

CITY OF JOONDALUP
MID YEAR BUDGET REVIEW OF ANNUAL BUDGET FOR
THE 2012/13 FINANCIAL YEAR



City of Joondalup
Revised Budget Rate Setting Statement 2012/13

Notes	Adopted Budget	Revised Budget	Variance \$	Variance %	December YTD Adopted Budget	December YTD Actual	YTD Variance \$	YTD Variance %
OPERATING REVENUE								
Rates	1 (77,333,904)	(77,339,422)	(5,518)	(0%)	(78,437,730)	(78,493,929)	(56,199)	0%
Grants and Subsidies	2 (2,231,117)	(2,283,469)	(52,352)	(2%)	(1,130,305)	(1,006,612)	123,693	(11%)
Contributions Reimbursements and Donations	3 (2,200,007)	(2,437,290)	(237,283)	(11%)	(1,051,618)	(1,136,911)	(85,293)	8%
Profit on Asset Disposals	4 (51,230)	(65,000)	(13,770)	(27%)	(25,615)	(34,841)	(9,226)	36%
Fees and Charges	5 (34,148,404)	(34,803,301)	(654,897)	(2%)	(26,159,508)	(26,796,614)	(637,106)	2%
Interest Earnings	6 (4,267,070)	(5,517,254)	(1,250,184)	(29%)	(2,012,206)	(2,908,781)	(896,575)	45%
Other Revenue/Income	7 (167,000)	(183,167)	(16,167)	(10%)	(48,500)	(44,442)	4,058	(8%)
Total Operating Revenue	(120,398,732)	(122,628,902)	(2,230,171)	(2%)	(108,865,482)	(110,422,130)	(1,556,648)	1%
OPERATING EXPENSES								
Employee Costs	8 52,088,573	52,414,709	326,136	1%	26,973,483	26,903,777	(69,706)	(0%)
Materials and Contracts	9 45,254,280	46,692,872	1,438,592	3%	23,137,525	22,207,830	(929,695)	(4%)
Utilities (gas, electricity, water etc.)	5,880,263	5,838,289	(41,974)	(1%)	2,954,913	2,909,246	(45,667)	(2%)
Depreciation of Non-Current Assets	10 20,635,630	21,285,393	649,764	3%	10,357,423	10,667,146	309,723	3%
Loss on Asset Disposal	340,409	340,409	-	0%	170,205	104,227	(65,978)	(39%)
Interest Expenses	589,992	580,368	(9,624)	(2%)	306,003	303,364	(2,639)	(1%)
Insurance Expenses	1,475,713	1,417,165	(58,548)	(4%)	1,466,471	1,405,205	(61,266)	(4%)
Total Operating Expenses	126,264,859	128,569,205	2,304,346	2%	65,366,023	64,500,795	(865,228)	(1%)
(SURPLUS)/DEFICIT FROM OPERATIONS	5,866,128	5,940,303	74,176	1%	(43,499,459)	(45,921,335)	(2,421,876)	100%
ADJUSTMENTS FOR NON-CASH MOVEMENTS								
Depreciation on Assets	(20,635,630)	(21,285,393)	(649,764)	(3%)	(10,357,423)	(10,667,146)	(309,723)	3%
