



## **2000/2001 Half Year Budget Review**

*Half Year Budget Review  
for the Period to  
31 December 2000*

*Final Council Report*

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## Introduction

The City of Joondalup traditionally undertakes a Half Year Budget Review based on 31 December financial statements to identify any material issues arising from the delivery of the City's Annual Budget and how these issues, if any, could be addressed.

During 1999/2000, a historical pattern of expenditure became available for the City of Joondalup operations and was used as one of the tools in preparing the 2000/2001 budget.

The City streamlined the half yearly review process and this will assist business units in preparing for the 2001/2002 budget cycle due to commence in Feb/Mar 2001.

The City has substantially refined its reporting systems, has developed ongoing financial systems and financial training which has assisted staff in reporting upon and managing the financial aspects of the activities under their control.

Substantial improvements in the level of understanding and accountability have been achieved amongst all levels of staff which has resulted in the prompt availability and increased quality of financial reports. Minor adjustments continue to be required to correct mispostings. These adjustments will need to be corrected quickly to correct future monthly reporting, and have been considered in compiling these year-end forecasts.

The review process focuses on material variances, developing understanding of the cause of variances and identifies savings which may be used to support current projects or to fund new projects.

The review process has focused the City on overall budgetary performance at this point in time. Managers have undertaken an extensive review of their business plans, the current and projected performance of every activity within the business unit and every project/strategic initiative to identify the estimated year-end position. The impacts arising from changes to income / expenditure approved by Council following the adoption of the 2000/2001 budget have been included herein.

Anticipated Savings / (Overspends) have been collated to determine the total amount available for re-distribution. Additional interest is now forecast of **\$250k**. Major savings are in Strategic Initiatives where projects are completed with savings in the

overall costs, changes in the scope of the projects, deferral of projects, or deletion of projects no longer required or for alternative solutions found.

Requests for funding of new Capital Works and new Strategic Initiatives were submitted for discussion by Council at a Budget Review workshop scheduled held on 21 February 2001.

The position can be summarised as follows:

	<b>Year End Projection – Savings (Overspend)</b>
<b>Operating Activities:</b>	
- Interest Earnings (additional)	\$ 250.0k
- Income and Expenditure	\$ 199.8k
<b>Total Savings from Operating activities</b>	<b>\$449.8</b>
Capital works	\$ 43.5k
Strategic Initiatives	\$ 469.8k
<b>Total Additional Revenue and Savings identified</b>	<b>\$ 963.1k</b>
<b>Funding Requests:</b>	
New Capital Works	\$ (92.5k)
New Strategic Initiatives	\$ (126.5k)
<b>Total Funding Requests</b>	<b>\$ (219.0k)</b>
Funds available if all funding requests approved	<b>\$ 744.1k</b>

At this time, if all new Capital Works and Strategic Initiatives are funded, a net available funding of

**\$744.0k** would remain. It is recommended that these funds not be allocated to new works at this time, due to the large existing capital works program and the proximity to the end of the year, but that these available funds be carried forward at year-end.

### Budget Analysis Process

A budget review process and supporting reports were developed to assist Business Units in undertaking a performance review of the Operating Budgets and Strategic Initiatives and to report by exception on their major variances, analysing Year to Date performance and projecting this forward to a Year End Savings/(Shortfall).

The City of Joondalup's Adopted Budget 2000/2001 can for simplicity be viewed as four parts:

- **Operating Budgets** – for day to day operations controllable by Business Unit Managers
- **Capital Works Projects** – for specifically funded capital works in progress projects controllable through Infrastructure Management
- **Vehicle and Plant Replacement** – for the ongoing replacement of existing vehicles and plant controllable through Asset Management

- **Strategic Projects** - for specifically funded initiatives controllable by Business Unit Managers

Financial Reports available from Oracle Financials allow this type of analysis to be undertaken on a Business Unit, Activity or Location basis. Oracle Financial reports are used to review and report on **Operating Activities** by Activity.

**Capital Works Projects** are reported through Oracle Projects and the analysis and projection of performance on Capital Works has been undertaken independently by the Infrastructure Management Directorate.

The **Vehicle And Plant Replacement Programme**, including Profit and Loss on Asset Disposal has not been adjusted at this time. Possible changes to the replacement program may arise, pending a report regarding the optimal replacement of vehicles currently being undertaken by WAMA.

