

QUARTERLY BUDGET REVIEW STATEMENT

CITY OF PARRAMATTA COUNCIL

December 2022 Quarter



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Executive Summary

RECOMMENDATIONS

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

Underlying Net Operating Result (excl Capital & Asset Disposals) of \$0.9m is \$35k better than the September Forecast.

The Net Operating result excluding capital is forecasted at Net surplus of \$8.2m, which is \$10.8m higher than September Forecast.

Key Highlights:

- Improvements to the P&L:
 - Interest income +\$3.3m - higher return on Term Deposits
 - Vacancies savings +\$1.1m
 - Uplift in Fine Revenue +\$0.4m

- Reductions to the P&L:
 - Increase in Materials & Contracts (\$1.5m)
 - Increase in Other Opex (\$1.2m)
 - Increase in Depreciation (\$2.4m)

December 2022 Financial Statements & Movements

The City of Parramatta's financial position is reflected in the following pages of the 2022-23 December Quarterly Review.

\$'000	2022/23 Original Budget	Approved September Adjustments	Current Budget	Proposed Adjustments	December QR	December YTD Actual
Income						
Rates & Annual Charges	211,246	41	211,287	462	211,749	211,581
User Charges & Fees	34,325	2,393	36,718	(105)	36,614	16,181
Other Revenue	20,720	(1,126)	19,594	360	19,954	7,944
Interest	8,581	2,874	11,455	3,310	14,765	7,211
Operating Grants	20,224	3,640	23,865	(376)	23,489	5,155
Capital Grants	45,755	14,115	59,869	795	60,665	19,455
Operating Contributions & Donations	3,167	(224)	2,943	307	3,249	705
Capital Contributions & Donations	14,872	1,451	16,323	7,383	23,706	12,379
Internal Revenue	15,239	(7,115)	8,123	2,956	11,080	4,406
Gain in Share in Joint Venture	500	-	500	-	500	-
Total Operating Revenue	374,628	16,050	390,677	15,093	405,770	285,017
Expense						
Employee Costs	136,897	2,357	134,539	1,101	133,439	67,512
Borrowing Costs	425	(131)	555	(21)	576	340
Materials & Contracts	60,947	(7,068)	68,014	(1,471)	69,485	28,635
Depreciation & Amortisation	49,652	(4,381)	54,033	(2,351)	56,384	27,302
Other Operating Expenses	47,455	(885)	48,340	(1,182)	49,522	22,821
Internal Expenses	16,017	9,032	6,986	(5,527)	12,513	2,841
Total Operating Expenses	311,392	(1,076)	312,467	(9,450)	321,918	149,452
Operating Surplus/Deficit	63,236	14,974	78,210	5,642	83,852	135,565
Loss/(Gain) on Asset Disposal	-	4,573	4,573	(13,289)	(8,716)	(9,127)
Net Operating Result	63,236	10,401	73,637	18,931	92,568	144,692
Operating Surplus/(Deficit) before Capital	2,610	(5,165)	(2,556)	10,753	8,198	112,858
Underlying Operating Surplus / (Deficit) (ex Capital & Asset Disposals)	3,388	(2,508)	880	35	915	102,166

KEY MOVEMENTS

The net operating result before capital revenue is \$10.8m higher than September Forecast and higher by \$18.9m (incl. Capital revenue).

Revenue – favourable by \$15.1m:

- **\$7.4m Capital Grants & Contributions** – Mainly driven by additional \$7.8m developer contributions & \$1.1m Parramatta Aquatic Centre Grant.
- **\$3.3m Interest** – current global investment outlook, higher return on Term Deposits, and Council approved revised Investment Policy.
- **\$0.5m Rates & Annual Charges** – Mainly from higher CBD rates.
- **\$0.4m Other Revenue** – Events revenue for Parramatta Nights Recovery program.
- **\$3.0m Internal Revenue** – Reallocation of Fleet charge-out between Internal Expense/Revenue.

