

QUARTERLY BUDGET REVIEW STATEMENT

CITY OF PARRAMATTA COUNCIL

March 2022 Quarter



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Executive Summary

RECOMMENDATIONS

That Council adopt the March 2022 Quarterly Budget Review Statement and the Responsible Accounting Officer's report on the financial position of the Council.

Excluding the favourable variance of \$47.4m on Gain on asset disposal for City Centre car park and 70 Macquarie St, the Net Operating result is forecasted at Net deficit of (\$4.9m), which is \$7.7m better than December Forecast.

Key Highlights:

- All directorates on track to achieve their budgeted savings targets.
- Cash Hits to the P&L:
 - Deterioration of Interest Income (\$3.0m)
 - Decline in DA Income due to subdued market conditions (\$0.9m)
 - Increase in Provision for Doubtful Debts (\$0.4m)
- Non-Cash / reclassification Hits to the P&L (ie nil impact on unrestricted cash result):
 - WIP to Opex Reclass for Software-As-A-Service (SAAS) of \$2.2m
- Benefits to the P&L:
 - Timing of CBD Outdoor dining project \$1.3m, HRMS \$1.0m and 9WW \$0.8m.
 - Vacancies savings \$2.8m, Savings from controllable M&C costs \$2.8m, Recovery of car parking revenue \$1.1m, Improved Operating Grants & Contributions \$1.1m and Depreciation savings \$1.0m.
 - Gain on Epping lanes road sale \$1.2m.
 - Receipt of Create NSW grant for Riverside for shows cancelled due to COVID \$0.5m.

March 2022 Financial Statements & Movements

The City of Parramatta's financial position is reflected in the following pages of the 2021-22 March Quarterly Review.

\$'000	2021/22 Original Budget	Approved September Adjustments	Approved December Adjustments	Current Budget	Proposed Adjustments	March QR	MarchYTD Actual
Income							
Rates & Annual Charges	203,395	1,751	(1,898)	203,249	50	203,299	204,727
User Charges & Fees	31,513	(4,577)	(961)	25,976	778	26,754	17,181
Other Revenue	15,804	(154)	(401)	15,249	794	16,043	9,865
Interest	6,289	723	(0)	7,011	(3,011)	4,000	2,811
Operating Grants	19,688	(1,167)	910	19,431	942	20,374	10,200
Capital Grants	36,671	13,349	5,923	55,943	(1,370)	54,573	32,960
Operating Contributions & Donations	2,564	3,547	(121)	5,990	110	6,099	5,087
Capital Contributions & Donations	29,080	(7,884)	9,092	30,287	4,136	34,423	20,586
Internal Revenue	15,492	127	148	15,767	134	15,901	11,259
Gain in Share in Joint Venture	800	(200)	(200)	400	-	400	-
Total Operating Revenue	361,296	5,514	12,492	379,302	2,563	381,866	314,675
Expense							
Employee Costs	131,841	4,029	(510)	128,322	2,796	125,526	91,000
Borrowing Costs	1,489	472	(98)	1,116	30	1,086	790
Materials & Contracts	58,331	517	(4,371)	62,185	3,845	58,340	40,274
Depreciation & Amortisation	51,995	(166)	522	51,640	967	50,672	37,811
Other Operating Expenses	49,682	1,540	1,129	47,014	(779)	47,792	30,060
Internal Expenses	14,918	(105)	(459)	15,482	1,089	14,394	11,259
Total Operating Expenses	308,257	(6,285)	3,787	305,758	7,948	297,810	211,195
Operating Surplus/Deficit	53,039	11,799	8,705	73,544	10,512	84,056	103,480
Loss/(Gain) on Asset Disposal	2,500	(1,958)	(47,287)	(46,745)	(648)	(47,393)	1,600
Net Operating Result	50,539	13,758	55,992	120,289	11,160	131,449	101,880
Operating Surplus/(Deficit) before Capital	(15,211)	8,293	40,978	34,060	8,393	42,453	48,335

KEY MOVEMENTS

The net operating result before capital revenue is higher than December Forecast by \$8.4m (\$11.2m incl. Capital revenue).