Oracle Financial reports are used to review and report on **Strategic Initiatives**.

Business Units have undertaken an analysis at Activity level, for **Operating Activities** and in accordance with the principle of managing on a “bottom line basis”, have matched projected overspend variances against underspend variances to report a **net** position. The net Business unit position has been considered in the review. Strategic Projects, Capital Works Projects and Motor Vehicle and Plant Replacements have been

assessed individually and no savings or shortfall arising over the project has been identified.

This budget review process has been modified from last year. Managers have become more familiar with the financial reports through training, the rollout of the ADI reporting system and through the development of tailored financial reports.

### Budget Review – Management Overview

Through the Half-Year Budget Review process, the City of Joondalup is projecting year-end savings of **\$0.963m**. The Financial Reports to the 31 December 2000 reported a YTD underspend in Operating of **\$5.5m** and an underspend in Non-Operating of **\$1.8m**.

The following table highlights this total identified savings, broken down by the four major budget classification areas:

	Surplus Identified for Redistribution \$
Operating Activities	449.8k
Capital Works	43.5k
Vehicles & Plant Replacement	0k
Strategic Initiatives	469.8k
	<b>\$963.1k</b>

The above only includes **major** variances on Projects, as the objective of the review exercise is to focus on funding available for redistribution.

The above savings exclude surpluses arising from Community Security and Safety and Special Area Rates which must be allocated to Specific Reserves at the year end in accordance with the requirements of section 6.11 of the Local Government Act (1995) and are therefore not available for redistribution through the Budget Review process. Environmental Waste Services and Swimming Pool Inspections have a similar treatment.

Business Units have put forward a number of new Funding Requests for funding of initiatives and projects in the Community Services, Accounting Services and Operations business units. These were not previously included in the Adopted Budget 2000/2001. These initiatives include:

- Councillor Requests
- Projects brought forward from the 5-year Works Programme, and
- New projects

**Taking the new initiatives and projects into account and assuming they proceed, the net projected funding position at the year-end would therefore be as follows:**

	<i>Projected Position \$</i>
<i>Projected Savings</i>	<i>963.1k</i>
<i>New Funding Requests:</i>	
<i>Capital Works</i>	<i>(92.5k)</i>
<i>Strategic Initiatives</i>	<i>(126.5k)</i>
<i>Surplus funds</i>	<i>\$744.1k</i>

### *Budget Review – Operating Activities*

On the basis of the 31 December 2000 Management Reports, Business Units were requested to review the financial performance of the unit, using the Budget Analysis Process, to identify any areas which would have a major impact on the business unit's year-end position.

Operating Activities for the City show projected savings of **\$449.8k**.

**Surpluses relating to Community Security and Safety, Iluka Specified Area, Environmental Waste Services and Swimming Pools Inspections have been excluded from the overall reported position as these are allocated to specific Reserves at the end of each year.**

The following table highlights performance by Directorate:

	<i>Year End Projection – Savings (Overspend) \$</i>
<i>Central Finance</i>	<i>250.0k</i>
<i>Governance</i>	<i>40.0k</i>
<i>Office of the CEO</i>	<i>236.4k</i>
<i>Resource Management</i>	<i>66.5k</i>
<i>Planning &amp; Development</i>	<i>(163.4k)</i>
<i>Infrastructure Management</i>	<i>15.0k</i>
<i>Community Development</i>	<i>5.3k</i>
	<b><i>\$449.8k</i></b>

Profit and Loss on Asset Disposals impacts arising from the Vehicle and Plant Replacement Programme and have been included within the Resource Management Directorate.

In most cases the impact on Year to Date performance has been analysed and projected through to give a year end analysis. The following areas are worthy of comment:

#### *Central Finance*

The projected surplus is due to anticipated interest being than budgeted. Better than expected collection rates and delays in undertaking expenditure has resulted in larger than expected

investment funds to be held on deposit during the year. Increases in interest rates have also contributed to the higher than estimated interest income. Projections indicate that **\$250k** will be generated in additional interest earnings.

### ***Governance***

Savings in Catering and Consultancy of **\$40k**.

