

QUARTERLY BUDGET REVIEW STATEMENT

CITY OF PARRAMATTA COUNCIL

December 2021 Quarter



Contents

Executive Summary.....	3
December 2021 Financial Statements & Movements	4
Directorate P&L Summary	6
Capital Expenditure Statement.....	8
Capital major works	9
Capital variances	10
Reserve Balance Summary.....	13
Tender Contracts Awarded	14
RESPONSIBLE ACCOUNTING OFFICERS REPORT	15

Executive Summary

RECOMMENDATIONS

That Council adopt the December 2021 Quarterly Budget Review Statement and the Responsible Accounting Officer's report on the financial position of the Council.

Net Operating results excluding Capital revenue is forecasted to be at \$34.1m surplus, which is \$41.0m better than September Forecast.

Excluding the favourable variance of \$47.3m on Gain on asset disposal for City Centre car park and 70 Macquarie St, the Net Operating result is forecasted at Net deficit of (\$12.7m), which is (\$6.3m) worse than September Forecast (QR: \$6.3m).

Key Highlights :

- Cash reductions to the P&L :
 - COVID impact to revenues of \$2.7m
 - Sydney Metro Rates adjustment of \$1.7m
- Council approved reductions to the P&L :
 - OCBD Dining Project for \$2.2m
- Non-Cash / reclassification reductions to the P&L (i.e. nil impact on the unrestricted cash result):
 - WIP to Opex reclass of expenses for SAAS items totalling \$2.8m
 - WIP to Opex reclass of expenses for Non-SAAS items totalling \$1.7m
- Benefits to the P&L :
 - Improved Operating Grants of \$0.9m, reduced Councillor training and travel fees of \$0.9m, vacancies savings of \$0.6m, reduced depreciation & amortisation expenses of \$0.5m, and a reduction in other discretionary expenses of \$0.3m.

December 2021 Financial Statements & Movements

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

\$'000	2021/22 Original Budget	Approved Adjustments	Current Budget	Proposed Adjustments	December QR	December YTD Actual
Income						
Rates & Annual Charges	203,395	1,751	205,146	(1,898)	203,249	204,303
User Charges & Fees	31,513	(4,577)	26,936	(961)	25,976	10,893
Other Revenue	15,804	(154)	15,649	(401)	15,249	6,251
Interest	6,289	723	7,012	(0)	7,011	3,665
Operating Grants	19,688	(1,167)	18,522	910	19,431	4,874
Capital Grants	36,671	13,349	50,020	5,923	55,943	17,850
Operating Contributions & Donations	2,564	3,547	6,110	(121)	5,990	4,528
Capital Contributions & Donations	29,080	(7,884)	21,195	9,092	30,287	16,861
Internal Revenue	15,492	127	15,619	148	15,767	5,826
Gain in Share in Joint Venture	800	(200)	600	(200)	400	-
Total Operating Revenue	361,296	5,514	366,810	12,492	379,302	275,053
Expense						
Employee Costs	131,841	4,029	127,812	(510)	128,322	61,935
Borrowing Costs	1,489	472	1,018	(98)	1,116	566
Materials & Contracts	58,331	517	57,814	(4,370)	62,184	25,593
Depreciation & Amortisation	51,995	(166)	52,162	522	51,640	25,295
Other Operating Expenses	49,682	1,540	48,143	1,129	47,014	20,416
Internal Expenses	14,918	(105)	15,023	(459)	15,482	5,811
Total Operating Expenses	308,257	(6,285)	301,972	(3,786)	305,757	139,616
Operating Surplus/Deficit	53,039	11,799	64,839	8,706	73,545	135,437
(Loss)/Gain on Asset Disposal	(2,500)	1,958	(542)	47,287	46,745	(445)
Net Operating Result	50,539	13,758	64,297	55,993	120,290	134,991
Operating Surplus/(Deficit) before Capital	(15,211)	8,293	(6,918)	40,979	34,060	100,280

KEY MOVEMENTS

The net operating result before capital revenue is \$41.0m higher than the September Forecast. This is principally driven by a \$47.3m increase in gain on disposal of the City Centre carpark & 70 Macquarie St.