Revenue – better by \$2.6m:

- **\$4.1m Capital Contributions & Donations** – Mainly driven by \$7.8m to be received for 180 George St, offset with reduction in City Infrastructure Planning Facilities.
- **\$0.9m Operating Grants & Contributions** – \$1.2m received from Dept of Planning and Infrastructure, NSW Storms & Floods- LG Recovery Grant.
- **\$0.8m Other Revenue** – \$0.8m Receipt of CBD Parramatta Nights expected in June.
- **\$0.8m User Charges and Fees** – \$1.1m Car Parking revenue with more visitations and back to the office, \$0.5m Riverside theatre, offset with (\$0.9m) DA income to align with subdued market conditions.
- **(\$3.0m) Interest** – due to weak global investment outlook.
- **(\$1.4m) Capital Grants** – (\$5.5m) timing of PDG Aquatic grants (weather), offset with \$2.6m Federal Stimulus Grant & \$1.4m Place Services grant.

Expenses – better by \$8.6m:

- **\$3.8m Materials & Contracts** – Timing of CBD Outdoor dining project \$1.3m, HRMS \$1.0m and 9WW \$0.8m. Saving in City Assets due to inclement weather \$0.7m, City Strategy \$0.3m (discretionary), City Planning & Design \$0.3m (drop in DA volumes), Facilities MGT \$0.7m, Other PDG Projects \$0.8m, offset with (\$2.2m) ICT projects reclassified to operating.
- **\$2.8m Employee Costs** – Vacant positions across the organisation continue to provide cost savings to budget.
- **\$1.0m Depreciation & Amortisation** – Timing of capitalisation of projects.
- **\$0.6m Gain on asset disposal** – Gain on Epping lanes road sale \$1.2m, offset by losses from write-off of road assets.
- **(\$0.8m) Other Operating Expense** – mainly driven by Events (Parramatta Nights, Live Music programs) and Prov for Doubtful Debts (\$0.4m).

Directorate P&L Summary

Table 1.2: Operating Result summarises the key movements by revenue & operating expense for each directorate.

\$'000	2021/22 Original Budget	Approved September Adjustments	Approved December Adjustments	Current Budget	Proposed Adjustments	March QR	MarchYTD Actual
Income							
Corporate Services & Executive Office	179,698	1,230	(1,628)	179,300	(2,826)	176,474	169,739
City Engagement and Experience	504	140	691	1,334	643	1,978	680
City Strategy	4,018	(1,967)	25	2,076	33	2,110	98
Property & Place	36,865	11,833	1,625	50,324	(3,271)	47,053	36,980
City Assets and Operations	83,470	10,033	2,196	95,699	3,924	99,624	72,434
Community Services	14,281	(1,654)	(503)	12,124	548	12,672	8,405
City Planning and Design	42,459	(14,101)	10,086	38,444	3,511	41,955	26,338
Total Income	361,296	5,514	12,492	379,302	2,563	381,866	314,675
Expense							
Corporate Services & Executive Office	47,641	1,571	(8,293)	54,362	1,200	53,162	38,300
City Engagement and Experience	19,916	372	(669)	20,214	(811)	21,025	13,310
City Strategy	11,197	(112)	657	10,652	677	9,975	6,613
Property & Place	23,387	473	(1,458)	24,372	2,650	21,722	15,164
City Assets and Operations	140,424	4	6,446	133,974	808	133,166	98,748
Community Services	43,886	3,251	(109)	40,744	2,014	38,730	24,612
City Planning and Design	21,806	727	(361)	21,441	1,411	20,030	14,448
Total Expense	308,257	6,285	(3,787)	305,758	7,948	297,811	211,195
Loss/(Gain) on Asset Disposal	2,500	(1,958)	(47,287)	(46,745)	(648)	(47,393)	1,600
Net Operating Result	50,539	13,758	55,992	120,290	11,159	131,448	101,880
Operating Surplus/(Deficit) before Capital	(15,211)	8,293	40,978	34,060	8,393	42,452	48,335

KEY MOVEMENTS BY DIRECTORATE

- CA&O's \$4.7m favourable mainly due to improvement in Grants and savings in M&C costs due to inclement weather.
- P&P (\$0.6m) unfavourable mainly due to timing of PDG Aquatic grants, offset by timing of CBD outdoor dining project and improvement in car park revenue.
- City Planning \$4.9m favourable mainly due to increase in Capital contributions for 180 George Street.
- Community Services \$2.6m favourable mainly due to employee cost savings and funding reimbursement received for Riverside Theatre.
- City Strategy \$0.7m favourable mainly due to savings in employee and M&C costs.
- Corporate Services/Exec Office (\$1.6m) unfavourable driven by Interest income adjustment, offset with timing of HRMS and 9WW projects.