Loss on Disposals	(340,409)	(340,409)	-	0%	(170,205)	(104,227)	65,978	(39%)
Profit on Disposals	51,230	65,000	13,770	27%	25,615	34,841	9,226	36%
CASH (SURPLUS)/DEFICIT FROM OPERATIONS	(15,058,681)	(15,620,499)	(561,818)	4%	(54,001,472)	(56,657,867)	(2,656,395)	100%
NON-OPERATING REVENUE								
Non-operating Capital Grants and Subsidies	11 (8,247,704)	(8,346,897)	(99,193)	(1%)	(3,090,560)	(3,119,659)	(29,099)	1%
Non-operating Capital Contributions	(1,615,000)	(1,633,177)	(18,177)	(1%)	-	(14,276)	(14,276)	(100%)
Acquired Infrastructure Assets	(500,000)	(500,000)	-	0%	-	-	0	0%
Total Non-Operating Revenue	(10,362,704)	(10,480,074)	(117,370)	(1%)	(3,090,560)	(3,133,935)	(43,375)	1%
CAPITAL EXPENDITURE								
Capital Projects	12 3,672,657	3,080,384	(592,273)	(16%)	1,848,964	589,046	(1,259,918)	(68%)
Capital Works	13 32,437,935	33,469,752	1,031,817	3%	12,188,258	10,449,632	(1,738,626)	(14%)
Motor Vehicle Replacements	14 3,195,000	3,266,188	71,188	2%	1,404,500	899,670	(504,830)	(36%)
Loan Repayment Principal	1,565,374	1,565,374	-	0%	771,680	771,680	0	0%
Equity Investments	37,431	37,431	-	0%	0	0	0	0%
Total Capital Expenditure	40,908,397	41,419,129	510,732	1%	16,213,402	12,710,028	(3,503,374)	(22%)
CAPITAL (SURPLUS)/DEFICIT	30,545,693	30,939,055	393,363	1%	13,122,842	9,576,093	(3,546,749)	(27%)
(SURPLUS)/DEFICIT FROM OPERATIONS AND CAPITAL	15,487,012	15,318,556	(168,456)	(1%)	(40,878,630)	(47,081,774)	(6,203,144)	15%
FUNDING								
Proceeds from Disposals	(774,100)	(774,100)	-	0.0%	(387,050)	(386,555)	495	(0%)
Surplus Carried Forward	15 (2,650,015)	(3,648,445)	(998,430)	37.7%	(2,650,015)	(3,648,445)	(998,430)	38%
Recoupment of MRF Funding	(240,000)	(240,000)	-	0.0%	(120,000)	(120,000)	0	0%
Loans	-	-	-	0.0%	-	-	0	0%
Other adjustments	-	-	-	-	-	(19,292)	(19,292)	(100%)
Transfer from Reserves	16 (16,289,984)	(17,116,518)	(826,534)	5.1%	-	-	0	0%
Transfer to Reserves	17 3,867,807	5,960,507	2,092,700	54.1%	-	42,189	42,189	100%
Transfer to Accumulated Surplus	500,000	500,000	-	0.0%	-	-	0	0%
CLOSING FUNDS	(99,280)	0	99,280	(100.0%)	(44,035,695)	(51,213,877)	(7,178,182)	16%