Expenses – unfavourable by (\$9.5m):

- **(\$2.4m) Depreciation & Amortisation** – (\$1.1m) Revaluation of Right to use assets, (\$0.6m) Roads & (\$0.6m) Open Space.
- **(\$1.5m) Materials & Contracts** – (\$1.3m) Legal fee property assets, (\$0.5m) marketing for Parramatta Aquatic Centre opening. Offset with \$0.3m lower consultancy costs for HR system implementation.
- **(\$1.2m) Other Operating Expense** – (\$0.6m) Events & Festivals – Parramatta Lanes, Live music program, New Years Eve celebrations; (\$0.3m) increase in bank charges; (\$0.2m) State Emergency Services.
- **\$1.0m Employee Costs** – Vacant positions across the organisation continue to provide cost savings to budget.
- **(\$5.5m) Internal Expense** – Reallocation of Fleet charge-out between Internal Expense/Revenue.
- **\$13.3m Gain on asset disposal** – Revaluation of Buildings \$7.0m, Roads \$2.1m, Footpaths \$2.5m.

Directorate P&L Summary

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

\$'000	2022/23 Original Budget	Approved September Adjustments	Current Budget	Proposed Adjustments	December QR	December YTD Actual
Income						
Corporate Services & Executive Office	185,781	2,762	188,543	4,119	192,662	175,438
City Engagement and Experience	954	201	1,156	270	1,426	865
City Strategy	1,612	687	2,298	20	2,319	762
Property & Place	44,466	39	44,506	2,416	46,922	20,915
City Assets and Operations	105,172	10,560	115,732	858	116,590	63,947
Community Services	17,036	(755)	16,281	(373)	15,907	7,217
City Planning and Design	19,606	2,556	22,162	7,783	29,945	15,874
Total Income	374,628	16,050	390,677	15,092	405,770	285,017
Expense						
Corporate Services & Executive Office	48,802	(1,574)	50,376	(1,824)	52,200	26,953
City Engagement and Experience	20,280	(1,463)	21,744	(180)	21,923	10,164
City Strategy	8,646	(124)	8,770	154	8,616	3,271
Property & Place	27,319	(7,718)	35,037	(1,319)	36,356	14,188
City Assets and Operations	136,368	6,496	129,872	(6,750)	136,623	64,895
Community Services	46,622	2,863	43,759	(222)	43,981	20,136
City Planning and Design	23,353	444	22,910	692	22,218	9,846
Total Expense	311,392	(1,075)	312,467	(9,450)	321,918	149,452
Loss/(Gain) on Asset Disposal	-	4,573	4,573	(13,289)	(8,716)	(9,127)
Net Operating Result	63,236	10,401	73,637	18,931	92,568	144,692
Operating Surplus/(Deficit) before Capital	2,610	(5,166)	(2,556)	10,753	8,198	112,858
Underlying Operating Surplus / (Deficit) (ex Capital & Asset Disposals)	3,388	(2,508)	880	35	915	102,166

KEY MOVEMENTS BY DIRECTORATE

- Corporate Services / Exec Office \$2.3m favourable - driven by Interest income adjustment, partly offset with increased depreciation costs due to revaluation of Right to use assets.
- CA&O's (\$5.9m) unfavourable mainly due to reduction in Capital Contributions and increase in depreciation from addition of roads & open spaces.
- Property & Place \$1.1m favourable mainly due to increase in Capital Grants, partly offset with increase in M&C costs and drop-in user fees & charges
- City Planning \$8.5m favourable mainly due to increase in additional \$7.8m developer contributions & \$1.1m Parramatta Aquatic Centre Grant.
- Community Services (\$0.6m) unfavourable mainly due to increase in M&C costs and decline in user fees & charges.
- City Engagement \$0.1m favourable driven by increase in CBD Parramatta Nights Grants.
- City Strategy \$0.2m favourable mainly due to vacant positions.

Capital Expenditure Statement

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

\$'000	2022/23 Original Budget	Approved September Adjustments	Current Budget	Proposed Adjustments	December QR	December YTD Actual
Capital Expenditure						
Corporate Services & Executive Office	4,638	195	4,832	232	5,064	1,558
City Strategy	300	284	584	-	584	34
Property & Place	104,343	41,237	145,580	(14,032)	131,548	53,333
City Assets and Operations	85,970	7,234	93,204	(2,440)	90,765	19,808
Community Services	7,872	2,491	10,363	(4)	10,359	1,461
City Planning and Design	5,900	(1,159)	4,741	(988)	3,753	481
Total Capital Expenditure	209,022	50,282	259,304	(17,232)	242,072	76,674
Funding Source						
Transfer From Special Rates Reserve	2,120	(670)	1,450	(413)	1,037	230
Transfer From Domestic Waste Reserve	14,900	260	15,160	(1,960)	13,200	13
Transfer From Section 94	50,897	13,237	64,135	(23,405)	40,730	13,142
Transfer From Grants & Contributions Reserves	50,539	1,170	51,710	2,835	54,545	18,831
Transfer From Stormwater Levy Reserve	560	-	560	320	880	38
Transfer from Internally Restricted Reserves	90,005	36,285	126,290	5,390	131,680	43,411
Total Funding Source	209,022	50,282	259,304	(17,232)	242,072	75,665
Net Budget Result	-	-	-	-	-	1,009

