

Agenda

BUDGET REVIEW AND EXPENDITURE COMMITTEE

7 APRIL 2020

Notice of Meeting

The next Meeting of the **Budget Review and Expenditure Committee** will take place via Video Conference (to be confirmed) on Tuesday, **7 April 2020** commencing at **5:00pm**.

Yours sincerely



ANDREW BRIEN
CHIEF EXECUTIVE OFFICER

30 March 2020

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AGENDA

1. OFFICIAL OPENING

2. ACKNOWLEDGEMENT OF COUNTRY

In accordance with the City of Bayswater's Reflect Reconciliation Action Plan November 2019-November 2020, the Presiding Member will deliver the Acknowledgement of Country.

Noongar Language

Ngalla City of Bayswater kaatanginy baalapa Noongar Boodja baaranginy, Whadjuk moort Noongar moort, boordiar's koora koora, boordiar's ye yay ba boordiar's boordawyn wah.

English Language Interpretation

We acknowledge the Traditional Custodians of the Land, the Wadjuk people of the Noongar Nation, and pay our respects to Elders past, present and emerging.

3. ATTENDANCE

Members

Cr Lorna Clarke	Chairperson
Cr Dan Bull, Mayor	
Cr Filomena Piffaretti, Deputy Mayor	
Cr Barry McKenna	
Cr Stephanie Gray	
Cr Giorgia Johnson	
Cr Steven Ostaszewskyj	

Officers

Mr Andrew Brien	Chief Executive Officer
Mr David Nicholson	Director Corporate and Strategy
Mr Doug Pearson	COVID-19 Response Coordinator
Mr George Rimpas	Acting Director Works and Infrastructure
Mr Des Abel	Director Community and Development
Mrs Linnet Solomons	Manager Financial Services
Ms Cassandra Flanigan	Executive Support / Research Officer
Ms Carol Newport	Personal Assistant

Observers

3.1 Apologies

3.2 Approved Leave of Absence

Nil.

4. DISCLOSURE OF INTEREST SUMMARY

In accordance with section 5.65 of the *Local Government Act 1995*:

A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by the member must disclose the nature of the interest -

- (a) in a written notice given to the CEO before the meeting; or
- (b) at the meeting immediately before the matter is discussed.

5. DELEGATED AUTHORITY BY COUNCIL

There are no items appearing in this agenda for which the Budget Review and Expenditure Committee has been granted delegated authority by Council in accordance with section 5.23(1)(b) of the *Local Government Act 1995*; this meeting is closed to the Public.

6. TERMS OF REFERENCE

1.	Objectives	The primary objective of the Committee is to provide guidance and oversight as part of the Budget process and workshops, as well as review and monitor monthly expenditure and delivery of significant or strategic financial commitments and financial and/or economic impacts on or by the City of major capital projects.
2.	Powers	The Committee does not have executive powers or authority to implement actions in areas over which the Chief Executive Officer has legislative responsibility and does not have any delegated responsibility. The Committee does not have any management functions and cannot involve itself in management processes or functions.
3.	Membership	<p>The Committee will consist of no less than five* Councillors (including the Chair) as sitting members of the Committee at all times, with all Councillors entitled to observe all meetings and access all information provided to the Committee.</p> <p>All members (other than observers) shall have full voting rights. Tenure of each member of the Committee is in accordance with s5.11 of the <i>Local Government Act 1995 (the Act)</i>, and other Councillors are appointed as Deputy Members in accordance with s5.11A of the Act. The Chief Executive Officer and other officers are not members of the Committee. The Chief Executive Officer or his/her nominee is to be available together with the Director Corporate and Strategy or his/her nominee to provide advice and guidance to the Committee. Other officers may attend as and when required. The City shall provide such administrative advice as may be required from time to time.</p> <p><i>*minimum three required under the legislation.</i></p>
4.	Meetings	The Committee will meet no less than six times a year.

5.	Order of business	<p>The order of business for Committee meetings shall be, or as near thereto as practicable:</p> <ul style="list-style-type: none"> • Official Opening; • Acknowledgement of Country; • Attendance; <ul style="list-style-type: none"> - Apologies - Approved Leave of Absence; • Disclosure of Interest; • Terms of Reference; • Confirmation of Minutes; • Presentations; • Deputations; • Reports; • General Business; • Confidential Items; • Next meeting date and closure.
6.	Roles and functions	<p>The roles and functions of the Committee are to:</p> <ul style="list-style-type: none"> (a) Guide and assist the City in determining the funding requirements for maintaining assets and meeting normal operational requirements; (b) Consider funding requirements for capital works projects, including major projects that are at risk of going over budget, and any adjustments required to the scope of major projects to meet budgetary limits. (c) Identify any cost offsets, or grant funding opportunities to reduce the financial impact of major projects on the budget and Long-Term Financial Plan. (d) Review expenditure reprioritisation opportunities to maintain alignment between the Long-Term Financial Plan and the Strategic Community Plan, Asset Management Plan, Workforce Plan, ITC Plan and other key planning documents. (e) Support the principles of long-term financial sustainability in the development of the annual budget and rate setting statement. (f) Provide support and direction for the development of policies relating to the City's financial sustainability, rating strategies, grant funding and investments. (g) Review and monitor expenditure reports and; (h) Support the budget workshops.
7.	Location	City of Bayswater Civic Centre
8.	Liaison Officer	Director Corporate and Strategy

7. CONFIRMATION OF MINUTES

The Minutes of the Budget Review and Expenditure Committee Meeting held on Tuesday, 18 February 2020, which have been distributed, be confirmed as a true and correct record.