NOTES TO AND FORMING PART OF THE REVISED 2012/13 BUDGET STATEMENT

1 Rates

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$77,333,904	\$77,339,422	\$5,518

The variance in general rates income is immaterial and is a result of interim rates adjustments across various categories of properties.

2 Government Grants and Subsidies

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$2,231,117	\$2,283,469	\$52,352

The variance is made up as follows:

Increases

a	Kids Sport Grant	\$128,951
b	Financial Counselling	\$10,000
c	Community Development	\$5,500
d	Other Variations	\$6,071

Decreases

e	General Purpose Grants	(\$98,170)
		<u>\$52,352</u>

- a The City applied and received approval from the Department of Sport and Recreation for a \$128,951 Grant to promote sports for kids and subsidise kids registration fees at sports clubs of their choice.
- b An increase of \$10,000 in the Commonwealth and State grants to support the provision of Financial Counselling Services is expected this financial year.
- c Additional grant funding allocated for Supporting Parents Forum \$2,500 and Adult Education project \$3,000.
- d Variances in other operating grants are spread over a number of accounts and are immaterial.
- e The General Purpose Grant received by the City is \$98,000 less than anticipated in the adopted budget, following the City's final allocation by the WA Local Government Grants Commission.

3 Contributions, Reimbursements and Donations

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$2,200,007	\$2,437,290	\$237,283

The net increase in contributions and reimbursements is made up of the following:

Increases

a	Sale of Recyclable Materials-MRF	\$139,295
b	Sponsorships	\$14,000
c	Other Miscellaneous reimbursements	\$83,988
		\$237,283

- a Recyclable materials volumes are tracking higher than previously anticipated and income from sales is now expected to increase by \$139,295 over the original budget estimates.
- b The slight increase in sponsorships is mainly due to increased revenue anticipated for various festivals and events, including the Joondalup Festival, Little Feet Festival and the Valentine's Day and Summer Concerts.
- c The increase in miscellaneous reimbursements is primarily driven by a non-recurring recovery of costs in respect of Town Planning Scheme No.10 of \$42,000, in addition to reimbursement of Business Continuity Planning costs \$17,000, Utility Charges \$5,000 and other minor reimbursements.

4 Profit on Asset Disposals

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$51,230	\$65,000	\$13,770

The slight increase in profit on asset disposals is primarily due to lower than expected depreciated asset values at the time of sale.

5 Fees and Charges

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$34,148,404	\$34,803,301	\$654,897

The budget variance in Fees and Charges is made up of the following:

Increases

a	Admission Fee	\$207,799
b	Learn to Swim program	\$162,965
c	On-Street Parking	\$100,720
d	Domestic Refuse Removal Charges	\$58,257
e	Off-Street Parking	\$35,000
f	Adshel Advertising Commission	\$30,000
g	Sale of Abandoned Vehicles	\$27,457
h	Park Hire	\$26,299
i	Sale of Merchandise	\$25,543
j	Immunisations	\$25,000
k	Other variations	\$63,857

Decreases

l	Parking Infringements	(\$58,000)
m	Fines Enforcement	(\$50,000)
		\$654,897

- a Admission revenue increases of \$205,000 at the Craigie Leisure Centre as a result of increased patronage owing to temporary pool closures at other similar facilities nearby.
- b Significantly higher enrolments to the Learn to Swim program in term 1 and also in respect of the December school holiday period increased revenue from this source.
- c The increase in on-street parking revenue is due to the introduction of paid parking near the Joondalup train station.
- d The increase in domestic refuse removal revenue is a result of an increase in the number of bins collected.
- e Off-street parking reflects increased revenue as a result of the implementation of paid parking at the Collier Pass car park from January.
- f Reflects an increase in quarterly advertising commission on Adshel bus shelters within the City of Joondalup.
- g The increase in income is non-recurring, driven by a focussed review of abandoned vehicle disposals. Revenue is expected to stabilise at a lower level in future.
- h A rise in bookings over a broad spectrum of parks in the City has driven the increase in park hire revenue.
- i The increase in revenue from sales is mainly due to the rise in merchandise sales at the Craigie Leisure Centre \$26,000 which is partly offset by lower sales in other parts of the organisation.

- j The increase reflects an expected increase in the volume of immunisation services provided.
- k Other increases are spread across various business areas and are not individually material.
- l The drop in parking infringement revenue reflects the lower number of parking infringements being issued.
- m A drop in the number of parking infringements issued, as noted above, results in a corresponding reduction in income from Fines Enforcement.

6 Interest Earnings

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$4,267,070	\$5,517,254	\$1,250,184

The increase in interest earnings is mainly caused by a rise in investment revenue \$1,266,000 owing to higher volume of investment funds despite reduced average return on investment. This is a result of timing differences in the outflow of funds on capital and operating expenditures compared to the original budget. This increase is partially offset by a slight reduction in interest revenue on rates instalments and pensioners' deferred rates.

7 Other Revenue

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase / (Decrease)
\$167,000	\$183,167	\$16,167

The increase in other revenue is mainly a result of unexpected motor vehicle insurance rebates that the City has received from Local Government Insurance Services.