Capital Major Works

Key Capital works with Total project cost in excess of \$10m.

\$'000	Funding	Original Budget	Current Budget	December QR	2023/24	2024/25	2025/26	Project Update
1. Parramatta Square Public Domain Development	Working Funds; s94/s7.11	3,527	27,141	27,143	-	-	-	River Flow Capital costs to be finalized in design development including landscaping works that depart from base/reference design.
2. Aquatic Centre Parramatta	Working Funds; s94/s7.11; Grants	30,478	41,971	41,993	-	-	-	Handover from Lipman in April 2023, for operational readiness by July 2023.
3. 5 Parramatta Square Development - New Council Facilities	Working Funds	477	3,931	3,955	-	-	-	Facilities opened in Sep 2022. Rollover due to delays in opening facilities
4. Riverside Theatre Redevelopment	Property Reserve	-	1,155	1,174	99,000	-	-	Post-budget Council approval of \$1.0m to be spent on business case preparation and design competition, funded by Property Reserve.
5. Upgrade of The Town Hall	Property Reserve	15,755	21,641	23,103	-	-	-	Post-budget Council approval to increase budget to \$32m, design finalisation for Town Hall underway including AV and lighting.
6. Dence Park Pool	s94/s7.11; Grants	15,941	11,814	423	6,122	661	-	Awaiting engineers report to finalise scope and costs, Project rephased to future years. Targeting opening in summer 2024/25.

Capital Major Works

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

\$'000	Funding	Original Budget	Current Budget	December QR	2023/24	2024/25	2025/26	Project Update
7. Pedestrian Bridge Works - Morton/Alfred	Working Funds; Grants	8,598	12,356	12,357	-	-	-	Construction continuing, currently scheduled for completion in April 2023.
8. Civic Link Program (Capital)	s94/s7.11	1,715	753	477	4,213	13,202	-	Draft Design and Performance Brief developed, including implementation staging
9. Community Recycling Facility	DWM	10,000	14,960	13,000	-	-	-	Staff are currently identifying suitable sites within the Parramatta LGA. Staff still anticipate having acquired a site by 30 June 2023.
10. PRUAIP - Fs Garside	s94/s7.11; Grants	10,099	9,351	7,691	3,500	-	-	Estimated to be completed by October 2023.
11. Charles Street Square Works	s94/s7.11; Grants	6,767	7,923	7,923	-	-	-	Construction continuing and currently scheduled for completion in March 2023.

Capital Variances

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

\$'000	2022/23 Original Budget	Current Budget	Proposed Adjustments	December QR	December YTD Actual	Project Status	Comment
Af1 Dence Park Pool	15,941	11,814	(11,391)	423	55	Progressing - behind schedule	Project rephased to future years, est. completion 24/25.
Community Recycling Facility	10,000	14,960	(1,960)	13,000	13	In Progress - on track	Rephasing budget to FY24 to fund building centre.
Phillip Street Smart St Stage 2	1,872	2,700	(1,700)	1,000	409	In Progress - on track	Further grant funding secured for stage 2 (Your High St Grant and Places to Love Grants), majority of work rephased to be completed in FY24
PRUAIP - FS Garside	10,099	9,351	(1,660)	7,691	3,180	In Progress - on track	Remaining PRUAIP grant funding from other projects transferred to this project, est. completion November 2023.
Upgrade Of The Town Hall	15,755	21,641	1,462	23,103	6,923	In Progress - on track	Project budget increased to 32m, increase in Dec QR due to rephasing of expenditure, est. completion Oct 2023
Barrack Lane, Parramatta	1,300	1,300	(1,000)	300	14	In Progress	Budget reduced to align with anticipated progress and expenditure. This project is in the detailed design phase and requires extensive European/Aboriginal Heritage investigation and approval from Heritage NSW.
Major Drainage Construction At Lyndelle Place, Carlingford	1,060	1,300	(955)	345	-	Not yet started	WestInvest funding approved, rephased majority of work to be completed in FY24
WI Max Ruddock Reserve Amenities	-	-	453	453	-	Not yet started	Budget added in accordance with NSW Government WestInvest Funding Announcement.

