two months of the end of the month to which they refer.
14. The SFA by Nature & Type - Attachment 15.3A presents a whole of organisation perspective on the attainment of revenue and expenditure targets overall - classified by nature and type.
15. The headline data from the SFA is shown in Table 1 below.

Table 1:

Item Details	Annual Budget	YTD Budget	Actual 23/24	Variance	F/ U
Operating Revenue	\$ 113.24 M	\$ 26.60 M	\$ 27.64 M	\$ 1.04 M	F
Rates Revenue	\$ 103.80 M	\$ 103.80 M	\$ 104.34 M	\$ 542 K	F
Cash Operating Exp.	\$ 174.63 M	\$ 26.57 M	\$ 24.19 M	\$ 2.37 M	F
Non-Operating Revenue	\$ 12.92 M	\$ 0.00 M	\$ 0.00 M	\$ 0.00 M	-
Capital - Infrastructure	\$ 34.08 M	\$ 1.89 M	\$ 2.12 M	(\$ 232 K)	U
Property, Plant & Equip.	\$ 36.17 M	\$ 1.37 M	\$ 1.16 M	\$ 206 K	F
Capital Contributions	\$ 19.00 M	\$ 0.00 M	\$ 0.00 M	\$ 0.00 M	-

16. Material operating revenue and expenditure variances from Attachment 15.3A are detailed (with explanatory comments) in the Notes on Significant Variances (Attachment 15.3B).
17. Each line item listed in the SFA by Nature & Type Attachment 15.3A can be cross referenced (using the Note reference) back to the relevant note.
18. Examining the SFA (Attachment 15.3A) in more detail; the aggregation of operating revenues and operating expenses reflects a year-to-date Net Cash Position from Operations of \$107.60M compared to a year-to-date budgeted surplus of \$103.84M. This is a favourable variance of \$3.76M at the end of the month.
19. Investing activities reflect a result of (\$3.28M) compared to a year-to-date budget of (\$3.26M). This is an unfavourable variance of (\$0.02M). This is largely related to an accelerated start to the capital program, albeit a program with a very modest first two months budget.
20. Construction of infrastructure to month end is ahead of year-to-date budget expectations at \$2.12M, against a \$1.89M year to date budget as noted at paragraph 15.
21. Acquisition of non-infrastructure to month end is \$1.1M and is also ahead of the year-to-date budget.

22. Comments on significant capital variances are contained in Attachment 15.3G.
23. Adjusting for opening funds (Net Current 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.
24. The SFA for the period to 31 August shows that a rate yield of \$104.35M has been levied compared to the budget of \$103.80M after adjusting for interim rates immediately prior to rates strike.
25. The disclosed year to date SFA Closing Position of \$133.26M compares favourably to the projected budget closing position of \$129.81M - reflecting the combined impact of the favourable variances noted in this report for revenues, expenses, and financing activity.
26. Contributing to this difference are a positive first two month's revenue performance and slower than anticipated operating cash outflows.
27. Key financial statistics at each month end are presented graphically in Attachment 15.3D as an alternative representation of the data.
28. The Net Current Position Note (Attachment 15.3C) indicates a year-to-date adjusted Net Current Position value of \$133.25M versus the year end projection of \$7.69M.
29. Headline data from this month's Net Current Position report is shown in Table 2 below.

Table 2:

Item Details	June 2023 Actual	June 2024 Annual Budget	July 2023 Actual
Current Assets	\$ 210.03 M	\$ 181.80 M	\$ 336.72 M
Current Liabilities	(\$ 35.22 M)	(\$ 45.10 M)	(\$ 57.58 M)
Unadjusted Net Assets	\$ 174.81 M	\$ 136.70 M	\$ 279.14 M
Less Restricted Items	(\$ 155.11 M)	(\$ 132.60 M)	(\$ 159.74 M)
Adjusted Net Current Position	\$ 19.69 M	\$ 9.72 M	\$ 119.39 M

30. The Net Current Position (Budget Closing Position) as at month end is favourably impacted by four major factors :
 - a. A \$10M higher value of reserve funds versus the projected year-end balance - which will be reduced later in the financial year based on planned drawdown of funds.
 - b. An increase of \$81M for rates levied - but not yet due (debtors), \$10M for rubbish services levied - but not yet due and \$24M for the state government ESL - levied but not yet due for collection.
 - c. A \$24M liability for remitting the ESL (once collected) to the Fire & Emergency Services Authority (FESA).
 - d. A \$9.5M lesser balance for payables at month end - simply reflecting a timing difference.
31. As noted above, there is currently a higher value of reserve funds (restricted assets) at present, and this difference will remain until drawn down to make the capital contributions for the WACA Aquatic Facility and Perth Concert Hall when required.
32. The remaining variances are essentially timing differences attributable to 'unusual' but relatively predictable pattern of local government cashflows. That is, revenue is largely recognised at the beginning of the year – but cash collections and expenditure are phased across the whole year.

33. A Statement of Financial Position as at month end (showing 2022/23 Actual balances, the Revised 2023/24 Budget and the 2023/24 Year to Date Actual balances) is presented as Attachment 15.3E.
34. In line with recent local government financial management reporting changes, Attachments 15.3A to Attachment 15.3C form the portion of monthly management accounts that is a statutory obligation.
35. The remaining attachments 15.3D through to 15.3I are supplementary information provided to give Council additional transparency of the City’s financial management performance.
36. Attachment 15.3F - Operating Variances and Attachment 15.3G - Capital Variances provide a more granular view of variances by alliance and service.
37. Attachment 15.3H - Investment Report for August 2023 presents detail of the City’s cash investment portfolio in terms of performance, percentage exposure of total portfolio by credit risk, counterparty exposure and maturity profile.
38. The report indicates the City has adequate cash flow to meet its financial obligations as and when they will fall due; and it has achieved compliance with the various Investment Policy limits.
39. It also shows the impact of recent uplifts in investment rates and performance is currently ahead of the upward revision to the interest revenue budget in the 2023/24 annual budget.
40. Attachment 15.1I - Rates Debtors provides a monthly update and analysis of rates collections by differential property rating category and overall. The 2023/24 rates notices were issued on 28 July with a first instalment due date of 6 September 2023.