8 Employee Costs

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$52,088,573	\$52,414,709	\$326,136

The increase in Employees' costs is predominantly caused by increase in the leave entitlement provisions as leave accumulates, as well as an increase in costs of agency employees, partly offset by a saving in salaries for a number of vacant positions that are currently being recruited for.

9 Materials and Contracts

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$45,254,280	\$46,692,872	\$1,438,592

The net increase in expenditure on material and contracts is made up as follows:

Increases

a	External Service Expense	\$508,333
b	Waste Management Services	\$414,956
c	Professional Fees	\$360,813
d	Accommodation and Property	\$153,598
e	Furniture & Equipment (Minor and Maintenance)	\$104,749

Decreases

f	Computing Expenses	(\$103,465)
g	Other	(\$392)
		\$1,438,592

- a The increase in external services expenditure includes the cost of irrigation maintenance \$215,000 across various parks including Percy Doyle Reserve \$163,000, maintenance of street lighting infrastructure \$177,000, chemical weeding in various areas \$157,000, footpaths concreting maintenance \$139,000, maintenance of lakes and water features \$128,000, mulching \$121,000 and brick paving maintenance \$105,000. These are partially offset by reduced expenditure for pavement maintenance (\$165,000), City Centre decorative street lighting (\$143,000) and turf renovation (\$137,000).
- b The increase in waste management services is primarily due to the increase in costs for recycling services at the Wangara Materials Recovery Facility due to increased volumes processed, as noted in 3(a) above.
- c This increase is driven by higher consultancy expenditure, mainly due to the following:
- \$95,000 for flora, fauna, fungi and site analysis assessments for the Edgewater Quarry;
 - \$59,500 for the Walkability Plan;
 - \$50,000 for the Digital Economy Strategy;
 - \$30,000 designated for SAT appeals in respect of planning decisions;
 - \$30,000 earmarked for the Coastal Risk Assessment Study, owing to non-receipt of grant funding; and
 - \$12,600 additional funding for the concept design of the Percy Doyle Reserve Master Plan.

The remainder of the increase includes Legal Fees \$20,000 and other minor variances across several cost areas.

- d The annual lease charge for the Works Operations Centre has increased by \$158,000. This is slightly offset by minor reductions across other accounts.
- e The increase is due to higher costs for CCTV maintenance \$60,000 as well as hire of equipment \$42,000, primarily in respect of various events and festivals.
- f The reduction in computing expenses is primarily attributable to a reduction in maintenance costs for the Centaman software currently used at the Craigie Leisure Centre that is being replaced and maintenance of which is no longer required (\$59,000), data communications (\$21,000) and internet service provider costs (\$11,000).
- g Other variances are spread across a number of accounts and are not material.

10 **Depreciation of Non-Current Assets**

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$20,635,630	\$21,285,393	\$649,764

Depreciation has increased due to the incorporation of assets capitalised at the end of the previous financial year, post the adoption of the budget.

11 **Capital Grants and Subsidies**

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$8,247,704	\$8,346,897	\$99,193

The increase in capital grants and subsidies is made up of the following:

Increases

a	State Blackspot Projects	\$345,335
b	Major Projects	\$150,000

Decreases

c	Major Road Construction	(\$275,152)
d	Road Preservation and Resurfacing	(\$92,992)
e	Other	(\$27,998)
		\$99,193

- a The increase in State Blackspot Projects is due to additional grant funding approved for the construction of a median along Oceanside Promenade – Mullaloo Drive to Warren Way \$390,000.
- b The increase reflects additional grant funding of \$150,000 approved for the Currambine Community Centre.

- c The decrease is primarily due to re-phased work on Hodges Drive – Marmion Avenue to Ocean Reef Road, resulting in an expected reduction in grants received (\$293,000).
- d The final FLRG allocation for 2012/13 was (\$217,000) less than estimated, which is partly offset by \$106,000 anticipated grants for Admiral Grove as the project needs to be completed by the end of the financial year to retain the approved grant allocation.
- e Other variances are spread across several projects and are not material.