Revenue – better by \$12.5m:

- **\$5.9m Capital Grants** – mainly due to City Assets receiving higher grants from Dept of Infra & Planning.
- **\$9.1m Capital Contributions & Donations** - \$10m received for Public Domain.
- **\$0.9m Operating Grants** - \$0.4m from DPIE Pilot program and \$0.5m State Library grants to PHIVE expected to be received by March.
- **(\$1.9m) Rates & Annual Charges** – mainly due to an adjustment in Sydney Metro rate of (\$1.7m)
- **(\$1.0m) User Charges and Fees** - (\$0.4m) reduction of income from venues/parks & ovals due to extension of the 50% waiver for permanent hires, (\$0.4m) attributable to the cancellation of Riverside shows.

Expenses – better by \$43.5m:

- **Gain on asset disposal \$47.3m** – P&P gain on asset disposal due to recognition of the City Centre car park and 70 Macquarie St
- **(\$0.5m) Employee Costs** – (\$0.6m) Reclassification of HRMS, (\$0.5m) Reclassification of ICT capital projects, (\$0.8m) Reinstatement of worst case redundancy provision for PHIVE and Library org redesign, (\$0.2m) Rectification of P&C establishment, (\$0.3m) City Planning vacancies due to restructure, (\$0.3m) Transfer ex staff entitlements from other councils and (\$0.3m) for under recovery on Capital Projects.
- **(\$4.4m) Materials & Contracts** – (\$2.2m) P&P due to CBD Outdoor dining project, (\$0.9m) HRMS project reclass, (\$0.8m) Community Services due to capital WIP reclass to opex for 5PS business planning, (\$0.3m) Councillor support consulting, (\$0.1m) Future workplace.
- **\$1.1m Other Operating Expense** – \$0.9m executive office savings due to reduced councillor training and travel fees, and a \$0.3m savings from cancellation of Riverside shows.

Directorate P&L Summary

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

\$'000	2021/22 Original Budget	Approved Adjustments	Current Budget	Proposed Adjustments	December QR	December YTD Actual
Income						
Corporate Services & Executive Office	179,698	1,230	180,928	(1,628)	179,300	168,814
City Engagement and Experience	504	140	644	691	1,334	359
City Strategy	4,018	(1,967)	2,052	25	2,076	83
Property & Place	36,930	11,828	48,759	1,625	50,384	18,822
City Assets and Operations	83,411	10,033	93,445	2,196	95,641	61,375
Community Services	14,275	(1,649)	12,625	(503)	12,123	4,731
City Planning and Design	42,459	(14,101)	28,358	10,086	38,444	20,869
Total Income	361,296	5,514	366,810	12,492	379,302	275,053
Expense						
Corporate Services & Executive Office	47,641	1,571	46,069	(8,293)	54,362	27,257
City Engagement and Experience	19,916	372	19,544	(669)	20,214	8,382
City Strategy	11,197	(112)	11,309	657	10,652	4,846
Property & Place	27,118	552	26,566	(1,401)	27,968	11,396
City Assets and Operations	136,707	(72)	136,778	6,352	130,426	63,676
Community Services	43,872	3,247	40,625	(112)	40,737	14,772
City Planning and Design	21,806	727	21,079	(321)	21,400	9,287
Total Expense	308,257	6,285	301,971	(3,787)	305,758	139,616
(Loss)/Gain on Asset Disposal	(2,500)	1,958	(542)	47,287	46,745	(445)
Net Operating Result	50,539	1,187	64,297	63,566	120,290	134,991
Operating Surplus/(Deficit) before Capital	(15,211)	6,652	(6,918)	40,978	34,060	100,280

KEY MOVEMENTS BY DIRECTORATE

- City Assets & Operations - favourable to September forecast by \$7.6m mainly due to improvements in Capital Grants of \$4.6m.
- Property & Place - \$48.1m favourable to September forecast mainly due to the gain on disposal of City Centre car park and 70 Macquarie St (\$43.7m).
- City Planning - \$9.8m favourable to September forecast due primarily to an increase in Capital contributions for Public Domain.
- Community Services - (\$0.6m) unfavourable compared to September forecast mainly due to the drop in venues / park hire fees and cancellation of Riverside shows.
- City Strategy - \$0.7m favourable variance to September forecast due to savings in Employee expenses and M&C costs.
- Corporate Services/Exec Office - (\$7.7m) unfavourable to September Forecast mainly due to increases in M&C costs of (\$6.5m) and in Employee costs by (\$2.5m).
- City Engagement & Experience – in line with September Forecast.

