



**MID YEAR REVIEW OF ANNUAL BUDGET  
FOR THE 2006/07 FINANCIAL YEAR**



## MID YEAR BUDGET REVIEW 2006/07 RATE SETTING STATEMENT

	Note	Adopted Budget 2006/07 \$	Revised Budget 2006/07 \$	Increase/ Decrease \$	Variance %
<b>OPERATING REVENUE</b>					
Rates		(52,506,074)	(52,582,863)	(76,789)	0.1%
Government Grants & Subsidies		(3,381,472)	(3,408,240)	(26,768)	0.8%
Contributions, Reimbursements and Donations	1	(868,369)	(957,109)	(88,740)	10.2%
Profit on Disposal	2	(52,674)	(2,990,274)	(2,937,600)	5576.9%
Fees & Charges	3	(17,052,117)	(17,966,504)	(914,387)	5.4%
Interest Earnings	4	(1,800,000)	(3,983,299)	(2,183,299)	121.3%
Other Revenue		(131,000)	(174,110)	(43,110)	32.9%
<b>Total Revenue</b>		<b>(75,791,706)</b>	<b>(82,062,399)</b>	<b>(6,270,693)</b>	<b>8.3%</b>
<b>OPERATING EXPENDITURE</b>					
Employee Costs	5	33,222,225	32,710,094	(512,131)	-1.5%
Materials & Contracts	6	27,705,835	27,710,188	4,353	0.0%
Utilities (Gas, Electricity, Water etc)		3,329,213	3,418,602	89,389	2.7%
Depreciation on Assets		15,738,343	15,640,931	(97,412)	-0.6%
Loss on Disposal		273,800	311,153	37,353	13.6%
Insurance Expenses		988,771	980,848	(7,923)	-0.8%
Interest Expense		205,717	207,143	1,426	0.7%
Other Expenses		55,000	64,030	9,030	16.4%
<b>Total Operating Expenditure</b>		<b>81,518,904</b>	<b>81,042,989</b>	<b>(475,915)</b>	<b>-0.6%</b>
<b>SURPLUS/(DEFICIT) FROM OPERATIONS</b>		<b>5,727,198</b>	<b>(1,019,410)</b>	<b>(6,746,608)</b>	<b>-117.8%</b>
<b>OPERATING ADJUSTMENTS</b>					
Depreciation on Assets		(15,738,343)	(15,640,931)	97,412	-0.6%
Loss on Disposal		(273,800)	(311,153)	(37,353)	13.6%
Profit on Disposal		52,674	2,990,274	2,937,600	5576.9%
<b>OPERATING CASH DEFICIT</b>		<b>(10,232,271)</b>	<b>(13,981,220)</b>	<b>(3,748,949)</b>	<b>36.6%</b>
<b>CAPITAL REVENUE</b>					
Capital Grants	7	(6,597,444)	(5,537,220)	1,060,224	-16.1%
Contributions - Reimbursement Non Operating Activities		0	(31,000)	(31,000)	-100.0%
Acquired Infrastructure Assets		(6,025,000)	(6,025,000)	0	0.0%
<b>Total Capital Revenue</b>		<b>(12,622,444)</b>	<b>(11,593,220)</b>	<b>1,029,224</b>	<b>-8.2%</b>
<b>CAPITAL EXPENDITURE</b>					
Capital Works	8	15,485,454	12,939,610	(2,545,844)	-16.4%
Other Capital Projects	9	14,753,460	12,965,104	(1,788,356)	-12.1%
Motor Vehicle Replacement	10	3,157,600	3,134,412	(23,188)	-0.7%
Loan repayments (principal)		310,025	310,025	0	0.0%
<b>Tital Capital Expenditure</b>		<b>33,706,539</b>	<b>29,349,151</b>	<b>(4,357,388)</b>	<b>-12.9%</b>
<b>CAPITAL EXPENDITURE DEFICIT</b>		<b>21,084,095</b>	<b>17,755,931</b>	<b>(3,328,164)</b>	<b>-15.8%</b>
<b>BUDGET DEFICIT/(SURPLUS)</b>		<b>10,851,824</b>	<b>3,774,711</b>	<b>(7,077,113)</b>	<b>-65.2%</b>
<b>FUNDING</b>					
Proceeds from Disposal	11	(1,282,600)	(4,089,905)	(2,807,305)	218.9%
Surplus Carried Forward		(12,079,842)	(12,286,095)	(206,253)	1.7%
Grant Refund		0	80,000	80,000	100.0%
Transfer from Reserves	12	(9,137,192)	(5,986,425)	3,150,767	-34.5%
Transfer to Reserves	13	5,603,787	5,975,522	371,735	6.6%
Transfer to Accumulated Surplus		6,025,000	6,025,000	0	0.0%
<b>CASH (Surplus)/Deficit</b>		<b>(19,023)</b>	<b>(6,507,192)</b>	<b>(6,488,169)</b>	<b>34107.0%</b>