### ***Office of the CEO***

Projected savings arise in the Governance, CEO Administration, Marketing, Strategic Planning, Organisation Strategic Development and HR Management areas. These savings are mainly associated with savings in employee-related expenses where employees were not engaged within the timeframes expected, savings in consultancy, printing, conferences, computer software and maintenance. Savings are estimated at **\$236.4k**.

### ***Resource Management***

Resource Management is projecting savings of \$25k due to an unanticipated grant received this year in respect of the 1999/2000 year. Other savings arise due to savings in estimated valuations fees and savings obtained through efficiencies generated by systems and process enhancements. Savings are estimated at **\$66.5k**.

### ***Planning & Development***

The Directorate is projecting a net shortfall in funding for the year of **(\$163.4k)**.

Approval Services is projecting a net shortfall of **(\$193k)** due mainly to changes in the anticipated building activity. The City had budgeted for a decrease in Building Applications as estimated by the Housing Industry Association following the implementation of the GST on 1 July 2000.

The actual building activity has proven to be substantially lower than the actual activity for 1999/2000 upon which the City based its estimates. 199/2000 has proven to be an extraordinary year and a decrease of **(\$176k)** is expected in Building Applications and Development Application Fees **(\$50k)** for the whole year. Offsetting this decrease in income is additional income from Land Purchasing Enquiries of **\$25k**.

Urban Design is projecting a net saving of **\$16k** due mainly to additional income from Scheme Amendments and Subdivision Clearance Fees.

### ***Infrastructure Management***

The Infrastructure Management Directorate is projecting a net surplus for the year of **\$15.0k**.

Whilst the Recycling Program has been under subscribed against the estimated take-up, this service was expected to breakeven and any savings

arising from refuse and recycling is to be transferred to the Refuse Reserve at year end.

### ***Community Development***

The Directorate is reporting a net savings of **\$5.3k**.

The City Watch program was previously included within the Rangers Activity and has now been reallocated to a stand-alone activity. Funds of \$354k has now been allocated to the City Watch Program Activity.

Leisure Service is reporting savings of **\$6k**.

Community and Health is reporting savings of \$22k due mainly to additional income in the Youth Services activity of **\$15k** and savings in materials.

Library Services is projecting savings in Electricity and Printing of approximately **\$20k**.

### ***Profit & Loss on Asset Disposal***

Profit and Loss on disposal arising from Motor Vehicles & Plant replacements is included within the Resource Management Directorate. The replacement of Light Vehicles has been deferred in accordance with Council instructions in December 2000 pending the WAMA report and no adjustment to the Profit & Loss on disposal has been proposed.

### Budget Review – Capital Works

Capital Works Projects have been reviewed by the Infrastructure Management Directorate. Capital Works projects are physically undertaken by the City of Joondalup or outsourced.

Included in these schedules are assumptions that several projects will carry forward to 2001/02 but that these funds will not be available for distribution as part of the half-year review.

On a year to date basis and taking account of accruals and committed expenditure the Capital Works costs (other than the items listed below) are expected to be in accordance with the Adopted budget.

An estimated surplus of **\$43.5k** will arise on the currently programmed works by year-end due mainly to:

- Joondalup Administration Fire Detection Equipment installation per Council Approval CJ372-12/00 not included in the Adopted Budget – cost **(\$80k)**, offset by savings in -
  - Mullaloo Heights Primary School enhancements deferred – savings - **\$30k**
  - Kinross Primary Schools enhancements deferred – savings - **\$20k**
  - Lake Goollelal Foreshore West – Stage 1 works not required – savings - **\$70k**

Projects that may commence but are unlikely to be completed by 30 June are as follows:

Project	No	\$
<i>Ocean Reef / Iluka Foreshore Dual Use Path north of Ocean Reef Boat Harbour</i>	2071	\$205,000
<i>Baham Close</i>	6157	\$57,925
<i>Dampier Ave, Mullaloo Drive, Oceanside Prom – stormwater upgrade</i>	6240	\$34,200
<i>Annato St, Greenwood</i>	6237	\$20,000

### Budget Review – Vehicle & Plant Replacement

Asset Management has reviewed the Vehicle and Plant replacement Programme. Council has requested that all the disposal of all Light Vehicles be held pending a report by WAMA regarding recommended motor vehicle replacement thresholds. This report is due to be available to the City by mid February 2001. It is not clear whether the WAMA report will recommend a change in the City's current replacement criteria. Accordingly, no savings have been forecast in relation to the Motor Vehicle & Plant Replacement program.

