



8.8	QUARTERLY REVIEW OF FINANCIAL PERFORMANCE AND CONSIDERATION OF UNBUDGETED INITIATIVES
WARD:	WHOLE OF MUNICIPALITY
GENERAL MANAGER:	CHRIS CARROLL, ORGANISATIONAL PERFORMANCE
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TRIM FILE NO:	34/02/46
ATTACHMENTS:	Nil

PURPOSE

To seek Council approval of a number of unbudgeted initiatives and to advise Council of the newly established quarterly budget review process.

RECOMMENDATION

That Council:

- 1.1 Notes the proposed process for the quarterly review of Financial Performance and unbudgeted discretionary initiatives to be completed at the end of the September, December and March.
- 1.2 Approves up to \$1,023,000 of unbudgeted expenditure for the following initiatives:
 - 1.2.1 Marriage Equality – Additional funds \$40,000
 - 1.2.2 In our Backyard Taskforce \$150,000
 - 1.2.3 Brookes Jetty Concept Design \$7,500
 - 1.2.4 Social and Cultural Heritage Program \$125,000
 - 1.2.5 St Kilda Road North Planning Scheme Amendment \$125,000
 - 1.2.6 FBURA Precinct Planning \$200,000
 - 1.2.7 Pier St, St Kilda Lockable Gates \$45,000
 - 1.2.8 Fraud & Corruption Online Training Module \$40,000
 - 1.2.9 OHS, Emergency Management and Security Improvements \$290,500
- 1.3 Notes that at the end of August we are forecasting a year end cash surplus of \$0.61M which is \$0.25M above budget which will be used to partially fund these initiatives with the remainder coming from general reserves which we will seek to replenish from additional savings during the year.



2. BACKGROUND

- 2.1 A fiscal budget is adopted by Council for the following financial year by June 30 each year. The budget is prepared over the February through May period using information and estimates available at that time.
- 2.2 Since the Budget was set new information on the costs of initiatives and accuracy of forecasts has been received. In addition, the Council has approved some additional unbudgeted initiatives. These changes are reflected in updated forecasts in the monthly CEO report.
- 2.3 The organisation has also identified a range of discretionary unbudgeted items for Council consideration that align with Council priorities.
- 2.4 To ensure that the Council is agile in responding to issues and opportunities throughout the year while maintaining prudent financial management, officers are introducing a quarterly budget review to supplement our existing monthly forecasting process outlined in the CEO Report.

3. KEY INFORMATION

- 3.1 Officers review financial performance each month and test the robustness of the budget with respect to the full financial year outcome. Where variances suggest that differences to budget are likely to become permanent in most circumstances judgement is applied to the expected outcome and a forecast adjustment is reported in the financial reports that are included in the Chief Executive Officer (CEO) Report.
- 3.2 Although the services delivered by Council are typically routine and predictable it is the case in the economic, social and legislative environment that Council operates in that there is often a need to react to new circumstances that are likely to impact on financial outcomes, service delivery or community safety and welfare.
- 3.3 These unforeseen matters will require Council to respond in a timely and transparent fashion. Where possible Council should make every effort to operate within the agreed Budget parameters but if this is not feasible in the context of the unexpected situation or new information then a clearly communicated process is required.
- 3.4 Unbudgeted initiatives can be categorised as follows:
 - 3.4.1 **Updates to budget** – generally minor changes to budget related to new or better information over which Council has limited discretion and the investment is required to maintain existing service levels or to deliver on improvement priorities and projects in the Council Plan. Examples include:
 - An error or omission (including related to accounting treatment)
 - Timing issues with receipt of income or incurring expenditure
 - Changes in key assumptions (eg interest rates)
 - Changes in timing of project delivery
 - Cost savings.

These are reflected as forecast adjustments and reported in the CEO Report each month.