Moved:

Seconded:

8. REPORTS

8.1 2019/20 Mid-Year Budget Review

Responsible Branch:	Financial Services	
Responsible Directorate:	Corporate and Strategy	
Authority/Discretion:	<input type="checkbox"/> Advocacy <input type="checkbox"/> Executive/Strategic <input checked="" type="checkbox"/> Legislative	<input type="checkbox"/> Review <input type="checkbox"/> Quasi-Judicial <input type="checkbox"/> Information Purposes
Voting Requirement:	Absolute Majority Required	
Attachments:	1. Statement of Budget Review by nature or type	

SUMMARY

To present the 2019/20 statutory mid-year budget review for the eight-month period 1 July 2019 to 29 February 2020 for consideration and adoption.

OFFICER'S RECOMMENDATION

That Council adopts the 2019/20 statutory mid-year budget review for the period ended 29 February 2020 as detailed in Attachment 1.

BACKGROUND

Regulation 33A of the *Local Government (Financial Management) Regulations 1996* requires the City to carry out a review of its annual budget for that year:

- “(1) *Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.*
- (2A) *The review of an annual budget for a financial year must -*
- (a) *consider the local government’s financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*
 - (b) *consider the local government’s financial position as at the date of the review; and*
 - (c) *review the outcomes for the end of that financial year that are forecast in the budget.*
- (2) *Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.*
- (3) *A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.*
**Absolute majority required.*
- (4) *Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.”*

EXTERNAL CONSULTATION

No consultation has occurred with the public or other agencies on this matter.

OFFICER'S COMMENTSa) Mid-year budget review overview

The City completed a review of its 2019/20 budget on 23 March 2020 and now recommends the review for adoption.

This review takes into account a number of factors including what has occurred during the first eight months of the fiscal year, the likely operating environment over the remaining four months under the current economic climate, and the expected impact on the City's financial position.

The focus of the review has been ensuring there is operational capacity to deliver the services and programs set out in the 2019/20 budget and to accommodate events and matters that have arisen since budget adoption. The review also seeks to ensure operating budget variations are managed.

The City of Bayswater's 2019/20 statutory mid-year budget review includes:

1. Statement of Budget Review - An analysis of material budget variances and impact on year-end results (**Attachment 1**). Overall the net reduction in revenue of \$1,610,000 caused by the closure of recreation facilities (COVID-19) will be funded by municipal accumulated surplus.
2. The amendment of the current budget to recognise changes in revenue or expenditure (**Attachment 1** and **Commentary** listed under 3b).
3. Proposed amendments to the budget that can be summarised as follows:

Adjustment	Adopted Budget \$	Amended Budget \$	Variance \$	Increase or Decrease
Revenue from operating activities (excludes rates)	36,897,184	35,060,478	(1,836,706)	Decrease
Expenditure from operating expenditure	(85,066,546)	(85,504,898)	(438,352)	Increase
Investing activities (net capital expenditure)	(13,813,155)	(11,241,151)	2,572,004	Decrease
Financial activities (transfer (to)/from reserves)	(1,276,995)	(3,497,972)	(2,220,977)	Increase
Rates	48,419,337	48,733,368	314,031	Increase
Budget review total adjusted (to be funded by municipal accumulated surplus)			(1,610,000)	

The outcome of the budget review shows a decrease in the operating revenue mainly due to the impact of COVID-19 resulting in the closing of the City's recreation facilities.

Operating expenditure shows a net increase mainly due to: the reclassification of the crossover expenses from a capital to operational nature; the reallocation of the Aged Care capital budget to operational budget for the divestment project; and other minor adjustments which are necessary in order to meet operational needs.

The budget review does not include an allocation of funds for the development of a fully-costed (estimated to be \$80,000) Renewable Energy and Emission Reduction Position and Action Statement (as per Council's resolution Item 10.3.2 OCM 20/8/19). Given the time of year and other priorities, this can be considered as part of the 2020/21 budget.

Another item that has not been included in this budget review is the allocation of funds for the review of the City's Information, Communication and Technology (ICT) (estimated to be \$60,000) as discussed at the Strategic Planning Workshop held on 1 February 2020. Given the time of year and other priorities, this can be considered as part of the 2020/21 budget.

