

**ORDINARY MEETING OF COUNCIL  
24 AUGUST 2009**

<b>4.</b>	<b>CAPITAL WORKS 2008/2009 – YEAR END POSITION</b>
<b>LOCATION/ADDRESS:</b>	<b>N/A</b>
<b>EXECUTIVE DIRECTOR:</b>	<b>SAM HEWETT, ACTING EXECUTIVE DIRECTOR COMMUNITY ASSETS AND SERVICES</b>
<b>PREPARED BY:</b>	<b>SAM HEWETT, ACTING EXECUTIVE DIRECTOR COMMUNITY ASSETS AND SERVICES</b>
<b>FILE NO.:</b>	
<b>ATTACHMENTS:</b>	<b>ATTACHMENT #1 – CAPITAL WORKS PROGRAM 2008/2009 FINANCIAL SUMMARY</b> <b>ATTACHMENT #2 – CAPITAL WORKS ROLLOVER PROJECTS</b> <b>ATTACHMENT #3 – PROJECTS WITH SIGNIFICANT VARIATIONS</b>

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**1. EXECUTIVE SUMMARY**

- 1.1 In 2008/2009 Council had a total forecast capital works program budget of \$32,957,600 which included \$7,149,000 in carryover funding from previous capital works budgets. This program was made up by 29 rollover projects and 188 new projects.
- 1.2 The purpose of this report is to;
- advise Council on the 2008/2009 capital works end of financial year position,
  - to advise Council on projects that have been completed within the year, and;
  - to make recommendations on projects and project funding to be carried forward for completion in 2009/2010.

**2. RECOMMENDATION**

That Council:

- 2.1 Carries over \$3,385,367 of capital works program funding from 2008/2009 into 2009/2010.
- 2.2 Carries over \$2,423,309 of unspent Gasworks Park Remediation funding from 2008/2009 into 2009/2010.
- 2.3 Carries over \$1,231,273 of government grant income (and savings) received during the year for projects with a 2008/2009 delivery date into 2009/2010 to complete those projects.
- 2.4 Acknowledges the progress of the delivery of the 2008/2009 capital works program noting that the carry over project funding percentage (against forecast) of 11.1% is the lowest percentage figure since 1995/1996.

**3. BACKGROUND AND CONTEXT**

- 3.1 In June 2008, Council approved a Capital Works program budget of \$32,857,600 for 2008/2009 which included a total of \$7.150 million in project funding carried over from 2007/2008.
- 3.2 Council made some adjustments to the capital works program during the year which resulted in an annual forecast budget of \$32,957,600.
- 3.3 A total of 217 individual projects were scheduled for delivery in 2008/2009 with the responsibility for delivering those projects spread across 6 Port Phillip departments. The responsibility rested as follows

• Infrastructure Services	129 Projects
• Asset Services	38 Projects
• Parks and Open Spaces	41 Projects
• Building Services	2 Projects
• Culture and Recreation	1 Project
• Environment and Renewal	<u>6 Projects</u>

**TOTAL** **217 Projects**

- 3.4 A total of 198 individual capital projects (or stages of projects) were completed during the 2008/2009 financial year which represents 90% of all projects.

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3.5 As at June 30, 2009, the capital works financial position is as follows;

	YTD Actual Expenditure	Carryover	Project Scope Carryover due to government grant income and some savings	Tied Grants to Reserves	Gasworks Park Remediation carryover	Variation - Savings on completed projects
<b>Financial</b>	\$26,902,476	\$3,385,367	\$1,231,273	\$265,191	\$2,423,309	\$263,003

3.6 The above table shows;

- 88.33% of the forecast program budget (less the Gasworks Park Remediation) was expended in 2008/2009,
- 11.1% of the forecast program budget is the recommended carry over with a further 4.04% (against forecast budget) carryover due to government grant income (and some savings) received late in 2008/2009.
- 0.87% against the forecast program budget to be transferred into reserves representing tied government grants for new projects which will be added to the 2009/2010 Capital Works Program.