Capital Expenditure Statement

Table 1.4: Expenses by category summarises the key movements in capital expenses by directorate.

\$'000	2021/22 Original Budget	Approved Adjustments	Current Budget	Proposed Adjustments	December QR	December YTD Actual
Capital Expenditure						
Corporate Services & Executive Office	6,565	193	6,758	(1,603)	5,155	1,102
City Strategy	1,383	(783)	600	502	1,102	10
Property & Place	237,234	31,197	268,431	(9,439)	258,992	111,619
City Assets and Operations	44,016	18,562	62,578	(20,838)	41,740	8,605
Community Services	5,522	1,297	6,819	(2,248)	4,571	1,477
City Planning and Design	17,018	(14,900)	2,119	(107)	2,012	406
Total Capital Expenditure	311,739	35,566	347,304	(33,733)	313,571	123,219
Funding Source						
Transfer From Special Rates Reserve	4,158	561	4,718	112	4,830	371
Transfer From Domestic Waste Reserve	14,093	-	14,093	(13,593)	500	72
Transfer From Section 94	51,090	19,521	70,611	(19,028)	51,583	8,351
Transfer From Grants & Contributions Reserves	49,626	15,297	64,924	7,807	72,730	13,157
Transfer From Stormwater Levy Reserve	473	70	543	-	543	1
Transfer from Internally Restricted Reserves	192,300	117	192,417	(9,032)	183,385	100,822
Total Funding Source	311,739	35,566	347,304	(33,733)	313,571	122,774
Net Budget Result	0	0	0	(0)	(0)	445

Capital major works

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

\$'000	Funding	Original Budget	December QR	2022/23	2023/24	2024/25	Project Update
1. 5 Parramatta Square Development - New Council Facilities	PDG Reserve	52,407	65,042	-	-	-	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	s7.12, PDG Reserve	20,547	27,020	-	-	-	The Public Domain is set to open circa June 2022
3. Aquatic Leisure Centre Parramatta	Grant, s7.11, PDG Reserve	40,038	45,155	34,967	-	-	Aquatic centre on track to open circa May 2023
4. Future Workplace Project	PDG Reserve	70,000	64,259	-	-	-	Purchase price of 9 Wentworth
5. F.S Garside Park Upgrade	Grant,CIP3.3 Reserve	1,000	912	10,099	3,500	-	Detailed design 80% complete. Construction scheduled to commence from July 2022 with a 12 month construction program.
6. Rydalmere Park Masterplan	Grant	7,409	7,442	-	-	-	New Public Domain at Rydalmere park
7. Charles St Square	Grant, s7.11	4,052	3,612	5,975	-	-	Construction scheduled to commence late February 2022. Finalising pre-construction documentation and scheduling with the construction contractor. Project scheduled for completion by end 2022. Current 2021/22 budget of \$3,612,015 aligns with expected expenditure.
8. Alfred St Bridge	Reserve Grant	-	8,102	-	-	-	Construction progressing and on track. Site establishment work currently in progress with piling commenced on the northern bank of the Parramatta River. Project scheduled for completion by December 2022. Current 2021/22 budget of \$8,101,958 aligns with expected expenditure.