Capital Variances

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

\$'000	2022/23 Original Budget	Current Budget	Proposed Adjustments	December QR	December YTD Actual	Project Status	Comment
WI Doyle Ground Sports Facility Improvements	-	-	769	769	-	Not yet started	Budget added in accordance with NSW Government WestInvest Funding Announcement.
Ermington Foreshore Stage 3	875	740	(700)	40	28	In Progress - on hold	Budget rephased to 2023/24 to align with TfNSW grant approval timelines.
22/23 Get NSW Active Program	-	-	607	607	98	In Progress - on track	Budget added in accordance with recently awarded Get NSW Active Program Grant from TfNSW.
WI Somerville Park Improvement	-	-	576	576	-	Not yet started	Budget added in accordance with NSW Government WestInvest Funding Announcement.
WI Let's Play at Kilpack	-	-	576	576	-	Not yet started	Budget added in accordance with NSW Government WestInvest Funding Announcement.
Council's Public Toilet Program - CBD	500	500	(500)	-	-	Cancelled	Project was funded by developer contributions which cannot fund the relocation of toilets outside of the CBD.
Stewart Street Reserve Upgrade	-	1,000	(500)	500	38	In Progress - on hold	Pending confirmation of grant funding

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 2022/23 December Forecast.

	2022/23 Original Budget \$'000	Approved Changes \$'000	Current Budget \$'000	Proposed Adjustments \$'000	Dec QR \$'000	Actuals as at 31 Dec2022 \$'000
<u>Externally Restricted Cash Reserves:</u>						
Domestic Waste Management	43,051	(4,603)	38,448	1,024	39,472	68,630
Grants and Contributions	32,618	17,108	49,727	(15,977)	33,750	33,654
Developer Contributions	138,773	(51,147)	87,626	31,277	118,903	135,095
Special Rates	8,572	(2,633)	5,939	522	6,462	7,875
Stormwater Levy	1,715	(350)	1,365	(269)	1,096	2,787
Cultural Reserve	34,054	705	34,759	0	34,759	34,054
Total Externally Restricted Cash Reserves	258,784	(40,920)	217,864	16,577	234,440	282,094
<u>Internally Restricted Reserves:</u>						
Employee Leave Entitlements	6,400	0	6,400	0	6,400	6,400
Parking Meters	414	184	598	62	660	102
Property Development Reserve	284,831	(89,330)	195,501	(7,451)	188,050	248,218
CBD Infrastructure	945	(945)	0	999	999	(297)
Ward Works	219	0	219	0	219	219
Total Internally Restricted Cash Reserves	292,809	(90,091)	202,718	(6,390)	196,328	254,642
Total Restricted Reserves	551,593	(131,012)	420,581	10,187	430,768	536,736
Working Funds Reserve	93,365	(2,339)	91,026	7,589	98,615	173,785

Council's cash position estimates an **unrestricted balance of \$98.6m** as of end of Jun 2023, against the \$173.8 million recorded as at 31st December. 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 October to 31 December 2022.

Council Meeting Approval Date	Term	Contractor	Description	Tender Number	Contract Amount (excl GST)	Budgeted
31-Oct-22	5 years	Grace Records Management	Secure Physical Offsite Storage and Services	14/2022	\$1,204,545	Y
28-Nov-22	4 + 2 + 4 Years	Perfect Gym Solutions ABN: 51 612 163 532	Leisure Facility Management System	21/2022	\$625,762	Y

External Legal & Consultancy Fees

The following table provides a total of Legal & Consultancy services to 31st December 2022.

Expense	Expenditure YTD \$'000	Budgeted (Y/N)
External Legal Fees	1,605	Y
Consultancy Fees	1,732	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 October 2022 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 31/12/2022 indicates that Council's projected financial position at 30/6/2023 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