## **NOTES TO AND FORMING PART OF THE REVISED 2006/2007 BUDGET STATEMENT**

### **1. Contributions, Reimbursements and Donations**

<b>Adopted Budget 2006/07</b>	<b>Revised Budget 2006/07</b>	<b>Variance Increase / (Decrease)</b>
\$868,369	\$957,109	\$88,740

The **net increase** of **\$88,740** is made up of various increases and decreases. The largest component of the increases is the proceeds of the insurance claim for the major building power failure that occurred in 2005/06. This was \$292,535 but the offsetting expenditure was incurred in the 2005/06 financial year. The largest decrease was an error in budgeting for Special Area Rates of \$128,227 resulting in duplication.

### **2. Profit on Disposal**

<b>Adopted Budget 2006/07</b>	<b>Revised Budget 2006/07</b>	<b>Variance Increase / (Decrease)</b>
\$52,674	\$2,990,274	\$2,937,600

The **increase** in profit on disposal is made up of the following items:

Sale of part of Tamala Park land holdings	\$ 2,533,426
Sale of Lot 3 Trappers Drive, Woodvale	\$ 295,000
Higher profit realised on disposal of Plant and Vehicles	\$ 109,174

### **3. Fees and Charges**

<b>Adopted Budget 2006/07</b>	<b>Revised Budget 2006/07</b>	<b>Variance Increase / (Decrease)</b>
\$17,052,117	\$17,966,504	\$914,387

The **net increase** of **\$914,387** is made up of the following major variations:

Net increase in leisure centre revenues (Increased membership fees at Craigie Leisure Centre alone are \$572,998)	\$482,571
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Refuse charge for additional rated properties	\$100,623
Unbudgeted charge for the second bin	\$ 91,149
Easement at Lot 3 Trappers Drive, Woodvale	\$175,000
Increase in poundage fee	\$ 65,264

#### 4. Interest Earnings

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$1,800,000	\$3,983,299	\$2,183,299

The **increase** of **\$2,183,299** variance resulted from higher than expected investment portfolio and rate of return compared to budget assumptions, details of which are as follow:

	Adopted <u>Budget</u>	Revised <u>Budget</u>	Variance <u>(Decrease)</u>
Average Portfolio Balance	32,727,273	64,247,624	31,520,350
Average Return for the year	5.50%	6.20%	0.70%
Projected Earnings	1,800,000	3,983,299	<b><u>2,183,299</u></b>

The variance in earnings is made up of:

Balance Variance	$31,520,351 \times 5.50\% = 1,733,618$
Rate Variance	$32,727,273 \times 0.70\% = 229,064$
Combined Variance	$31,520,351 \times 0.70\% = \underline{220,617}$

**Net Favourable Increase in Interest Earnings** **2,183,299**

The RBA increased Cash rate from **5.50%** to **6.25%** progressively since the initial calculation of budgeted interest earnings.

Interest earnings are for both the Municipal Fund and Reserve funds with the latter resulting in increase transfers to Reserves (refer Note 13).