Capital major works

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

\$'000	Funding	Original Budget	December QR	2022/23	2023/24	2024/25	Project Update
9. Riverside Theatres Redevelopment	PDG Reserve	5,000	1,000	40,000	55,000	-	PCG working through options. Current scheme is greater than project budget. Looking to either find more funds or reduce scope of works
10. Civic Link	s7.11	1,320	415	3,000	8,000	7,300	Design Consultancy appointed for development of Brief and Design Strategy. Liaison with Sydney Metrowest ongoing to coordinate projects.
11. Dence Park Pool	Grant, s7.11	2,453	2,483	15,866	6,045	-	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	December QR	December YTD Actual	Project Status	Comment
1. Community Recycling Facility	15,000	15,000	(14,700)	300	-		Budget has been reduced to reflect design work that needs to occur this financial year before implementation in years 2022/23 & 2023/24.
2. Upgrade of theTown Hall	9,114	11,957	(3,930)	8,028	245	Progressing - behind schedule	Increased total budget to \$20m with variation of \$10m. New updated design, delivery expected circa November 2022
3. Charles Street Square Works	4,052	7,354	(3,742)	3,612	72	Progressing - on track	Construction scheduled to commence late February 2022. Finalising pre-construction documentation and scheduling with the construction contractor. Project scheduled for completion by end 2022. Current 2021/22 budget of \$3,612,015 aligns with expected expenditure.

Capital variances

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

\$'000	2021/22 Original Budget	Current Budget	Proposed Adjustments	December QR	December YTD Actual	Project Status	Comment
4. Newington Reserve Upgrade	3,000	3,000	(2,680)	320	116	Progressing	Detailed design completed for both the Field and Pavilion. Sourcing additional funding due to high costs associated with addressing soil contamination. Anticipate to commence construction by September 2022. It is proposed to reduce the 2021/22 budget to \$320,000 and increase 2022/23 proposed budget by additional \$2,680,000
5. Aquatic Centre Parramatta	40,038	47,811	(2,656)	45,155	14,600	Progressing - on track	Aquatic centre on track to open circa May 2023
6. Parramatta Square Public Domain Development	20,547	29,281	(2,261)	27,020	689	Progressing - on track	Stage 3 to open in June 22 with Leigh place works delayed to FY23
7. Roads Renewal Program	9,000	9,000	(2,000)	7,000	1,018	Progressing - behind schedule	Budget for 2021/22 FY reduced to \$7M due to covid lockdown and prolonged wet weather conditions. Restore budget to \$9M in 2022/23 FY and increasing to \$10M in 2023/24 FY.
8. HR Systems Review	1,535	1,535	(1,535)	-	-		Moved to an Operational project.
9. Carter Street Regional Cycleway	-	1,767	(1,517)	250	11	In progress	Project is currently on community consultation and will be reported to Parramatta Traffic Committee and Council.
10. Parramatta Square Public Art	3,010	4,072	(1,362)	2,710	1,399	In progress	Two public artworks have been commissioned. One public artwork contract executed. Other contract finalised and to be executed in Q2. Works to be completed by June 2022.
11. Asbestos Remediation Works Program	2,841	2,841	(1,300)	1,541	56	Progressing - on track	Rolling program to manage James Hardie Legacy Sites
12. Epping Community Hub	1,515	2,929	(1,203)	1,725	297		Updated phasing of project

Capital variances

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

\$'000	2021/22 Original Budget	Current Budget	Proposed Adjustments	December QR	December YTD Actual	Project Status	Comment
13. Sturt and Acacia Park Upgrades	3,556	3,345	(823)	2,522	1,263		Construction commencement delayed due to covid restrictions
14. Drainage Improvements in Growth Areas	650	650	(650)	-	-	Progressing on-track	PRC approved program, works commencing shortly
15. Boronia Park Building Amenities Upgrade	1,422	1,422	(550)	872	103	Progressing on-track	In construction phase.
16. Kerb & Gutter Renewal Program	2,000	2,000	(500)	1,500	217	Progressing on-track	PRC approved program, works commencing shortly
17. Footpath Renewal Program	1,680	1,680	(500)	1,180	251	Progressing on-track	PRC approved program, works commencing shortly
18. Parramatta Light Rail MFP CAP	-	-	600	600	-		\$600k to paid to TfNSW this financial year for installation of smart poles. the remaining \$600k to be paid next FY.
19. PRUAIP - Good and Bridge Street	4,241	7,741	604	8,345	929		Anticipated compensation for the Compulsory Acquisition of site increased based on Valuer Generals review per Compulsory Acquisition Act
20. AF1 Dence Park Pool	2,453	1,790	693	2,483	153	Progressing - behind schedule	Development of Business case.

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 December Forecast.