12 Capital Projects

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$3,672,657	\$3,080,384	(\$592,273)

Increases

a PABX Capability for Disaster Recovery Site \$37,453

Decreases

b Ocean Reef Marina (\$524,558)
 c Craigie Leisure Centre Roof refurbishment (\$80,000)
 d Other (\$25,168)
(\$592,273)

- a This project is funded by amounts brought forward from 2011-12, which were not included at the time the budget for 2012-13 was adopted.
- b The actions and timeline of the endorsed concept plan indicates that the amount originally budgeted to be spent on the project in 2012-13 is unlikely to be incurred this financial year. The projected expenditure on the project is mainly funded from a reserve fund and the transfer from the reserve has therefore been revised down – ref 16 f) below.
- c The final cost of the project is not expected to reach the initial estimate of \$350,000, and has now been revised down.
- d Other decreases are spread across a number of projects and are not material.

13 Capital Works

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$32,437,935	\$33,469,752	\$1,031,817

Variances in Capital works occurred in several programs as follows:

Increases

a	Major Building Capital Works Program	\$655,345
b	State Blackspot Projects	\$518,114
c	Road Preservation and Resurfacing Program	\$361,692
d	Stormwater Drainage Program	\$275,875
e	Street Lighting Program	\$278,461
f	Parking Facilities Program	\$338,681
g	Parks Development Program	\$125,112
h	Other Capital Works	\$104,024

Decreases

i	Major Projects Program	(\$1,106,975)
j	Major Road Construction Program	(\$518,512)
		<u>\$1,031,817</u>

- a The additional building works is predominantly for the installation of floodlighting at Fleur Freame Pavilion at a cost of \$391,000 funded from funds brought forward from the previous year, representing the unspent balance from RLCIP projects. In addition, a project to install photovoltaic panels at the Joondalup Library at an estimated cost of \$126,000 is proposed, to be partly funded from amounts brought forward from 2011-12, as well as \$110,000 to refurbish change room facilities at Sorrento Bowling Club.
- b The increase in this program is primarily caused by Oceanside Promenade – Mullaloo Drive to Warren Way \$683,000 which is mainly funded by additional grants approved (ref 11 a) above). This is partly offset by savings on other projects.
- c The additional cost is mostly driven by Admiral Grove – Ocean Reef Road to Caridean Street \$246,000 which was previously scheduled to be done in 2013-14, now brought forward for completion in 2012-13, as noted in 11 d) above. The remainder of the increase is spread across a number of projects.
- d The increase in this program is spread across a number of projects, including Ellersdale Park Sump Improvement \$106,000 which is mostly funded from amounts brought forward from the previous year and Stormwater Drainage Upgrade \$77,000. These are also partly offset by savings in other projects, including Oceanside Promenade/Korella Street Intersection (\$45,000).
- e The increase in street lighting costs are for Joondalup City Centre \$199,000 and Davidson Terrace \$60,000 which have been brought forward from 2011-12.
- f The cost of construction of an additional cark park on land adjacent to Sacred Heart College, Sorrento \$214,000 is the primary reason for the increase in the parking facilities program. This is mostly funded from monies brought forward from the previous year.

- g The increase in the parks development program is spread across a number of parks projects including Carlton Park Irrigation Upgrade \$42,000, Mawson Park Landscape Upgrade \$40,000 and Iluka Irrigation and Landscape Upgrades \$24,000 almost all of which is funded from amounts brought forward from 2011-12.
- h Other variances in the Capital Works program are spread across several projects.
- i The reduction in major projects budget includes (\$1,000,000) for the Currumbine Community Centre, (\$300,000) for the construction of the Delamere Park, and (\$145,000) each for the Padbury Kindergarten and Joondalup Men's shed projects. These projects will not be completed this financial year and unspent funds associated with them will be held in reserves until used in the next financial year. The reductions are partly offset by extra costs on Tom Simpson Park \$383,000.
- j Road construction costs have been reduced on the Hodges Drive West – Marmion Avenue to Ocean Reef Road project (\$500,000) as the project is now expected to be completed in the next financial year. Unspent funds associated with this will be held in reserves until used in the next financial year.

