

5.3.4 LATE ITEM: Review of the Annual Budget 2014/2015

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|-----------------------------|--|------------------|-----------------|
| Ward: | Both | Date: | 30 January 2015 |
| Precinct: | All | File Ref: | FIN0025 |
| Attachments: | 001 – Budget Review Amendment Listing 002 – Statement of Budget Amendments for the period ending 31 December 2014 | | |
| Tabled Items: | Nil | | |
| Reporting Officers: | B Tan, Manager Financial Services J Anthony, A/Director Corporate Services | | |
| Responsible Officer: | J Anthony, A/Director Corporate Services | | |

OFFICER RECOMMENDATION:

That Council:

- APPROVES BY AN ABSOLUTE MAJORITY** the adjustments to the 2014/2015 Annual Budget as reported in Attachment 001;
- ENDORSES** the Revised Budget 2014/2015 as reported in Attachment 002; and
- SUBMITS** a copy of the 2014/2015 mid-year Budget Review and Council decision to the Department of Local Government and Communities, in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996.

PURPOSE OF REPORT:

The purpose of this report is to review the progress of the Annual Budget 2014/2015 and to recommend adjustments to account for any major variances, funding reallocations, additional requirements or reflect Council decisions as well as provide amended estimates for the annual budget.

BACKGROUND:

The Local Government Act 1995 requires that a Local Government undertake a review of its budget at least once a year, in the period between January and March within a financial year.

The budget review must then be submitted to the Department of Local Government and Communities (DLGC) within thirty (30) days after Council has made its determination.

No prescribed template has been requested by the DLGC as to the format of the budget review.

DETAILS:

A review has been undertaken as at 31 December 2014 to adjust the budget to account for any major variances, funding reallocation, additional items required and the inclusion of previous decisions of Council.

The amendments to the Budget are listed in Attachment 001 and fall into the following three categories:

- Items that have already been approved by Council since the adoption of the Budget:

These new items or adjustments have been approved by an Absolute Majority by the Council.

2. Permanent Differences:

Permanent differences occur when there is likely to be a difference between the current budget and the expected outcome to the 30 June 2015. On occasions, if these variances are certain, the budget may be amended to reflect the change, however this is not a requirement and the difference may remain to the end of the year. These variances will have an impact upon the expected budget surplus or deficit outcome and would be reported in the review if they are material.

3. Timing Differences:

A timing variance occurs when a project or budget allocation is likely to be delayed past the end of the financial year. These postponed projects will likely be re-budgeted in the next year and will require carryover funding.

Below are variance comments on the annual budget 2014/15 by nature and type for expenditure incurred to date:

Operating Expenditure:

| | Budget 2014/15 | YTD Budget 31/12/2014 | YTD Actual 31/12/14 | % Variance |
|------------------------|---------------------|--------------------------|------------------------|---------------|
| Employee Costs | (18,997,330) | (11,676,756) | (11,548,898) | -1.1% |
| Materials & Contracts | (14,836,536) | (7,705,670) | (6,800,412) | -11.7% |
| Utility Charges | (1,914,770) | (941,455) | (919,870) | -2.3% |
| Interest Expenses | (1,096,580) | (553,105) | (553,106) | 0.0% |
| Insurance Expenses | (915,330) | (457,152) | (446,021) | -2.4% |
| Depreciation | (8,566,790) | (4,283,448) | (5,611,767) | 31% |
| Loss on Asset Disposal | 0 | 0 | (30,807) | 0.0% |
| Other Expenditure | (5,006,685) | (613,516) | (42,261) | -93.1% |
| Total | (51,334,021) | (26,231,102) | (25,953,142) | -1.1% |

As at 31 December 2014, the operating expenditure was 1.1% below the year to date operating budget.

Employee Costs

The employee costs are currently 1.1% under budget, however no budget amendment is required.

Materials and Contracts

This category is currently 11.7% under budget and can be accounted for as timing differences on operational expenditure in the following areas:

- Software and Parking Licence payments;
- Consumables, such as Printing and Stationery;
- Recycling collection costs, tipping costs; and
- Plant, Hire & Equipment Maintenance costs.

Utilities Charges

Utilities charges are currently 2.3% under budget, this can be attributed to December invoices not being accrued and the reversal of year end invoice accruals.

Interest Charges

Interest charges are in line with the budget and therefore no amendment is required.

Insurance Expenses

Insurance expenditure is 2.4% under budget, however a budget amendment of \$220,975 is required for the adjustment in workers compensation premiums for previous years, which is based on the calculation of the City's performance-based contribution.

Depreciation

The depreciation costs are currently 31% over budget. This is due to an increase of the Building revaluation following the revaluation of Land and Buildings in accordance with Fair Value Legislation.

Other Expenditure

This category is under budget by 93.1% and can be accounted for as timing differences on operational expenditure in the following areas:

- Equipment maintenance;
- Software Annual maintenance;
- Strategic planning programmes;
- Waste Management programmes;
- Management initiative; and
- Fine lodgements fees.