	Opening Balance	Transfers to	Transfers from	Closing Balance	Actuals as at 31 December 2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Externally Restricted Reserves:					
Domestic Waste Management	37,388	10,350	(3,240)	44,498	61,262
Grants and Contributions	47,116	59,879	(78,032)	28,963	50,238
Developer Contributions	130,648	31,970	(51,533)	111,085	138,959
Special Rates	12,946	156	(7,605)	5,497	11,917
Stormwater Levy	1,648	2,088	(2,432)	1,304	2,871
Cultural Reserve	36,854	516	(2,800)	34,570	35,454
Total Externally Restricted Reserves	266,600	104,959	(145,641)	225,917	300,701
Internally Restricted Reserves:					
Employee Leave Entitlements	6,400	0	0	6,400	6,400
Parking Meters	41	1,405	(1,624)	(178)	88
Property Development Reserve	383,642	52,663	(155,498)	280,806	283,672
CBD Infrastructure	0	2,346	(2,001)	345	535
Ward Works	498	0	(241)	257	445
Total Internally Restricted Reserves	390,581	56,413	(159,364)	287,631	291,140
Total reserves	657,181	161,372	(305,005)	513,554	591,847
Working Funds Reserve	66,446	36,310	(34,628)	68,127	74,746
Total investments cash and receivables	723,627	197,682	(339,633)	581,676	666,593

Council's cash position sees an **unrestricted balance of \$74.7 million** as at 31 December 2021. The unrestricted balance will continue to diminish as Council expends on operational costs and capital projects during 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 approved for specific works for the period 1 October to 31 December 2021.

Council Meeting Approval Date	Term	Contractor	Description	Tender Number	Contract Amount (excl. GST)
25-Oct-21	Extent of work	Regal Innovations Pty Ltd	Charles Street Square, Parramatta - Civil, Landscape and Building Works	12/2021	\$8,494,202
25-Oct-21	Extent of work	Woods Bagot	Future Workplace Project Management Services	34/2021	\$1,262,232.00
22-Nov-21	Extent of work	Civx Pty Ltd	Traffic Control Signal (TCS) upgrade and associated civil works in Fitzwilliam Road, at Binalong Road & Reynolds Street, Old Toongabbie	31/2021	\$892,053.20
25-Oct-21	3 years plus 2 x 1 year options	Sam The Paving Man	Minor Civil Works	2/2021	\$5.5million pa
25-Oct-21	3 years plus 2 x 1 year options	Ally Property Services Pty Ltd	Minor Civil Works	2/2021	\$5.5million pa
25-Oct-21	3 years plus 2 x 1 year options	EzyPave	Minor Civil Works	2/2021	\$5.5million pa
25-Oct-21	3 years plus 2 x 1 year options	KK Civil Engineering	Minor Civil Works	2/2021	\$5.5million pa
25-Oct-21	3 years plus 2 x 1 year options	Dracon Civil Pty Ltd	Minor Civil Works	2/2021	\$5.5million pa
25-Oct-21	3 years plus 2 x 1 year options	Mack Civil Pty Ltd	Minor Civil Works	2/2021	\$5.5million pa
25-Oct-21	3 years plus 2 x 1 year options	Altus Traffic Pty Ltd	Event Traffic Management Services	26/2021	\$1,175,000
25-Oct-21	3 years plus 2 x 1 year options	Clean Vibes Pty Ltd	Event Waste Management Services	29/2021	\$700,000
25-Oct-21	3 years plus 2 x 1 year options	Australian Concert and Entertainment Security Pty Ltd (trading as ACES Group)	Event Security and Associated Services Part A) Event Security Services	30/2021	\$1,725,000

25-Oct-21	3 years plus 2 x 1 year options	Australian Concert and Entertainment Security Pty Ltd (trading as ACES Group)	Event Security and Associated Services Part B) Event Risk Assessment and Emergency Management Planning Services (Associated Services)	30/2021	\$125,000
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RESPONSIBLE ACCOUNTING OFFICERS REPORT

Responsible Accounting Officer's Statement

Quarterly Budget Review

For the period 1 October 2021 to 31 December 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 31/12/2021 indicates that Council's projected financial position at 30/06/2022 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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