With respect to COVID-19, a provisional sum of \$75,000 was approved at the Special Council Meeting on 18 March 2020. The funds were allocated to facilitate the City's COVID-19 response. In addition, it is anticipated the City will have a reduction of revenue of \$1,610,000 as a result of closing Bayswater Waves, The RISE and no longer accepting casual bookings for halls and reserves. The full extent of the reduction in expenditure is unknown at this time as the City is actively seeking to re-deploy the workforce and, in addition, looking at alternatives to deliver services to the community. It is proposed the reduction in income be funded from the municipal accumulated surplus.

The overall capital budget is lower than anticipated due to the major corresponding changes in account reclassification and reallocation of the aged care capital budget to operational budget. The City is withholding spending on capital works relating to golf courses pending investigation in relation to the management of golf courses. The unused funds will be transferred to the Golf Courses Reserve for future use.

The estimated net reserve movement is an increase in transfer to reserves compared to budget. As mentioned previously, this is the corresponding effect on the transfer of unused funds for capital works for future use.

To summarise, this review identifies the respective budget variations in operational projects, capital projects, contractual obligations, reserve transfers or emerging proposals, that have been fully funded by a combination of revenue and expenditure savings in other areas of the budget. Notwithstanding this, to fully realise service levels and capital projects for 2019/20 within approved budget levels, close monitoring of budgets is essential and will be provided as part of each end of month report to Council.

At this time, the full impact of COVID-19 on delivery of the capital works program is unknown. However, the City is anticipating supply delays for manufactured goods from China such as light fittings required for floodlight projects.

b) Commentary on Statement of Budget Review (by Nature and Type)

Refer to Statement of Budget Review (**Attachment 1**).

Revenue from operating activities (includes rates)

Nature or Type	Adopted Budget	Amended Budget	Variance Positive/ (Negative)
	\$	\$	\$
Rates	48,419,337	48,733,368	314,031
<ul style="list-style-type: none"> Subsequent to the initial rate notices issued to residents in July 2019, the City has levied interim rate notices because the gross rental value (GRV) of some properties has changed, due to, for example, the creation of new properties, improvements or additions to properties, etc. The total interim rates raised to date have been higher than anticipated. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
Operating grants, subsidies and contributions	10,603,679	10,942,745	339,066
<u>Material variances – Increase \$38,516</u> <ul style="list-style-type: none"> Received unbudgeted grants and contributions for projects such as <i>Stay On Your Feet</i>, Drainage Monitoring Program and Morley Drive median maintenance. 			
<u>Material variances - Decrease (\$3,450)</u> <ul style="list-style-type: none"> Emergency Services Levy (ESL) administration income is lower than anticipated due to the estimated ESL administration rates used during the budget process being higher than the actual rates. 			
<u>Accounts reclassification - Increase \$304,000</u> <ul style="list-style-type: none"> Moving crossover income from capital income to operational income category as the accounting treatment for this income has changed. 			
Fees and charges	22,465,673	20,293,783	(2,171,890)
<u>Material variances - Increase \$117,901</u> <ul style="list-style-type: none"> Received \$25,000 higher-than-anticipated revenue for items such as food business registrations, noise management plan applications and a successful health prosecution. Received \$52,901 for the unbudgeted contributions for removal of trees and facility hire fees. Received \$40,000 higher-than-anticipated fines and penalties due to the addition of a new community ranger. 			
<u>Material variances - Decrease (\$2,289,791)</u> <ul style="list-style-type: none"> Reduction in revenue from recreation facilities due to closure of Bayswater Waves, The RISE and no longer accepting casual bookings for halls and reserves (COVID-19) - \$1,659,825. Commercial waste revenue is lower than anticipated due to the economic downturn - \$57,622. Revenue from Embleton golf course is lower than budget due to the decrease in patronage - \$25,000. Maylands Waterland is no longer generating revenue due to its temporary closure - \$214,880. The City is no longer generating waste royalties income due to contract changes - \$324,664. Revenue from rates instalment charges is lower than anticipated as more residents choose to pay rates by direct debit instead of instalments - \$7,800. 			
Interest earnings	2,286.850	2,169,606	(117,244)
<ul style="list-style-type: none"> Revenue from interest earnings is lower than anticipated due to the reduction in the cash rate by the Reserve Bank. The rate used for the budget was approximately 2.6% compared to the average rate of 1.30% offered by the banks for a 6-month period. 			