Capital Expenditure Statement

Table 1.3: Summarises the key movements in Capital expenditure by directorate, with corresponding funding source movements.

\$'000	2021/22 Original Budget	Approved September Adjustments	Approved December Adjustments	Current Budget	Proposed Adjustments	March QR	MarchYTD Actual
Capital Expenditure							
Corporate Services & Executive Office	6,565	193	(1,603)	5,155	(234)	4,921	3,472
City Strategy	1,383	(783)	502	1,102	(682)	420	22
Property & Place	237,234	31,197	(9,439)	258,992	(58,693)	200,299	142,517
City Assets and Operations	44,016	18,562	(22,354)	40,224	14,509	54,733	17,427
Community Services	5,522	1,297	(2,248)	4,571	(970)	3,601	936
City Planning and Design	17,018	(14,900)	(107)	2,012	460	2,471	569
Total Capital Expenditure	311,739	35,566	(35,249)	312,056	(45,611)	266,445	164,943
Funding Source							
Transfer From Special Rates Reserve	4,158	561	109	4,827	(1,877)	2,950	887
Transfer From Domestic Waste Reserve	14,093	-	(13,593)	500	-	500	106
Transfer From Section 94	51,090	19,521	(19,428)	51,183	(14,575)	36,608	13,797
Transfer From Grants & Contributions Reserves	49,626	15,297	7,807	72,730	(24,273)	48,457	27,947
Transfer From Stormwater Levy Reserve	473	70	-	543	(62)	481	332
Transfer from Internally Restricted Reserves	192,300	117	(10,144)	182,273	(4,824)	177,448	121,874
Total Funding Source	311,739	35,566	(35,249)	312,056	(45,611)	266,445	164,944
Net Budget Result	0	0	(0)	(0)	(0)	(0)	(0)

Capital Major Works

Capital works with budget in excess of \$10m.

\$'000	Funding	Original Budget	March QR	2022/23	2023/24	2024/25	Project Update
1. 5 Parramatta Square Development - New Council Facilities	Internally Restricted	52,407	64,611	477	-	-	Council endorsed budget increase to \$136m with variation \$5.9m balance timing from FY21. Current completion circa June 2022.
2. Parramatta Square Public Domain Development	Internally Restricted, s94/s7.11, Grants	20,547	12,187	3,527	-	-	The Public Domain stage 3 is set to open circa August 2022.
3. Aquatic Leisure Centre Parramatta	Internally Restricted, s94/s7.11, Grants	40,038	34,968	30,478	-	-	Aquatic centre encountered weather delays but on track to open circa May 2023.
4. Future Workplace Project	Internally Restricted	70,000	64,259	-	-	-	Purchase price of 9 Wentworth was lower than budget.
5. F.S Garside Park Upgrade	Grants	1,000	396	10,099	3,500	-	Detailed design complete. Construction tender in progress. Anticipated construction commencement in FY23.
6. Rydalmere Park Masterplan	s94/s7.11, Grants	7,409	2,000	-	-	-	Stage 2 currently in construction. Weather permitting, due for completion by Aug 2022.
7. Charles St Square	s94/s7.11, Grants	4,052	3,000	6,767	-	-	Commencement of construction has been delayed addressing Sydney Water & Heritage NSW requirements and protracted inclement weather during Feb and Mar 2022.
8. Alfred St Bridge	SRV, s94/s7.11, Grants	-	6,000	8,598	-	-	Delayed commencement of construction to address Heritage NSW requirements and protracted inclement weather during Feb and Mar 2022.
9. Riverside Theatres Redevelopment	Internally Restricted	5,000	533	-	99,000	-	PCG working through options. Current scheme is greater than project budget. Looking to either find more funds or reduce scope of works. \$44m earlier earmarked for FY22/23 development has now been moved to FY23/24.