- 3.4.2 **New Council initiatives** which are likely to be presented as Councillor motion's and which address emerging issues of importance to the community and which were not foreseen and included in the budget. These items will in addition to approval in Council meetings be reported in the subsequent CEO Report. Examples include changes in parking fees at Elwood after the budget was adopted and recently approved additional Graffiti management resources.
- 3.4.3 **Mandatory initiatives** – items which generally may not have been foreseen when the budget was set, or are material in nature, over which the Council has limited or no discretion and must be acted on with some urgency. This could include for instance:
- addressing a legislative requirement
 - addressing an immediate or imminent health and safety risk or issue
 - meeting contractual requirements.

Due to the urgency of such matters, ELT would authorise the necessary action/expenditure (within delegation) and both advise the community and ratify the action taken in the next CEO Report.

- 3.4.4 **Changes in Service delivery or new Strategic initiatives.** These are typically material in financial terms and not contemplated at the time of budget adoption. However, Council has a large degree if not total discretion over incurring the expenditure or at least its timing. Examples include:
- Opportunities to further Council Plan objectives and priorities such as the Pride Centre
 - Responding to risks or legislative requirements where Council has some discretion over the timing and scope of the spend
 - Material changes in project or service delivery budgets relate to optional increases in scope of service levels.

These items would require ELT review and approval via Council adoption of a recommendation in a Council Report.

Wherever possible, it is recommended that the process for considering these initiatives is managed as part of a quarterly review of financial performance to ensure decisions are made with good knowledge of the financial position of Council and relative to other priorities.

This process is proposed to occur at the end of the Sep, Dec and March quarters each year.



3.5 The following unbudgeted but discretionary items have been identified as part of the first quarter review for Council consideration:

Initiative	Investment Required 2017/18	Additional Investment Required in future years
Marriage Equality	\$40,000	No
In Our Backyard Taskforce	\$150,000	No
Brookes Jetty Concept Design	\$7,500	Subject to outcome of Concept Design
St Kilda Road North – Planning, Urban Design & Transport Precinct	\$125,000	Yes
Heritage (Social and Cultural) program	\$125,000	Yes
FBURA Precinct Planning	\$200,000	No
Pier Street, St Kilda Lockable Gates	\$45,000	No
Fraud and Corruption Online Training Module	\$40,000	No
Total	\$732,500	N/A

3.6 **Marriage Equality Additional Funding (\$40,000)**

The issue: Officers have assessed the costs of implementing all aspects of the motion passed by Council to reflect support for Marriage Equality and the initial \$20,000 allocated is insufficient to cover the costs.

The proposal: Seek an additional \$40,000 to extend the period of lighting up St Kilda Town Hall (\$10,000) and paint the footpath corners on Fitzroy Street and Canterbury Road in St Kilda (\$30,000).



In Our Backyard Taskforce (\$150,000)

The issue: In February 2017, a Taskforce was established to identify a supply of leased, private units in temporarily vacant residential buildings to:

- a) Provide temporary, affordable housing to address the housing crisis created from the closure of private rooming houses (initially the Gatwick) and the general, increasing homelessness in the community.
- b) Facilitate the future upgrade / redevelopment of existing social housing properties to improve their standard and/or increase unit yield.

There are no funds allocated for the work of the Taskforce in 2017/18 budget. The merits of continuing the Taskforce are illustrated by the benefits delivered via the CaSPA Care project and the importance of the vacancy chain in enabling the realisation of Policies 3 and 4 of “In Our Backyard”.

The proposal: Appointment of a property consultant (\$100,000) with social housing expertise/networks, to pursue/negotiate ‘pop up’ housing opportunities (creation of a vacancy chain), and to pursue negotiations with DHHS relating to the redevelopment of public housing estates.

Recruitment of an internal project support officer property consultant – (Band 7 - 0.4FTE) \$50,000.

This work is in addition to the current portfolio of work Council is engaged on in addressing homelessness and affordable housing.

Brookes Jetty Concept Design (\$7,500)

The issue: Brookes Jetty was demolished by Parks Victoria despite strong community objections. The ‘Bring Back Brookes Jetty’ community group was formed to advocate to both Council and the State Government for the development of a plan to replace Brookes Jetty.