Nature or Type	Adopted Budget	Amended Budget	Variance Positive/ (Negative)
	\$	\$	\$
On 19 March 2020, the Reserve Bank of Australia (RBA) reduced the cash rates to a historic low of 0.25%. This reduction was decided upon outside the RBAs regular monthly meetings and was in response to Australia's deteriorating economy as a result of COVID-19. The RBA is not expected to raise rates until progress is made toward full employment and when the board is confident inflation would be sustainable within a 2-3% target band. It's more likely the RBA will use other measures to ease the economy than cutting the cash rate further. As a result, term deposit rates are expected to remain low for some time.			
Other revenue	1,521,114	1,634,476	113,362
<u>Material variances – Increase \$158,362</u>			
<ul style="list-style-type: none"> The variances are the result of unbudgeted items such as utility reimbursements by tenants, rebates and refunds received from the City's insurance service provider. 			
<u>Material variances - Decrease (\$45,000)</u>			
<ul style="list-style-type: none"> Recycling rebates are lower than budget due to China's ban on buying recycled materials from overseas, hence lowering the price of plastic in the market - \$40,000. Revenue from legal cost reimbursements is lower than anticipated as fewer legal actions were required to recover debts - \$5,000. 			
Profit on asset disposals	19,868	19,868	0
<ul style="list-style-type: none"> Nil 			

Expenditure from operating activities

Nature or Type	Adopted Budget	Amended Budget	Variance Positive/ (Negative)
	\$	\$	\$
Employee Costs	(33,777,423)	(33,459,382)	318,041
<u>Material variances – Increase (\$124,973)</u>			
<ul style="list-style-type: none"> Implementing the option for Managers to be paid an allowance instead of receiving a motor vehicle in their remuneration package. The increase in employee costs will be compensated by savings in fringe benefit tax under the same employee costs category, and vehicle operating costs under the 'materials and contract' category - \$59,000. An increase in the premium of the workers compensation policy was required as the cost of claims during the year exceeded the threshold allowed - \$65,973. 			
<u>Material variances - Decrease \$443,014</u>			
<ul style="list-style-type: none"> Decrease in fringe benefit tax due to staff selecting the motor vehicle allowance option as part of their remuneration package - \$30,000. Decrease in employee costs is due to several vacant positions. These savings have been partially offset by the increase in agency labour hire costs which are detailed below in Materials and Contracts - \$288,739. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> The temporary closure of Maylands Waterland has achieved some savings on casual employee costs - \$81,581. Some savings on backfill costs by staff taking up extra duties to cover other officers' leave periods - \$20,000. Decrease in training due to the cancellation of courses as a result of COVID-19 - \$22,694. 			
Materials and contracts	(26,679,562)	(27,547,474)	(867,912)
<u>Material variances – Increase (\$901,403)</u>			
<ul style="list-style-type: none"> Agency labour hire is higher than anticipated due to several permanent staff vacancies throughout the year - \$258,532. Reallocation of funding from event budget pool to catering costs for events such as Australia Day BBQ, Citizenship Ceremony and Early Settlers - \$33,951. Additional funding is required under the Community Grants and Sponsorships program in order to complete the environmental maintenance program - \$19,700. Additional consultant fees are required in areas such as environment maintenance, information technology, website, Human Resources, procurement and business systems fixes and improvement - \$70,314. The City is due for an asset revaluation for its land and properties this year. The anticipated professional fee will be \$50,000, which is \$30,000 higher than the budgeted amount of \$20,000. Ranger Services require additional funds to enforce the Local Law and Cat Act in order to deal with excess cat issues - \$67,500. Aged Care spending is higher than budget, including Mertome Gardens maintenance costs - \$46,836; and the Aged Care Divestment Project - \$24,123. Reclassification of Aged Care budget for Mertome Gardens residents' access to Mertome Village facilities from the current 'Other Expenditure' category to the more appropriate 'Materials and Contracts' category - \$49,600. Legal expenses are higher than budget due to costs incurred in dealing with a complex employee relations matter, legal action against a supplier for non-compliance of contract and increased dog attack prosecutions - \$55,659. A number of other expenses are higher than budget in order to meet the requirements of operational functions and Occupational Safety and Health: minor equipment purchases - \$38,693; other expenses such as postage, program activities, marketing & promotion, contractors, printing and advertising/media - \$48,332. Other non-recurrent expenditure requires additional funds in order to complete projects (i.e. Land and Buildings Disposal / Acquisition Strategy, Walter Road West Corridor Planning and Senior Centres Review Implementation Project - \$40,163. Allocation of funds to demolish the dwelling and improvements at 472 Guildford Road, Bayswater (OCM 10.4.4 24/3/20) - \$25,000. Provision for COVID-19 emergency costs - \$75,000. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> Provision for COVID-19 direct small business support funded from the cancellation of the Town centre events - \$18,000. 			