### Budget Review – Strategic Initiatives

Strategic Initiatives projects have been separately identified in the 2000/2001 Budget and, through a series of discreet project codes can be monitored individually within each Business Unit.

Phasing of projects has been estimated within the compilation of the budget however in many cases, expenditure on the projects has been later than anticipated.

Performance on Strategic Initiatives is as follows:

	Year End Projection – Saving (Overspend)
<i>Governance</i>	
<i>Office of the CEO</i>	\$ 160.4k
<i>Resource Management</i>	\$ 3.0k
<i>Planning &amp; Development</i>	\$ 7.0k
<i>Infrastructure Management</i>	\$143.0k
<i>Community Development</i>	\$ 156.4k
	<b>\$469.8k</b>

Within the Office of the CEO, savings are estimated on the following major items:

Projects completed under budget – \$15k

Projects no longer required:

Compactus - \$10k; PC Replacement program – price decreases and fewer PC's to be replaced - \$68k; Proclaim Advanced Training not required - \$25k; Modifications to Corporate Referral System not required - \$22k; Quality Accreditation Development self assessment cancelled - \$17k

Within the Infrastructure Services Directorate, savings occurred due the timing of the appointment of staff for the following projects:

- F068 Building Services Technical Officer \$26k
- F070 Reticulation Officer - \$16k
- F072 Mowing Crew - \$44k
- F078 Parks Co-ordinator - \$56k

Within the Community Development Directorate, savings occurred due the following major items:

- Unbudgeted income of \$16k
- Projects completed under budget – \$32k

Projects no longer required:

Computerised information Recording - \$20k; Burns Beach Feasibility Study - \$30k; Community Buildings Administration - \$22k and Youth and Public Space programme - \$39k.

### *New Funding Requests*

Business Units have submitted a number of new projects, including requests from Elected Members.

These have been categorised as follows:

<i>New Capital Works (Appendix A)</i>	<i>\$ 92,528</i>
<i>New Strategic Initiatives: (Appendix B)</i>	
<i>Accounting Services – systems and business process related</i>	<i>\$ 20,000</i>
<i>Leisure Services</i>	
– <i>Assistance to Sporting Clubs</i>	<i>\$ 15,000</i>
– <i>- Security Monitoring System</i>	<i>\$ 3,000</i>
<i>Community Health</i>	
– <i>Additional PC Podiatry Services</i>	<i>\$ 4,000</i>
– <i>Accommodation of new organization at Moolanda Blvd</i>	<i>\$ 75,554</i>
– <i>Integrated School Program</i>	<i>\$ 3,000</i>
<i>Libraries</i>	<i>\$ 6,000</i>
	<i>\$126,554</i>

An analysis of New Funding Requests, recommended for approval, is shown at and details of each New funding Request submission are shown on the following:

- New Capital Works – Municipal funds – refer [Appendix A](#)
- New Strategic Initiatives – refer [Appendix B](#)

## Appendix A – New Funding Requests – New Capital Works

### *New Capital Works:*

<i>– Collier Pass Footpath, south side – Parking and footpaths</i>	<i>\$ 7,000</i>
<i>– Camberwarra Primary School – Parking and footpaths</i>	<i>\$ 15,000</i>
<i>– Goollellal Drive – Road resurfacing</i>	<i>\$ 70,528</i>
<i>Total New Capital Works</i>	<i><u>\$ 92,528</u></i>

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## Appendix B – New Funding Requests - Strategic Initiatives

### *New Initiatives:*

#### *Accounting Services – Systems enhancements for*

- *Self Funded Retirees* *\$ 10,000*
- *Phasing of Valuations* *\$ 10,000*

#### *Leisure Services*

- *Assistance to Sporting Clubs* *\$ 15,000*
- *Security Monitoring System* *\$ 3,000*

#### *Community Health*

- *Additional PC Podiatry Services* *\$ 4,000*
- *Accommodation of new organization* *\$ 75,554*
- *Integrated School Program* *\$ 3,000*

#### *Libraries*

- *Telephone Headsets* *\$ 2,500*
- *Surveillance Camera* *\$ 3,500*

***Total new Initiatives*** ***\$126,554***

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