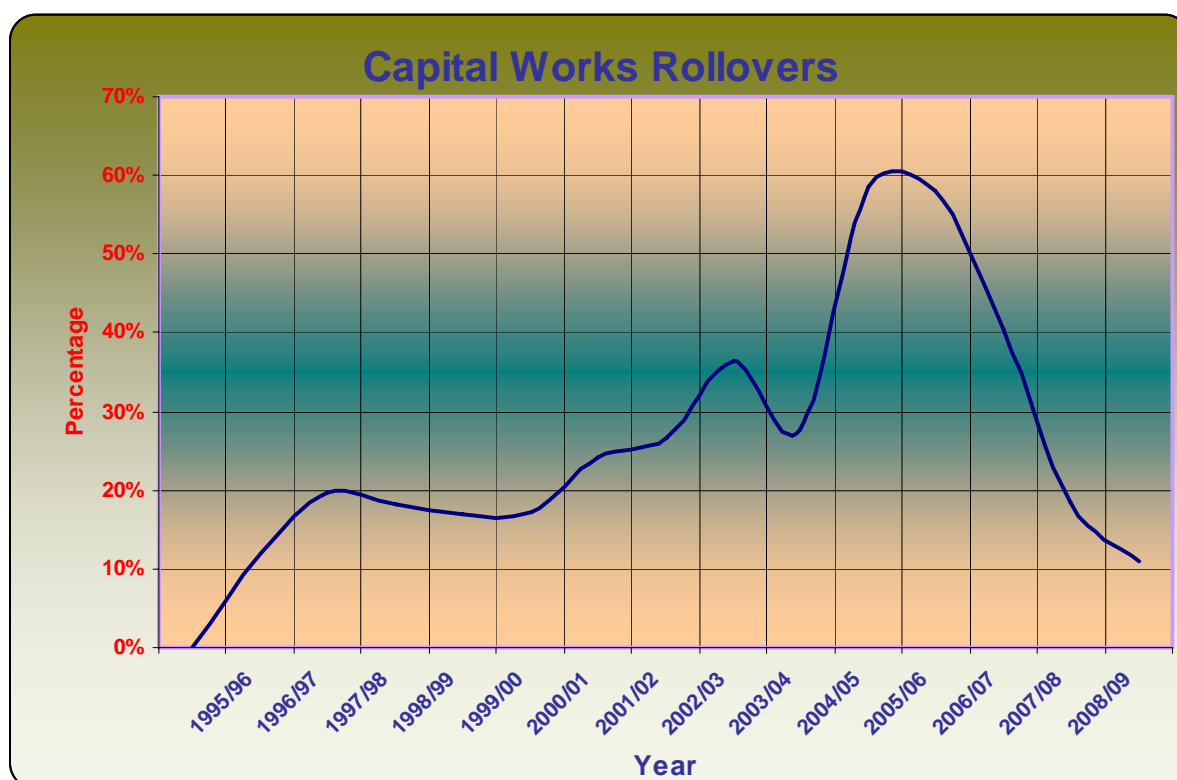
3.7 The above carryover position of 11.1% at June 30, 2009 represents an improved result over previous years as the table below demonstrates.

### **Capital Works Carryover Position – Annual View**

Year	Forecast Budget (Including carryovers) \$'000	Carryover \$'000	Percentage
<b>1995/96</b>	<b>11,028</b>	<b>1,330</b>	<b>12.0%</b>
<b>1996/97</b>	<b>10,309</b>	<b>2,033</b>	<b>19.7%</b>
<b>1997/98</b>	<b>8,009</b>	<b>1,473</b>	<b>18.3%</b>
<b>1998/99</b>	<b>9,680</b>	<b>1,644</b>	<b>16.9%</b>
<b>1999/00</b>	<b>11,877</b>	<b>2,047</b>	<b>17.2%</b>
<b>2000/01</b>	<b>13,917</b>	<b>3,359</b>	<b>24.1%</b>
<b>2001/02</b>	<b>18,417</b>	<b>4,930</b>	<b>26.7%</b>