<u>Material variances - Decrease \$853,491</u>			
<ul style="list-style-type: none"> Operational costs for Maylands Waterland are lower than budget due to closure of the facility - \$140,810. 			
<ul style="list-style-type: none"> Motor vehicle fuel and operating costs have reduced due to changes in staff remuneration packages. This reduction is partly offset by the corresponding increase in employee costs - \$31,400. 			
<ul style="list-style-type: none"> Reduced costs on Bayswater Town Site Design Guidelines Project as it will now be prepared by Development WA instead of the City - \$38,000. 			
<ul style="list-style-type: none"> Cost of goods sold decrease for recreation facilities due to the corresponding slowdown in sales - \$48,800. 			
<ul style="list-style-type: none"> Election expenses are lower than anticipated, as West Ward was not contested. - \$59,629. 			
<ul style="list-style-type: none"> Communication expenses are lower than budget due to the renegotiation of the contract with Telstra - \$111,966. 			
<ul style="list-style-type: none"> Savings from Community Development programs such as Annual Food Appeal, Education Scholarships, Great Gardens, North of Perth Music Festival, Community Grant Events, Kidsport, Young Services Leadership Program, Disability Access and Inclusion Program, Bayswater and Morley Community Centres' Podiatrist Services due to costs incurred being less than anticipated or allocated budgets not meeting the current service demand. - \$102,191. 			
<ul style="list-style-type: none"> Marketing costs are lower than budget due to the reduction in advertising in the Eastern Reporter for Councillors Column articles and advertorial - \$25,000. 			
<ul style="list-style-type: none"> Savings from Community Development for events cancelled due to COVID-19. These events include Anzac Day Ceremonies, Evening in the Park, Festival of Dance, Twilight Markets, Blue Ribbon Awards, Community Training and Information sessions, Naidoc Week, Disability Access, Inclusion Plan, RAP (REFLECT), National Volunteer Week, etc. - \$68,914. 			
<ul style="list-style-type: none"> Corresponding decrease in commercial waste collection expenditure due to lower demand in the competitive market - \$97,622. 			
<ul style="list-style-type: none"> Savings from major town centre events cancelled due to COVID-19. The savings will be used in providing direct small business support - \$18,000. 			
<ul style="list-style-type: none"> Other savings include gardens maintenance contractors, non-current expenses, office suppliers, bank transaction and merchant fees - \$111,159. 			
<u>Accounts reallocation – Increase (\$820,000)</u>			
<ul style="list-style-type: none"> Funding for the Aged Care Divestment/Future Planning Project. This funding is currently being classified under the capital budget category. It is more appropriate to move this to the 'operational' budget category as the spending cannot be capitalised as assets - \$200,000. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> Crossover expenses are currently being classified as capital works. It is more appropriate to reclassify these expenses from capital to operational as the spending cannot be capitalised as assets - \$620,000. 			
Utility charges	(3,588,875)	(3,425,416)	163,459
<ul style="list-style-type: none"> Some savings achieved due to the renegotiation of a contract - Maylands Waterland closure, use of solar panels and the use of a more efficient boiler system at Bayswater Waves. 			
Depreciation and amortisation	(12,004,239)	(12,004,239)	0
<ul style="list-style-type: none"> Nil 			
Insurance expenses	(723,950)	(814,890)	(90,940)
<ul style="list-style-type: none"> Public liability insurance has been under-budgeted. 			
Interest expenses	(1,000)	(1,000)	0
<ul style="list-style-type: none"> Nil 			
Loss on asset disposals	(465,686)	(465,686)	0
<ul style="list-style-type: none"> Nil 			
Other expenditure	(7,825,811)	(7,786,811)	39,000
<u>Material variances – Increase (\$11,000)</u> <ul style="list-style-type: none"> Unbudgeted bad debts write off - \$9,000. Refund of grant due to the cancellation of program activities for the Access and Inclusion Plan - \$2,000. 			
<u>Material variances - Decrease \$50,000</u> <ul style="list-style-type: none"> Reallocation of budget for Mertome Gardens to a more appropriate category (i.e. change from Other Expenditure to Materials and Contracts). 			
Total	(85,066,546)	(85,504,898)	(438,352)

