



City of  
Joondalup

*Review of 2005/2006 Annual Budget*

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Revised 2005/2006 Budget Statement

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Notes to and Forming Part of the  
Revised 2005/2006 Budget Statement

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## Revised 2005/2006 Budget Statement

	Note	Adopted Budget	Revised Budget	Variance	Dec YTD Actual
		\$	\$	\$	\$
<b>OPERATING REVENUE</b>					
Rates	1	48,494,368	48,409,679	(84,689)	48,520,746
Rates - Specified Area		116,592	116,592	0	116,813
Government Grants & Subsidies		9,024,744	9,013,648	(11,096)	3,426,571
Contributions, Reimbursements and Donations	2	8,475,736	9,124,102	648,366	1,483,144
Profit on Disposal	3	74,596	369,596	295,000	65,833
Fees & Charges	4	16,080,136	15,497,446	(582,690)	12,437,225
Interest Earnings	5	2,248,000	2,596,644	348,644	1,727,737
Other Revenue		126,000	151,321	25,321	94,311
		84,640,172	85,279,028	638,856	67,872,380
<b>OPERATING EXPENDITURE</b>					
Employee Costs	6	30,652,012	30,046,363	605,649	13,395,852
Materials & Contracts	7	26,366,470	26,599,076	(232,606)	11,845,993
Utilities (Gas, Electricity, Water etc)		3,164,388	3,189,388	(25,000)	1,414,817
Depreciation on Assets		15,030,810	15,030,810	0	7,569,528
Loss on Disposal		260,485	260,485	0	75,314
Insurance Expenses		939,272	966,963	(27,691)	466,034
Interest Expense		218,444	194,683	23,761	65,641
Other Expenses		45,000	54,000	(9,000)	53,978
		76,676,881	76,341,768	335,113	34,887,157
<b>SURPLUS/(DEFICIT) FROM OPERATIONS</b>		7,963,291	8,937,260	973,969	32,985,223
<b>CAPITAL EXPENDITURE</b>	8	42,034,636	41,756,558	278,078	27,854,661
<b>SURPLUS/(DEFICIT) FROM OPERATIONS AND CAPITAL EXPENDITURE</b>		(34,071,345)	(32,819,298)	1,252,047	5,130,562
<b>Adjustments for Non-Cash Movements</b>					
Transfer from Reserves		20,764,314	20,777,394	(13,080)	2,501,366
Transfer to Reserves	9	(12,075,873)	(12,723,873)	648,000	(624,968)
Depreciation on Assets		15,030,810	15,030,810	0	7,569,528
Loss on Disposal		260,485	260,485	0	75,314
Profit on Disposal		(74,596)	(369,596)	295,000	(65,833)
<b>Adjustments for Other Cash Movements</b>					
Proceeds from Disposal		1,265,000	1,560,000	(295,000)	528,606
Loan funds		900,000	900,000	0	0
Loan repayments (principal)		(228,493)	(228,493)	0	(112,605)
<b>Adjustments for Carry Forwards</b>					
Surplus Carried Forward from 2004/2005		1,935,055	1,935,055	0	0
Carried Forward Works from 2004/2005		6,294,643	6,294,643	0	0
<b>Surplus/(Deficit)</b>		0	617,127	617,127	15,001,970

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**NOTES TO AND FORMING PART OF THE REVISED 2005/2006 BUDGET STATEMENT****1. Rates**

Revenue from rates has been revised downwards. This is due to the decision handed down by the State Administrative Tribunal granting exempt status to retirement villages operated by charitable institutions. Refunds were made to the following organisations: -

	Amount
a) Anglican Homes Inc.	\$26K
b) The Grand Masonic Lodge	\$22K
c) Catholic Homes Inc.	<u>\$37K</u>
	\$85K

**2. Contributions, Reimbursements and Donations**

Revenue has been revised upwards due to various income streams not provided for in the budget. Additional revenue generated from the following: -

- Negotiation with Landcorp emanating from the Joondalup Normalisation Agreement resulted in an additional **\$648k** in interest revenue on the balance outstanding on the agreement.

**3. Profit on Disposal**

The profit on disposal from Lot 3 Trappers Drive Woodvale amounting to **\$295k** was classified in the budget under Miscellaneous Fee. This item is reclassified in the review.

**4. Fees and Charges**

Fee revenue is expected to be lower, on a net basis, due to the following: -

- Delay in completion of the Craigie Leisure Centre resulting in a reduction of fee revenue and proceeds from sale of merchandise and promotional items totalling **\$309k**.
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- Additional fee revenue totalling **\$29k** from miscellaneous inspections, Library Literacy Program (funded from Reserves) and sales of miscellaneous items reduces the overall impact of the anticipated shortfall in fee revenue from the Craigie Leisure Centre.
- The profit on disposal of Lot 3 Trappers Drive Woodvale of **\$295k** was classified in the budget under fees and charges. This amount has been reclassified to Profit on Disposal in the review.