The proposal: To prepare a Funding Deed with the ‘Bring Back Brookes Jetty’ community group, to the value of \$7,500, for that group to engage consultants to develop a concept design proposal which acknowledges the social/historical significance of Brookes Jetty to the municipality.

St Kilda Road North – Planning, Urban Design & Transport Precinct - Planning Scheme Amendment (\$125,000)

The issue: Population and employment growth in this Precinct is projected to increase and development pressure is already being experienced, along with residents' concerns about the amenity and function of streets and open spaces in this area.

The proposal: This project provides the opportunity to link to the Domain Station



Project in which Council will have an active influencing role over the next 8-10 years, contributing to project/design reviews, driving community advocacy and managing vital Council assets/areas, including the St Kilda Road area.

Funding is being sought for Sub-Precincts 1,2 and 4 at this stage with an Implementation Plan for the remaining Sub-Precincts intended to be integrated with a potential future study around improving traffic flows and pedestrian connectivity of the St Kilda Junction.

It is intended that this project will culminate in a planning scheme amendment to implement a schedule to the Parking Overlay and the inclusion of a new reference document into the Port Phillip Planning Scheme.

Heritage (Social & Cultural) program (\$125,000)

The issue: A four year Heritage program was discussed through the Council Plan process following the recent demolition of the Greyhound and London Hotels. Council has committed to develop a more proactive approach to identifying new heritage sites as well as developing criteria for recognising cultural/social significance and reviewing heritage policy within the municipality.

There is also an opportunity to incrementally review the suite of heritage provisions that are in place across the municipality to systematically identify gaps and respond to them through a variety of planning scheme based mechanisms and partnership based responses.

To coordinate this proposed Heritage program and at the same time maintain the service level for heritage advice and referrals to City Strategy, City Design and City Development will require more strategic heritage advice than was originally allowed for in the 2017/18 budget process.

The proposal: Engagement of ongoing strategic heritage advice (heritage adviser) at a cost of \$100,000 together with Community engagement (round table discussions, workshops, surveys) at a cost of \$15,000. In addition consultancy fees for undertaking the assessment, approximately \$35,000 will be incurred.

FBURA Precinct Planning (\$200,000)

The issue: The Fisherman's Bend Taskforce have requested the direct involvement of Port Phillip officers in the development of Precinct Plans for Fisherman's Bend. This includes both urban planning and urban design expertise. The Precinct Planning has commenced and is expected to continue until the end of the 2017/18 financial year. The condensed timeframe presents a challenge to accommodate the taskforces request within existing staff resources.

The proposal: Precinct Planning presents a significant opportunity to influence the final planning framework for FBURA. Accordingly there is significant value in investing CoPP staff resources to this effort.

The additional level of resourcing requested by the Taskforce, results in a need for 2.0 FTE for a 9 month period.



Pier Street, St Kilda - Lockable Gates (\$45,000)

The issue: Victoria Police and the general public have provided Council with feedback regarding anti-social activity and organised illegal car events at Pier Road, St Kilda during the evenings. These events have posed as OHS risks to attending Police Members (due to the number of people at these gatherings), those in attendance (risk of being hit by errant vehicles) and the general public who may be in the vicinity as well as local amenity concerns.

The proposal: Council officers and from discussion with VicPol officers have determined that the most effective way to address this issue is to close the road during evenings, as has been done in other locations along the foreshore in Port Phillip.

The project scope is similar to that of other foreshore carparks in CoPP where lockable gates have been installed.

Fraud and Corruption Online Training Module (\$40,000)

The issue:

Given the recent update to Council's Fraud and Corruption Policy and Guidelines there is an onus on increased awareness by Councillors and Staff in ensuring that the highest levels of probity and diligence are front of mind in the provision of Council services.

In addition recent publications by IBAC and the Local Government Inspectorate have identified a need for Councils to ensure that Councillors and Officers are fully aware of their obligations in the context of complying with the Local Government Act and best practice in the areas of "Conflict of Interest" etc.