Investing activities (net capital expenditure)

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
Non-operating grants, subsidies and contributions	2,893,517	2,617,105	(276,412)
<u>Material variances – Increase \$34,388</u> <ul style="list-style-type: none"> Received unbudgeted capital reimbursement from Olive Tree House for security improvement works completed on behalf of Interchange - \$3,521. Received unbudgeted Memorial Park seat contribution from donor - \$2,550. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> Received unbudgeted part capital contribution from Water Corporation for Slade Street pump system - \$9,232. Minister of Planning approved the release of Public Open Space (POS) fund for an existing project to install a bench and shelter at Eric Singleton Bird Sanctuary - \$19,085. <p><u>Material variances – Decrease (\$31,800)</u></p> <ul style="list-style-type: none"> Budgeted capital contribution will not eventuate due to Noranda City Football Club deciding not to progress with the project. <p><u>Accounts reclassification – Decrease (\$304,000)</u></p> <ul style="list-style-type: none"> Transfer crossover income from capital revenue to operational revenue as the crossover expenditure cannot be capitalised as assets. <p><u>New project – Increase \$25,000</u></p> <ul style="list-style-type: none"> Minister of Planning approved the release of Public Open Space (POS) funds to construct a multi-user access ramp at Hinds Reserve. 			
Purchase of property, plant and equipment (refer to capital list for details)	(6,734,363)	(6,212,063)	522,300
<p><u>Material variances – Increase (\$84,540)</u></p> <p>The existing capital projects below require more funds due to cost overruns.</p> <ul style="list-style-type: none"> Hydrotherapy pool and spa refurbishment - \$10,200. Ultrasonic depth sensors for balance tanks - \$2,301. Bayswater Waves - repair of pool concourse - \$19,536. Bayswater Waves - replace spin room stereo - \$1,505. Bayswater Waves - paint gym walls - \$12,860. The RISE - LED signage - \$7,110. Allocation of additional funds for the installation of the proposed Maylands public toilet (OCM 10.4.7 24/3/20) - \$31,028. <p><u>Material variances - Decrease \$650,900</u></p> <p>The existing capital projects below require less funding due to cost savings or project being cancelled:</p> <ul style="list-style-type: none"> Paddy Walker Depot - nursery expansion - \$5,000. Noranda City Junior Football Club – change room upgrade - \$70,000. Morley Bowling Club - light replacement - \$13,164. Bayswater Waves - refurbishment tender design - \$200,000. Bayswater Waves - replace audio equipment - \$5,470. Bayswater Waves - replace pool lane ropes - \$2,586. Bayswater Waves - replace blanket buddy - \$2,680. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> The RISE - install security fencing - \$8,000. Plant and fleet for golf courses - spending withheld pending investigation in relation to the management of golf courses \$344,000 <p><u>Accounts reallocation – Decrease \$200,000</u></p> <ul style="list-style-type: none"> Require funds to be transferred from Aged Care Services' capital to operational project - \$200,000. <p><u>New projects – Increase (\$244,060)</u></p> <ul style="list-style-type: none"> Upgrade of depot office areas is required for the progression of staff structure changes to promote operational efficiency - \$120,000. Replace depot ice machine as the current machine is unhygienic and cross-contamination is a risk - \$15,000. Upgrade depot lighting infrastructure to provide a safe environment for staff to operate in during the autumn, winter and spring months (funded from the City Buildings and Amenities Reserve) - \$25,000. Upgrade perimeter fence to green waste mulching facility at Lightning Park for the green waste recycling initiative - \$30,000. Morley Sport and Recreation Centre - replace carpet due to tripping hazard - \$42,000. Bayswater Waves - remedial works for tiling issues to avoid significant future works - \$12,060. 			
Purchase and construction of infrastructure	(10,298,809)	(7,931,693)	2,367,116
<p><u>Material variances – Increase (\$19,110)</u></p> <p>Requiring more funds for the existing capital projects:</p> <ul style="list-style-type: none"> Install goal compounds at various locations - unexpected project overrun from 2018/19 to 2019/20 due to copper wire thefts - \$12,010. Lightning and Houghton Parks - replace floodlight, switchbox - unexpected project overrun from 2018/19 to 2019/20 due to copper wire thefts - \$7,100. <p><u>Material variances - Decrease \$1,811,226</u></p> <p>Existing capital projects requiring less funds:</p> <ul style="list-style-type: none"> Carpark Resurfacing Program - savings on carpark resurfacing project to fund the upgrade of depot office areas project - \$15,000. Peninsula Golf Course - irrigation replacement (Year 1 of 2) - pending Council's decision on the management contract review - \$993,623. Park entry gates replacement - scope of works adjusted - \$8,000. Park shelters replacement - program completed - \$8,500. Embleton Golf Course - tank upgrade - scope of works adjusted - \$5,000. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> Riverside Gardens - replace pump station doors - reduced expenditure due to work done in-house - \$3,000. Noranda Netball - renew court surfaces - 2-year staged project to be completed in 2020/21 - \$550,000. Hinds Reserve - bike trail detailed design - Council not progressing with project following community engagement - \$35,000. Defer Maylands Waterland redevelopment project and transfer to reserve for future use - \$133,103. Defer Maylands Foreshore playground project and transfer to Maylands Waterland Reserve - \$60,000. 			
<u>Accounts reallocation – Decrease \$620,000</u>			
<ul style="list-style-type: none"> Reallocate budget from new footpath construction and local bike plan project to Maylands town site lighting due to urgency in replacing existing lighting in Eighth Avenue – Nil. Crossover expenses are currently being classified as capital works. It is more appropriate to reclassify these expenses from capital to operational as they cannot be capitalised as assets - \$620,000. 			
<u>New projects – Increase (\$45,000)</u>			
New projects requiring funds:			
<ul style="list-style-type: none"> Minister of Planning approved the release of Public Open Space (POS) funds to construct a multi-user access ramp at Hinds Reserve - \$25,000. Grand Promenade shade sail - replacement of failed infrastructure - \$20,000. 			
Purchase of intangible assets	(361,000)	(361,000)	0
<ul style="list-style-type: none"> Nil. 			
Proceeds from disposal of assets	687,500	646,500	(41,000)
<u>Material variances - Decrease (\$41,000)</u>			
<ul style="list-style-type: none"> Withhold the replacement of plant and fleet for golf courses pending the management contract review. Consequently, there will not be any proceeds from sale. 			
Total	(13,813,155)	(11,210,123)	2,603,032

Financing activities (transfer (to)/from reserves)

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
Transfer to reserves	(3,681,976)	(5,887,727)	(2,205,751)
<u>Material variances – Increase (\$2,005,751)</u>			
<ul style="list-style-type: none"> Plant and Works Equipment Reserve - withhold spending on capital works relating to golf courses pending investigation in relation to management of golf courses - \$303,000. 			