Capital Major Works

Capital works with budget in excess of \$10m (cont.).

\$'000	Funding	Original Budget	March QR	2022/23	2023/24	2024/25	Project Update
10. Civic Link	s94/s7.11	1,320	190	1,715	4,213	13,202	Two studies on hold (Public Art Masterplan & Utilities Strategy).
11. Dence Park Pool	Grants	2,453	287	15,941	6,122	661	PCG working through options. Current scheme is greater than project budget. Assessing alternative sites and scope of works.

Capital Variances

Variance in capital works in excess of \$500k.

\$'000	2021/22 Original Budget	Current Budget	Proposed Adjustments	March QR	March YTD Actual	Project Status	Comment
Parramatta Square Public Domain Development	20,547	27,020	(14,834)	12,187	1,871	Progressing - behind schedule	Inclement weather delays stage 3 set to open August 22.
Aquatic Centre Parramatta	40,038	45,155	(10,187)	34,968	23,547	Progressing - behind schedule	Aquatic centre encountered weather delays but on track to open circa May 2023.
PRUAIP - Bridge Street Granville Acquisition	-	6,593	(6,533)	60	42	Progressing - behind schedule	Compulsory acquired Union building. Waiting determination from Valuer General to finalise compensation and agreement with union.

Capital Variances

Variance in capital works in excess of \$500k (cont.).

\$'000	2021/22 Original Budget	Current Budget	Proposed Adjustments	March QR	March YTD Actual	Project Status	Comment
Upgrade of the Town Hall	9,114	8,028	(5,549)	2,478	306	Progressing - behind schedule	Currently project going through planning and assessment process. Reviewing and assessing price.
Rydalmere Park Master Plan	7,409	7,442	(5,442)	2,000	1,440	Progressing - behind schedule	Stage 2 currently in construction, due for completion August 2022 weather permitting.
PRUAIP - Good and Bridge Street	4,241	8,345	(4,367)	3,978	1,977	Progressing - behind schedule	Currently in construction, due for completion August 2022, weather permitting.
Phillip Street Smart St Stage 2	3,501	3,541	(3,108)	433	233	Progressing - behind schedule	Covid disruption and Local Government Election date change impacted the Heritage and Parramatta Traffic Committee approvals. Construction now anticipated to commence in FY23.
Federal and State Governments Stimulus Funding	-	227	2,453	2,680	332	In Progress - on track	Additional Grant funding
AF1 Dence Park Pool	2,453	2,483	(2,196)	287	165	Progressing - behind schedule	PCG working through options. Current scheme is greater than project budget. Assessing alternative sites and scope of works.
Pedestrian Bridge Works - Morton/Alfred	-	8,102	(2,102)	6,000	1,794	Progressing - behind schedule	Delayed commencement of construction to address Heritage NSW requirements and protracted inclement weather during Feb & March 2022.

Capital Variances

Variance in capital works in excess of \$500k (cont.).

\$'000	2021/22 Original Budget	Current Budget	Proposed Adjustments	March QR	March YTD Actual	Project Status	Comment
Southern Precinct Renewal Project	2,046	2,078	(1,548)	530	330	Progressing - behind schedule	Covid disruption and Local Government Election date change impacted the Heritage and Parramatta Traffic Committee approvals. Additionally delays in approval from Transport for NSW. Construction now anticipated to commence in FY23.
Sturt and Acacia Park Upgrades	3,556	2,522	939	3,461	2,837	In Progress - off track	Project expected to complete by Sep 2022. All remaining funding to be spent before the financial year.
Implementation of The Milson Park Masterplan	1,188	1,419	(790)	629	323	Progressing - behind schedule	Inclement weather delays and Covid disruption plaguing project completion. Revised to FY23.
IT Works Upgrade Program	2,755	1,203	(641)	563	-	In Progress - off track	This program funds the ICT projects and Capital tasks during FY22, which are being rescoped. The variance has been allocated to defined ICT projects per the ICT roadmap.
Charles Street Square Works	4,052	3,612	(612)	3,000	414	Progressing - behind schedule	Delayed commencement of construction to address Sydney Water and Heritage NSW requirements and protracted inclement weather during Feb and March 2022.
PRUAIP - FS Garside	1,000	912	(517)	396	326	Progressing - behind schedule	Covid disruption plaguing project progression. Construction now anticipated to commence in FY23.
Multi-Level Car Parking Upgrade	3,500	750	(505)	245	-	Progressing - behind schedule	Project funding was dependent on proceeds from an asset sale which Council recently received. Expected progression to tender in FY23.