The Proposal:

The expedited acquisition of a Fraud and Corruption module for implementation on Council's recent Learning Management System (LMS) together with a comprehensive organisation wide training program.

- 3.7 In addition the following Mandatory initiative has been categorised as meeting the criteria described earlier in this report. It relates to Council addressing both a legislative requirement and an immediate or imminent health and safety risk or issue.

OHS, Emergency Management and Security Improvements (\$290,500)

The issue:

The "OHS Improvement Project" commenced in 2016 to implement changes to CoPP OHS management and reporting, ensuring alignment with "The Occupational Health and Safety Act 2004".

This act requires that council provides a safe work environment and that risks are systematically managed to prevent injury.

The proposal:

The OHS Improvement Project, in conjunction with several other programs and



projects within the FY2017/18 Portfolio, is delivering on a comprehensive 91 action point “Health and Safety Management Plan”.

In progressing this change program we have identified several areas of non-compliance exposing CoPP to immediate risk. These include Workplace Injury, Security and Awareness & associated Training.

Additional funding is required to support the delivery of resolution activities as follows;

1. *Emergency Management and First Aid* – implementing immediate actions to meet compliance in Emergency management & First Aid.
2. *Town Hall Security* – implementing immediate actions to counter the risk of occupational violence, unauthorised access and terrorism at our 3 Town Halls.
3. *Safe Practices in Work Place* – implementing immediate actions to ensure the application of compliant practices in the workplace, eg Manual Handling, Confines Spaces and working at heights.



FURTHER SUPPORTING INFORMATION

4. ALIGNMENT TO COUNCIL PLAN AND COUNCIL POLICY

- 4.1 Council's actions on this matter support Direction 6 *“Our Commitment to you – A financially sustainable, high-performing, well-governed organisation that puts the community first”*. The initiatives generally align with existing priorities in the Council Plan including affordable housing and Fishermans Bend.

5. CONSULTATION AND STAKEHOLDERS

- 5.1 A number of these initiatives have their genesis in community feedback and engagement with relevant stakeholders.

6. LEGAL AND RISK IMPLICATIONS

- 6.1 There are no Legal and Risk implications requiring separate disclosure. The narrative on the proposed initiatives covers these aspects.

7. SUSTAINABILITY – Triple Bottom Line

7.1 ENVIRONMENTAL IMPLICATIONS

- 7.1.1 Not Applicable

7.2 SOCIAL & CULTURAL IMPLICATIONS

- 7.2.1 Supporting the “In Our Backyard Taskforce” and “Heritage (Social and Cultural) program” initiatives aligns with Council’s commitment to social justice and cultural heritage protection.

7.3 ECONOMIC IMPLICATIONS

- 7.3.1 The “FBURA Precinct Planning” initiative presents a significant opportunity to influence the final planning framework for Fishermans Bend and the economic outcomes achieved in this area.

7.4 FINANCIAL IMPLICATIONS

- 7.4.1 The proposed initiatives total \$1,023,000. This will largely be accommodated by an increased surplus as at 30 September 2017 (\$250k above budget). The residual will be funded from general reserves which we will seek to replenish from additional savings during the year.



8. IMPLEMENTATION STRATEGY

8.1 TIMELINE

8.1.1 All the initiatives proposed are at a state of readiness to commence immediately if approved by Council.

8.2 COMMUNICATION

8.2.1 Since the Budget was set new information on the costs of initiatives and accuracy of forecasts has been received. In addition, the Council has approved some additional unbudgeted initiatives. These changes are reflected in updated forecasts in the monthly CEO report.

8.2.2 To ensure that the Council is agile in responding to issues and opportunities throughout the year while maintaining prudent financial management, officers are introducing a quarterly budget review to supplement our existing monthly forecasting process outlined in the CEO Report.

8.2.3 The organisation has also identified a range of discretionary unbudgeted items for Council consideration that align with Council priorities. These total \$1,023,000 and will be partially funded from an increased surplus as at 30 August 2017 (\$250k).

9. OFFICER DIRECT OR INDIRECT INTEREST

9.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.