Nature or Type	Adopted Budget \$	Amended Budget \$	Variance Positive/ (Negative) \$
<ul style="list-style-type: none"> Bayswater Waves Aquatic Centre Reserve – reduce funding requirement for Waves refurbishment tender design - \$200,000. Golf Courses Reserve – withhold spending on capital works relating to golf courses pending investigation in relation to management of golf courses. Meanwhile transfer the unspent fund (Municipal funded portion) to the Golf Courses Reserve for future use - \$589,138. Noranda Netball Courts Reserve – deferred project which has not commenced pending sufficient funding being available in 2020/21 - \$550,000. Maylands Waterland Reserve – operational savings due to closure - \$170,510. Maylands Waterland Reserve – defer Maylands Waterland redevelopment project and transfer to reserve for future use - \$133,103. Maylands Waterland Reserve – defer Maylands foreshore playground project and transfer to reserve for future use - \$60,000. 			
<u>Accounts reallocation – Increase (\$200,000)</u>			
<ul style="list-style-type: none"> Aged Persons Homes - general provisions - Council resolution to re-allocate funds from aged capital to operational aged care divestment project. 			
Transfer from reserves	2,404,981	2,389,755	(15,226)
<u>Material variances – Increase \$82,059</u>			
<ul style="list-style-type: none"> Aged Persons Homes - general provisions – funds required for Aged Care Governance Project overrun - \$24,123. Aged Persons Homes - general provisions – funds required for unbudgeted expenditure for Mertome Gardens \$57,936. 			
<u>Material variances - Decrease (\$404,485)</u>			
<ul style="list-style-type: none"> Golf Courses Reserve – reduce the budgeted transfer from this reserve pending investigation in relation to management of golf courses. 			
<u>Accounts reallocation – Decrease \$200,000</u>			
<ul style="list-style-type: none"> Aged Persons Homes - general provisions - Council resolution to re-allocate funds from aged capital to operational aged care divestment project. 			
<u>New project – Increase \$107,200</u>			
<ul style="list-style-type: none"> City Buildings and Amenities Reserve - upgrade depot lighting infrastructure to provide a safe environment for staff in which to operate during the autumn, winter and spring months (partly funded by this reserve) - \$25,000. Aged Persons Homes - general provisions - funds required for a Project Officer to continue with the Aged Care Divestment Project - \$40,200. Morley Sport and Recreation Centre Reserve – funds required to replace carpet due to tripping hazard - \$42,000. 			
Total	(1,276,995)	(3,497,972)	(2,220,977)

LEGISLATIVE COMPLIANCE

Local Government Act 1995.

Local Government (Financial Management) Regulations 1996, regulation 33A

The mid-year budget review analysis has been carried out in accordance with the relevant statutory requirements and in consultation with operational officers.

OPTIONS

In accordance with the City's Risk Management Framework, the following options have been assessed against the City's adopted risk tolerance. Comments are provided against each of the risk categories.

Option 1	That Council adopts the 2019/20 statutory mid-year budget review for the period ended 29 February 2020 as detailed in <u>Attachment 1</u>.	
Risk Category	Adopted Risk Appetite	Risk Assessment Outcome
Strategic Direction	Moderate	Low
Reputation	Low	Low
Governance	Low	Low
Community and Stakeholder	Moderate	Low
Financial Management	Low	Low
Environmental Responsibility	Low	Low
Service Delivery	Low	Low
Organisational Health and Safety	Low	Low
Conclusion	Council may wish to adopt the 2019/20 statutory budget review for the period ended 29 February 2020 and authorise the relevant transfers to reserves and changes to budget estimates. This will ensure the City meets the legislative reporting timeline.	

Option 2	That Council receives the 2019/20 statutory mid-year budget review for the period ended 29 February 2020 and approves an alternative budget adjustment.	
Risk Category	Adopted Risk Appetite	Risk Assessment Outcome
Strategic Direction	Moderate	Moderate
Reputation	Low	Moderate
Governance	Low	High
Community and Stakeholder	Moderate	Moderate
Financial Management	Low	High
Environmental Responsibility	Low	Low
Service Delivery	Low	High
Organisational Health and Safety	Low	Low
Conclusion	Council may not wish to adopt the 2019/20 statutory budget review as presented for the period ended 29 February 2020 and authorise the relevant transfers to reserves and changes to budget estimates. However, unless the Council adopts an alternative, the City will not meet legislative reporting timelines. If this option is chosen, funding may not be available for projects to proceed.	