#### 5. Employee Costs

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$33,222,225	\$32,710,094	\$(512,131)

The revised employee costs show a favourable variance of **\$512,131**, summarised by division as follows:

CEO Administration	\$ (13,655)
Corporate Services	\$(161,917)
Infrastructure Management	\$(854,636)
Governance & Strategy	\$ 363,211
Planning & Community Development	<u>\$ 154,866</u>
	\$(512,131)

The over expenditure in Governance is due to the exact structure and staff establishment not being firmly known at the time of budget preparation and some of the increase is due to internal transfers.

The increase in Planning and Community Development includes two new positions to address resource issues.

The major theme to the overall reduction in the salaries and wages estimate continues to be vacancies and recruitment with positions that become vacant remaining unfilled for lengthy periods. To a limited extent this is offset by casual and/or contract resources.

## 6. Materials and Contracts

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$27,705,835	\$27,710,188	\$4,353

The **net increase** of **\$4,353** is made up of various amounts the main ones being:

External materials purchased	\$160,826
Reinstatement cost to the Ocean Reef car park wall	\$150,000
Consultancy costs	\$ 46,071
Furniture and Office Equipment	\$ 32,602
External contract services	\$(183,104)
Postponement of Council Elections	\$(260,000)
Civic Functions	\$ 53,920

The reduction in external contract services represents more of an inability to get contractors than actual savings in work done.

The reduction in the election budget leaves an amount sufficient to cover the extraordinary election in March 2007.

## 7. Capital Grants

<b>Adopted Budget 2006/07</b>	<b>Revised Budget 2006/07</b>	<b>Variance Increase / (Decrease)</b>
\$6,597,444	\$5,537,220	\$(1,060,224)

The **net decrease** of **\$206,890** is made up as follows:

Ocean Reef Boat Harbour Redevelopment program delayed	\$(700,000)
Burns Beach Rd (Only part will be received)	\$(600,000)
Moore/Connolly Dr (only part will be received)	\$(253,334)
Formula Local Road Grant – over budgeted	\$( 19,746)
Metro Regional Road program	\$ 507,598
Main Roads Direct Grant funding	<u>\$ 5,258</u>
	\$(1,060,224)

## 8. Capital Works

<b>Adopted Budget 2006/07</b>	<b>Revised Budget 2006/07</b>	<b>Variance Increase / (Decrease)</b>
\$15,485,454	\$12,939,610	\$(2,545,844)

The **net decrease** of **\$2,545,844** is made up as follows:

### A) Expenditure incurred in 2006/07 to complete 2005/06 projects:

Sorrento Beach Project	\$ 243,794
Joondalup City Centre – Construction of toilet block	\$ 142,506
Various Road Programs – Asphalt Overlay	\$ 64,574
Tom Simpson Park, Mullaloo Lighting & Upgrade	\$ 58,724
Various Road Programs- Asphalt Overlay & Rekerbing	\$ 54,037
Coastal Foreshore Works and Restoration	\$ 53,773
Yellagonga Regional Park – Stormwater Outfall	\$ 60,145
Iluka Foreshore Toilets – Construction of toilet block	\$ 60,000
Other Various Projects	<u>\$ 521,706</u>
	\$1,259,259

B) Revised budget estimates for minor projects and reallocations. \$ 260,239

### C) Council identified new works

Burns Beach Parking design work	\$ 15,000
Modification to bushland reticulation	\$ 50,000
Shared path Marmion Ave - Warwick to Burragah	\$ 25,000
Penistone Park light improvement	<u>\$ 14,000</u>
	\$ 104,000

## D) Savings and/or Capital works not proceeding

Caridean Street, Heathridge	\$( 73,000)
Winton Road/Aston Street, Joondalup	\$( 100,000)
Beach access from path to foreshore	\$( 33,727)
Other Projects	<u>\$( 5,495)</u>
	\$(212,222)

Winton Road/Aston Street Joondalup will not be implemented following a traffic assessment for this intersection and the grant money for the project of **\$66,667** will be handed back. The remaining balance of **\$145,555** represents savings in the Municipal Fund.