Consultation

Nil.

Decision Implications

41. Council’s acknowledgement of receiving the Statement of Financial Activity and supporting documents will meet its statutory obligation in respect of overseeing the City’s financial resources.

Strategic, Legislative and Policy Implications

Strategy	
Strategic Pillar (Objective)	Prosperous
Related Documents (Issue Specific Strategies and Plans):	Nil.

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 6.4(1) and (2) of the Local Government Act 1995 Regulation 34(1) of the Local Government (Financial Management) Regulations 1996</p> <p>This section of the Act and the related regulation prescribe the requirement to prepare and present to Council a Monthly Financial Report including a Statement of Financial Activity (SFA).</p> <p>That Statement of Financial Activity (SFA) should contain:</p> <ul style="list-style-type: none"> • 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 SFA. • Material variances between the comparable amounts and commentary on reasons for these variances. <p>The Monthly Financial Report should also contain:</p> <ul style="list-style-type: none"> • A Statement of Financial Position at the end of the month. • An explanation of the composition of the Net Current Position at the end of the month to which the SFA relates. <p>Any other information which the local government deems relevant.</p>
Authority of Council/CEO:	The above legislation prescribes that this report be presented to Council on a monthly basis.
Policy:	CP 2.1 Management of Investments.

Financial Implications

42. 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.

Further Information

Nil

15.4 Schedule of Accounts Paid - August 2023

Responsible Officer	Michael Kent – Chief Financial Officer
Voting Requirements	Simple Majority
Attachments	Attachment 15.4A – Schedule of Accounts Paid - August 2023 ↓

Purpose

For Council to note details of payments made under delegated authority for the month of August 2023.

Recommendation

That Council:

1. RECEIVES the Schedule of Accounts Paid for the period ended 31 August 2023 as attached as Appendix 15.4A.
2. RECORDS in the Ordinary Council Meeting minutes the summary of accounts paid being:

Total Accounts Paid	
Municipal Fund	15,739,778.90
Trust Fund	0
Total - All Funds	15,739,778.90

Background

1. In accordance with Regulation 13(2) and 13(3) of the *Local Government (Financial Management) Regulations 1996*, where this power has been delegated, a list of payments for each month is to be compiled and presented to the Council. The Chief Executive Officer is delegated this authority under Delegation 2.14.
2. This authority has then been subdelegated by the Chief Executive Officer.
3. The listing of payments with full disclosure of all required information, is presented as an attachment to this report.
4. The listing of payments was made available to the Elected Members via the Council Hub, ahead of the agenda distribution, to provide additional time for review.
5. This summary report then facilitates the acknowledgement of the listing having been received.

Discussion

6. The Schedule of Accounts Paid (Attachment 15.4A) contains the following payments made under Delegated Authority 2.14 - Payments from the Municipal & Trust Fund:

Schedule of Accounts Paid - August 2023		
Municipal Fund		
EFT & Cheque Payments	Direct Creditor Payments	10,454,393.16
Sub Total - EFT & Cheques		10,454,393.16
Direct Debits	Bank Charges and Merchant Fees	75,402.86
Sub Total - Direct Debits		75,402.86
Payroll	28/07/2023	1,728,382.22
	11/08/2023	1,728,491.85
	25/08/2023	1,733,728.39
Sub Total - Payroll		5,190,602.46
Corporate Cards		19,380.42
Sub Total - Cards		19,380.42
Total per Attachment 15.4A		15,739,778.90
Total Payments from Municipal Fund		
Investments in Term Deposits		35,000,000
Trust Fund		
Trust EFT & Cheques		
Total - Trust Funds		

Consultation

Nil.

Decision Implications

7. Council's acknowledgement of receiving the Schedule of Accounts Paid will meet its statutory obligation under Regulation 13(1) of the *Local Government (Financial Management) Regulations 1996*.

Strategic, Legislative and Policy Implications

Strategy	
Strategic Pillar (Objective)	Prosperous
Related Documents (Issue Specific Strategies and Plans):	Annual Budget

Legislation, Delegation of Authority and Policy	
Legislation:	<p>Section 6.10 of the <i>Local Government Act 1995</i> Regulation 13(1) of the <i>Local Government (Financial Management) Regulations 1996</i></p> <p>This section of the Act and the related regulation prescribes the requirement to prepare a list of all payments made for each month and to present them to Council. The Schedule of Accounts Paid (the 'list') should contain, for each payment:</p> <ul style="list-style-type: none"> • Payee Name • Amount of the Payment • Date of the Payment • Sufficient information to identify the transaction
Authority of Council/CEO:	In accordance with Regulation 13(2) and 13(3) of the <i>Local Government (Financial Management) Regulations 1996</i> , where this power has been delegated, a list of payments for each month is to be compiled and presented to the Council.
Policy:	Nil.

Financial Implications

8. There are no direct financial implications of receiving this report as it reflects a historical accounting of financial transactions that were provided for in the adopted budget (as amended).

Further Information

Nil.

16. Chief Executive Officer Reports

Nil.

17. Committee Reports

Nil.

18. Motions of which Previous Notice has been Given

This item will be dealt with at the Ordinary Council Meeting.

19. Matters for which the meeting may be closed

Nil.

20. Urgent Business

This item will be dealt with at the Ordinary Council Meeting.

21. Closure