FINANCIAL IMPLICATIONS

The above information outlines the financial implications of the mid-year budget review. Overall the City's financial position for 2019/20 is expected to deteriorate as a result of COVID-19.

STRATEGIC IMPLICATIONS

In accordance with the City of Bayswater Strategic Community Plan 2017-2027 (as amended), the following applies:

Theme: Leadership and Governance
 Aspiration: Open, accountable and responsive service
 Outcome L1: Accountable and good governance

CONCLUSION

The *Local Government Act 1995* and its subordinate instruments require the City to review its annual budget between 1 January and 31 March each year. This 2019/20 statutory mid-year budget review is recommended to Council for adoption.

Attachment 1

City of Bayswater Statement of Budget Review (Nature or Type) for the period 1 July 2019 to 29 February 2020				
	Budget vs Actual		Predicted variances and outcome	
	Amended Budget (a)	YTD Actual (b)	Variance Permanent (c)	Year End (a)+(c)
	\$	\$	\$	\$
Net current assets at start of year - surplus/(deficit)	5,485,119	13,129,138	0	5,485,119
Operating activities				
Revenue from operating activities (excludes rates)				
Operating grants, subsidies and contributions	10,803,879	8,445,807	339,088	10,942,745
Fees and charges	22,465,673	18,890,783	(2,171,890)	20,293,783
Interest earnings	2,288,850	1,801,904	(117,244)	2,189,606
Other revenue	1,521,114	492,180	113,362	1,634,476
Profit on asset disposals	19,888	1,147	0	19,888
	36,897,184	27,231,820	(1,836,706)	35,060,478
Expenditure from operating activities				
Employee costs	(33,777,423)	(21,461,261)	318,041	(33,459,382)
Materials and contracts	(26,879,562)	(14,777,887)	(887,912)	(27,547,474)
Utility charges	(3,588,875)	(2,135,882)	183,459	(3,425,416)
Depreciation and amortisation	(12,004,239)	(7,266,828)	0	(12,004,239)
Insurance expenses	(723,950)	(798,308)	(90,940)	(814,890)
Interest expenses	(1,000)	(843)	0	(1,000)
Loss on asset disposals	(465,888)	(105,770)	0	(465,888)
Other expenditure	(7,825,811)	(5,013,106)	39,000	(7,786,811)
	(85,066,546)	(51,559,662)	(438,352)	(85,504,898)
Operating activities excluded from budget				
Depreciation and amortisation	12,004,239	7,266,828	0	12,004,239
(Profit) on asset disposals	(19,888)	(1,147)	0	(19,888)
Loss on asset disposals	465,888	105,770	0	465,888
Fair value adjustments to financial assets at fair value through profit or loss	0	(2,882)	0	0
Movement in non-current leave provisions	(350,000)	45,165	0	(350,000)
Movement in non-current assets	0	41,110	0	0
Employee entitlement reserve movement	0	18,498	0	0
Aged persons liability adjustment	0	163,572	0	0
	12,100,057	7,836,914	0	12,100,057
Amount attributable to operating activities	(30,584,186)	(3,581,793)	(2,275,058)	(32,859,244)
Investing activities				
Non-operating grants, subsidies and contributions	2,893,517	573,808	(276,412)	2,617,105
Purchase of property, plant and equipment	(6,734,363)	(2,924,024)	522,300	(6,212,063)
Purchase and construction of infrastructure	(10,298,809)	(3,657,432)	2,367,118	(7,931,693)
Purchase of intangible assets	(361,000)	(49,617)	0	(361,000)
Proceeds from disposal of assets	687,500	311,107	(41,000)	646,500
Amount attributable to investing activities	(13,813,155)	(5,746,160)	2,572,004	(11,241,151)
Financing activities				
Repayment of borrowings	0	(3,335)	0	0
Proceeds from self-supporting loans	0	3,335	0	0
Transfer to reserves	(3,681,976)	(534,660)	(2,205,751)	(5,887,727)
Transfer from reserves	2,404,981	182,251	(15,228)	2,389,755
Amount attributable to financing activities	(1,276,995)	(352,409)	(2,220,977)	(3,497,972)
Budget deficiency before general rates	(45,674,337)	(9,660,382)	(1,924,031)	(47,598,368)
Estimated amount to be raised from general rates	48,419,337	48,710,492	314,031	48,733,368
Net current assets at the end of the year - surplus/(deficit)	2,745,000	39,050,130	(1,610,000)	1,135,000

9. PREVIOUS MATTERS DEALT WITH NOT ON THE AGENDA

Reconciliation of matters arising from past meetings:

Nil.

10. GENERAL BUSINESS

11. CONFIDENTIAL ITEMS

Nil.

12. NEXT MEETING

The next meeting of the Budget Review and Expenditure Committee will take place via Video Conference (to be confirmed) on 5 May 2020 commencing at 5:00pm.

13. CLOSURE