2002/03	19,903	7,256	36.4%
2003/04	22,435	6,212	27.6%
2004/05	17,650	10,359	58.6%
2005/06	32,780	19,030	58.0%
2006/07	47,000	19,000	40.4%
2007/08	38,500	7,100	18.5%
2008/2009	32,957	3,385	11.1%

3.8 The above table is represented in the graph below.



3.9 The capital works year end rollover position of 11.1% is Council's best carryover position since 1995/1996 acknowledging that the program has experienced significant increases in size and complexity in that time.

3.10 The improved capital works rollover result is due to;

- Tighter capital works planning,
- Introduction of the Capital Works Project Board which monitors and reports against the progress of the program's delivery.

- A flexible capital works staffing model,
  - Greater commitment and accountability from client managers and project managers to delivering projects,
  - Improved tracking and reporting systems for capital projects
- 3.11 A total of 19 projects (or project stages) scheduled for delivery in 2008/2009 were unable to be completed by year's end. **Attachment #2 – Capital Works Rollover Projects** is a summary of projects that are to be carried over, the principal reasons for their carryover and a time line of when they are expected to be completed.
- 3.12 **Attachment #3 – Projects with significant variations** lists projects with a significant year end variance and an explanation for that variance.

#### **4. CONSULTATION AND STAKEHOLDERS**

##### **City of Port Phillip Organisation Departments**

- 4.1 The following Council departments assisted to deliver the 2008/2009 capital works program - Asset Services, Infrastructure Services, Parks and Open Space, Building Services, Culture and Recreation, Environment and Renewal
- 4.2 Other Council departments were consulted with as part of the delivery of the 2008/2009 capital works program - Economic Development, South Melbourne Market, Governance and Risk Management, City Development, Community Services, Community Development and Engagement, Finance, Corporate Planning and Enforcement, Information Technology, Communications and Stakeholder Relations.
- 4.3 There has been an improved collaborative approach from departments across the organisation towards capital works delivery. All departments and staff are aware of the importance of delivering of Council's capital works promises.

#### **5. DISCUSSION**

- 5.1 ALIGNMENT TO COUNCIL PLAN
- 5.1.2 This report is consistent with the Council Plan 2009 – 2013
- 5.1.3 Ensure robust financial management and accountability through the annual budget and public reporting
- 5.2 POLICY IMPLICATIONS PLAN

- 5.2.1 In November 2007, Council's auditors WHK Day Nielson requested Council receives an end of financial year report to consider the carryover figure and carryover projects. This report satisfies that requirement.
- 5.2.2 In the Capital Works Project Board report to Council in September 2008, a quarterly report was promised to keep Council fully apprised of the progress of the Capital works position. This report contains the fourth quarter information as well as the year end position on the 2008/2009 capital works program.

**5.3 FINANCE / RESOURCE IMPLICATIONS**

- 5.3.1 The year end capital works position has been determined in conjunction with Council's financial team. The decision to rollover funding, transfer tied grants to reserves, carryover the unspent gasworks funding to the Gasworks Reserve, and balancing the over and under expenditure has been done with the Manager of Finance

**6. IMPLEMENTATION STRATEGY**

**6.1 TIMELINE**

- 6.1.1 Project managers responsible for delivering capital works carryover projects will be instructed to deliver these projects according to the timeline set in their project plans.

**6.2 COMMUNICATION**

- 6.2.1 Council has delivered its best capital works carryover position since 1995/1996.
- 6.2.2 Council is committed to completing projects in the year they were funded.
- 6.2.3 By doing this, Council reduces the risk of large capital works rollover funding.
- 6.2.4 Council invests significantly in new assets, asset renewal and asset upgrades. Delivering the capital works program is a priority of the Council.