## E) Budgeted Capital works not expected to commence this financial year and proposed to be carried forward to the 2007/08:

Burns Beach Road – Marmion Ave to Mitchell Fwy	\$(1,000,000)
Woodlake Retreat	\$( 944,235)
Connolly Drive – Dual Carriageway	\$( 700,000)
Burns Beach Road – Marmion Ave to Mitchell Fwy	\$( 271,176)
Moore Drive – Dual Carriageway	\$( 246,996)
Burns Beach Road – Delgado to Marmion Ave	\$( 202,128)
Joondalup City Centre - Parking Strategy Plan	\$( 200,000)
Joondalup City Centre – Parking Strategy Plan	\$( 162,098)
Clontarf Street, Sorrento	\$( 67,812)
Various Locations – Stormwater Upgrade	\$( 59,852)
Joondalup Drive/Collier Pass, Joondalup	\$( 50,000)
Various Minor Projects	<u>\$( 52,823)</u>
	\$(3,957,120)

Total \$(2,545,844)

**9. Other Capital Projects**

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$14,753,460	\$12,965,104	\$(1,788,356)

The **net decrease** of **\$1,788,356** is made up of:

Unbudgeted and over budget expenditure

Equity investment in Tamala Park Regional Council	\$2,703,573
Craigie Leisure Centre	\$ 253,029

Spatial Data Management- fm operation	\$ 82,836
New Mower- for 3 man crew	\$ 64,210
Purchase of Computers & Communication Equip.	\$ 49,160
Microfilm Scanner for Engineering Drawings	\$ 13,550
Other Plant & Equipment	\$ 4,666
Purchase of Furniture & Office Equipment	\$ 3,162
Travelsmart Household Programme	\$ 3,000
	<u>\$3,177,186</u>

The increase in budget for Craigie Leisure Centre includes the additional payment of **\$230,000** for the deed of settlement and release.

Budgeted Capital Projects not expected to be completed this financial year and proposed to be carried forward to the 2007/08:

Joondalup Council Depot	\$(3,393,643)
Ocean Reef Boat Harbour Development	\$( 922,451)
Arena Community Sports and Recreation	
Association Clubrooms	\$( 473,333)
5 Year Major IT Upgrade Plan	\$( 30,000)
Asset Management Strategy	\$( 27,000)
Oracle System Expansion	\$( 15,900)
Photocopier for Customer Service	\$( 14,000)
Replacement CAD Plotter	\$( 10,000)

Savings in Budgeted Capital Cost

HR Payroll System	\$( 77,296)
Various minor savings on completed projects	<u>\$( 1,919)</u>
	<u>\$(4,965,542)</u>

Total \$(1,788,356)

#### **10. Plant and Motor Vehicle Replacement**

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$3,157,600	\$3,134,412	\$(23,188)

The **net decrease** of **\$23,188** is made up of various increases and decreases.

#### **11. Proceeds from Disposal**



Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$1,282,600	\$4,089,905	\$2,807,305

The net **increase** of **\$2,807,305** is made up as follows:

Part sale of land holdings in Tamala Park	\$2,703,573
Sale of Lot 3, Trappers Drive, Woodvale	\$ 295,000
Projected lower proceeds from sale of plant and Vehicles	\$(191,268)

## 12. Transfer from Reserves

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$9,137,192	\$5,986,425	\$(3,150,767)

The variance in made up as follows:

Reserve	Budget	Revised	Variance
Assets Replacement	6,700,000	3,306,357	(3,393,643)
Leisure Centres Capital Replacement	190,000	443,029	253,029
Ocean Reef Launching Facility	155,991	6,297	(149,694)
Sorrento Beach	-	139,232	139,232
Hodges Drive	-	309	309
			\$(3,150,767)

- The reduced transfer out of Assets Replacement reflects unlikely expenditure on the City's new Depot this financial year, budgeted at \$4m but with projected initial cost in the current financial year of \$606,357
- The increased transfer from the Leisure Centres reserve picks up the final dispute settlement costs.

## 13. Transfer to Reserves

Adopted Budget 2006/07	Revised Budget 2006/07	Variance Increase / (Decrease)
\$5,603,787	\$5,975,522	\$371,735

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The additional transfer to reserves reflects in the main projected additional interest earned on Reserve Fund resulting from improved cash rate and consequently improved return on investments.