14 Motor Vehicle Replacements

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$3,195,000	\$3,266,188	\$71,188

The increase in the Fleet Replacement Program is caused by vehicles included in the 2011-12 budget but delivered this year, for which money was brought forward from 2011-12. This includes an Isuzu NPR400 4m Long Tipper Truck \$99,000 and four other smaller vehicles. These are partly offset by a reduction of (\$120,000) in respect of an Isuzu NPR400 Crewcab with Sidelifter which was expected in 2012-13 but was delivered and accounted for in June 2012.

15 Surplus Carried Forward

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$2,650,015	\$3,648,445	\$998,430

The revised budget brought to account the actual surplus carried forward from the previous financial year as reported in the 2011/12 audited financial statements.

16 Transfer from Reserves

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$16,289,984	\$17,116,518	\$826,534

The variance in the money transferred from Reserves is made up of several increases and decreases as follows:

Increases

a	Capital Works Carried Forward	\$2,045,475
b	Waste Management Reserve	\$356,930
c	Vehicle, Plant and Equipment	\$178,563
d	Parking Facility	\$53,310

Decreases

e	Strategic Asset Management	(\$1,241,451)
f	Ocean Reef Marina	(\$524,558)
g	Currumbine Community Centre	(\$40,610)
h	Joondalup Performing Arts and Cultural Facility	(\$1,125)
		\$826,534

- a Funds for uncompleted Capital Works carried forward at the end of the previous financial year exceeded what was estimated in the budget by \$1,593,000.
- b Revised Waste Management deficit subsidised from the Reserve is higher than budgeted due to increased net expenditure on waste management operations.
- c Funds for uncompleted Fleet acquisitions carried forward at the end of the previous financial year exceeded estimates by \$107,375. The remainder of the variance pertains to the difference between budget and revised vehicle replacement costs.
- d Cost of City Centre Planter Boxes to be funded from the Parking Reserve partly offset by lower than expected transfer from reserve to fund CAT bus service.
- e Lower than estimated funding for Currumbine Community Centre, Craigie Leisure Centre roof replacement and the Cafes/Kiosks/Restaurants projects.
- f Funds required for the Ocean Reef Marina project are lower than estimated.
- g The balance available to fund the Currumbine Community Centre project is marginally lower than estimated due to lower than anticipated funds placed in reserve at the end of the previous financial year.
- h Transfer from reserve is marginally lower than estimates due to lower anticipated expenditure on the project.

17 Transfer to Reserves

Adopted Budget 2012/13	Revised Budget 2012/13	Variance Increase/ (Decrease)
\$3,867,807	\$5,960,507	\$2,092,700

The increase in money expected to be transferred to Reserves at the end of the financial year is made up of the following:

Increases

a	Capital Projects/Works Carried Forward	2,488,825
b	Town Planning Scheme No. 10	42,189
c	Woodvale Specified Area	14,000

Decreases

d	Interest earned on reserve funds	(425,388)
e	Parking Facility	<u>(26,926)</u>
		<u>2,092,700</u>

- a This increase represents excess funds for capital projects and capital works that are expected to remain unspent at the end of the financial year as well as a specific additional transfer of \$502,625 to assist fund Delamere park development in 2013-14.
- b This amount represents the recovery of costs pertaining to Town Planning Scheme No. 10 as noted in 3 c) above.
- c This amount represents the balance of funds raised by Specified Area Rates (SAR) for Woodvale that are expected to be surplus to requirements for this financial year.
- d Interest earned on reserve funds reflects the reduction in interest rates compared to budget estimates.
- e This amount reflects the lower anticipated surplus from parking operations.