Reserve Balance Summary

The following table provides a forecast of Councils restricted cash (internally and externally restricted reserves) and the forecast movements to and from reserves for the 2021/22 March Forecast.

	Original Budget 2021/22 \$'000	Approved Changes \$'000	Current Budget \$'000	Proposed Adjustments \$'000	Mar QR \$'000	Actuals as at 31 March 2022 \$'000
<u>Externally Restricted Cash Reserves:</u>						
Domestic Waste Management	30,243	14,255	44,498	270	44,768	52,323
Grants and Contributions	34,224	(5,261)	28,963	22,817	51,780	49,822
Developer Contributions	109,877	1,208	111,085	17,941	129,026	137,148
Special Rates	6,674	(1,177)	5,497	1,889	7,386	10,416
Stormwater Levy	1,224	80	1,304	182	1,486	2,135
Cultural Reserve	33,854	716	34,570	1	34,571	34,754
Total Externally Restricted Cash Reserves	216,096	9,821	225,917	43,099	269,017	286,597
<u>Internally Restricted Reserves:</u>						
Employee Leave Entitlements	6,400	0	6,400	1	6,401	6,400
Parking Meters	1,112	(1,290)	(178)	349	170	273
Property Development Reserve	219,662	61,144	280,806	1,908	282,714	265,799
CBD Infrastructure	1,025	(680)	345	477	822	768
Ward Works	498	(241)	257	(64)	193	315
Total Internally Restricted Cash Reserves	228,697	58,934	287,631	2,669	290,300	273,555
Total Restricted Reserves	444,793	68,755	513,548	45,769	559,317	560,152
Working Funds Reserve	61,281	6,846	68,127	9,436	77,563	136,858

Council's cash position estimates an **unrestricted balance of \$77.6m** as of end of Jun 2022, against the \$136.9 million recorded as at 31st March. The unrestricted balance will continue to diminish as Council expends it on operational expenses and capital projects during the last quarter of the financial year. The funds have been invested in accordance with Council's investment policy.

Tender Contracts Awarded

The following table provides a list of tender contracts for specific works for the period 1 January to 31 March 2022.

Council Meeting Approval Date	Term	Contractor	Description	Tender Number	Contract Amount (excl. GST)	Budgeted (Y / N)
7-Feb-22	3 years plus 2 x 1 year options	Rentokil Initial Trading as Initial Hygiene	Hygiene Services	23/2021	\$1,900,000	Y

External Legal & Consultancy Fees

The following table provides a total of Legal & Consultancy services to 31st March 2022. External Legal fees have been adjusted in the March QBRS to allow for increased costs of appeal items related to Land & Environment Court appeal matters, which were not forecast.

Expense	Expenditure YTD \$'000	Budgeted (Y/N)
External Legal Fees	1,030	N
Consultancy Fees	1,659	Y

A consultant is a person or organisation engaged under contract on a temporary basis to provide recommendations or high-level specialist or professional advice to assist decision making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors.

Where any expenses for Consultancy or Legal Fees (including Code of Conduct expenses) have not been budgeted for, an explanation is to be given. Report on external expenses only (not internal expenses).

RESPONSIBLE ACCOUNTING OFFICERS REPORT

Responsible Accounting Officer's Statement

Quarterly Budget Review

For the period 1 January 2022 to 31 March 2022

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005:

It is my opinion that the Quarterly Budget Review statement for the City of Parramatta Council for the quarter ended 31/03/2022 indicates that Council's projected financial position at 30/6/2022 will be satisfactory at year-end, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

John Angilley
Responsible Accounting Officer

FOR FURTHER INFORMATION

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