#### 5. Interest Earnings

Interest income has been revised upwards by **\$348k**. This is due to the increase in funds available for investment resulting from delays in capital project works and the higher than expected rate of returns currently being achieved.

#### 6. Employee Costs

Employee costs have been revised downwards. Notable changes are as follows: -

- |  | <u>Amount</u> |
|--|---------------|
| a) Salary adjustments and timing of staff appointments | \$606k        |
| b) Contract labour expenses                            | \$42k         |
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- a) During the 2005/2006 budget process an across the board increase was factored into salary costs to account for the new Enterprise Bargaining Agreement. Variances in the actual versus budget calculations resulting from the 4.0% increase, together with timing of staff appointments, has resulted in an overall expected cost saving of **\$606k**. This is offset by **\$123k** additional operating cost transferred from the Foreshore/ Natural Areas Management capital project and made available to the newly formed Natural Areas Maintenance Team, ie reclassification.
  - b) Cost savings of **\$42k** in contract labour are also expected from the delay in completion of the Craigie Leisure Centre.
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## 7. Materials and Contracts

Expenses under this group have been revised upwards, on a net basis, for the following reasons:-

	<u>Amount</u>
a) Valuation Fee	\$195k
b) Vehicle Expenses	\$73k
c) New Two Way Radio units	\$100k
d) Other Expenses	(\$143k)

a) The provision for the triennial revaluation fee was not fully included in the annual budget, as reported in previous Financial Activity Statements for the 2005/2006 financial year, and has been adjusted accordingly.

b) Vehicle related expenses have been revised upwards. The revision is due to higher fuel, parts and maintenance costs on vehicles during the first half of the financial year, which is expected to persist for the full year. The net increase of **\$73k** is after offsetting **\$61k** of operating costs reclassified as capital works, for the purchase of a light vehicle for Ranger Services and plant and equipment for City Watch.

c) The cost allocated to the New Two Way Radio System of **\$100k** was originally budgeted as capital expenditure. A decision was later made to replace the New Two Way Radio System with more efficient "Push to Talk" technology. As the unit cost is below the capitalization threshold, it has been reclassified as an operating cost.

d) Cost savings of **\$93k** are expected from hire charges, computer related expenses and expenses on consumable chemicals due to the delay in completion of the Craigie Leisure Centre. A **\$50k** saving in printing cost was also identified in the review.

## 8. Capital Expenditure

The review of capital expenses against actual performance has resulted in a net downward revision of the budget. Items impacting the review are: -

	<u>Amount</u>
<u>Increase</u>	
▪ Light Vehicle, Plant and Equipment	\$61k
▪ Adjustments have been made to costs for the purchase of a light vehicle for Ranger Services and plant and equipment for City Watch. These costs were originally classified under vehicle running expenses in the budget and have been reclassified as capital in the review.	

	<u>Amount</u>
<u>Decrease</u>	
a) Coastal Foreshore Works	\$133k
b) Miscellaneous Non-Current Assets	\$147k
c) Double counting on fire detection projects	\$40k
d) Overstatement in carried forward capital works	\$50k
a) Approval was granted by Council on October 26, 2005 for the reallocation of funds from the Coastal Foreshore Works budget to set up the new Natural Areas Maintenance Team. A sum of <b>\$123k</b> of costs has been reallocated to employee costs and <b>\$10k</b> to plant and equipment.	
b) Items of an operating nature had originally been classified as capital works in the budget. These relate to <b>\$100k</b> allocated to the New Two Way Radio units and <b>\$27k</b> for the appointment of a Business System Analyst, which have been reclassified in the review.	

The review has identified **\$20k** in cost savings from the Document Management System Planning Project.

- c) The Ocean Ridge and Sorrento/Duncraig Recreation Centre's Fire Detection Projects totalling **\$40k** were taken up twice in the budget. These projects were independently budgeted as well as included in the budget for the Craigie Leisure Centre. It is adjusted in the review.

- d) During the review process an overstatement of **\$50k** was discovered in the Road Programming Crack Sealing Project for Kingsley Drive. An adjustment has been made accordingly.

#### 9. Transfers to/from Reserves

The transfer to the Strategic Asset Management reserve of **\$648k** is funded from interest received from Landcorp as a result of delays in finalising the Joondalup Normalisation Agreement.

An amount of \$13,080 has been transferred from the Library Literacy Program Reserve to fund the Better Beginnings literacy program in accordance with Council's resolution of 1 November 2005.

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