Operating Revenue:

| | Budget 2014/15 | YTD Budget 31/12/14 | YTD Actual 31/12/14 | % Variance |
|--|-------------------|------------------------|------------------------|---------------|
| Rates | 26,909,021 | 26,739,424 | 27,319,228 | 2.2% |
| Operating Grants, Subsidies & Contributions | 2,473,885 | 751,237 | 808,736 | 7.7% |
| Fees & Charges | 20,437,630 | 10,394,811 | 10,159,733 | -2.3% |
| Interest Earnings | 854,120 | 558,385 | 577,806 | 3.5% |
| Profit on Asset Disposal | 3,840,370 | 1,912,053 | 1,175,582 | -38.5% |
| Other Revenue | 163,975 | 645,947 | 774,507 | 19.9% |
| Total | 54,679,001 | 41,001,857 | 40,815,592 | -0.5% |

The operating revenue is under budget as at 31 December 2014 but rates are 2.2% over budget.

Operating Grants, Subsidies and Contributions

Grants/Subsidies and Contributions are currently 7.7% above budget estimates due to the receipt from LGIS of higher than expected member experience bonus and recoverable works.

Fees and Charges

Fees and Charges are 2.3% under budget at this stage, which can be attributed to a combination of the following:

- Lower than budgeted parking fees;
- Lower than budgeted Personal training fees due difficulties in recruiting;
- Some of the reduction in fees and charges are offset against the increased Development Application income resulting from receipt of an increased number of applications;
- Increase in income from applications for building permits;

- Increase in Beatty Park Leisure Centre membership; and
- Increase in Work Zones licences and permits.

Interest Revenue

Revenue from interest on investments is 3.5% higher than budgeted expectations. This is a result of the budget review and tightening of expenditure which has resulted in a better cash flow with additional funds available for investment.

Profit on Asset Disposal

This category is currently 38.5% under budget due to the timing of the disposal of some assets.

A Budget amendment is included in Attachment 001 to reflect the anticipated increase in revenue from the disposal of 291 and 295 Vincent Street, Leederville.

Other revenue

This category is currently 19.9% over budget due to the receipt of paid parental leave for staff who are on maternity leave, refund of defibrillators and reimbursement for 'eco carpet' tiles. No budget amendment is required.

Rates

The income from Rates is over the budget estimate by 2.2%. The positive variance is due to additional properties being reported and received after the budget rates model was run. This included new properties and revalued properties previously not included on the revaluation file, resulting in increased revenue.

Proceeds on Asset Disposals

| | Budget 2014/15 | YTD Budget 31/12/14 | YTD Actual | % Variance |
|----------------------------|-------------------|------------------------|------------------|---------------|
| Proceeds on Asset Disposal | 5,605,000 | 1,989,333 | 1,267,452 | -36.3% |

This category is currently below budgeted expectations due to a timing difference in the trade-ins of the light vehicle fleet and disposal of properties.

Contributions/Grants for Development of Assets

| | Budget 2014/15 | YTD Budget 31/12/14 | YTD Actual | % Variance |
|--|-------------------|------------------------|----------------|---------------|
| Contributions/Grants for Development of Assets | 3,048,092 | 420,438 | 174,813 | -58.4% |

The variance in this area can be attributed to the timing of the receipt of the grant.

Transfer from Reserves

| | Budget 2014/15 | YTD Budget 31/12/14 | YTD Actual | % Variance |
|------------------------|-------------------|------------------------|------------------|---------------|
| Transfer from Reserves | 5,758,752 | 5,564,843 | 3,760,736 | -33.0% |

The variance is attributed to the timing of commencement of some major capital works, which are funded by Reserves.

Capital Expenditure

| | Budget 2014/15 | YTD Budget 31/12/14 | YTD Actual | % Variance |
|----------------------------------|---------------------|------------------------|--------------------|---------------|
| Capital Expenditure Purchases | (13,291,534) | (8,639,321) | (4,517,066) | 47.7% |

The variances on the Capital Expenditure for each category are outlined below:

Buildings- 56.6% below budget:

The underrun is due in the main to the following:

- Timing of the installation of the automated toilet in Leederville; and
- Commencement of the Charles Veryard Reserve Clubrooms upgrade.

Infrastructure – 54.5% below budget:

This section is currently under budget due mainly to timing differences on the following projects:

Streetscape Enhancements

- Underground Power LEP – this project is on hold pending final costings from Western Power.

Black Spot

- Scarborough Beach Road – delivery of this project has been delayed due to the timing of detailed design and awaiting final approvals.

Road Works

- Flinders Street – Scarborough Beach Road to Anzac Road – project to commence in March 2015; and
- Scarborough Beach Road - Loftus to Oxford – project scheduled for May 2015 (forms part of on road bicycle lanes).

Parks Services

- Litis Stadium – Replace electrical cabinet and pumps – timing on commencement of the project; and
- Kyilla Park – Power upgrade to site – not proceeding.

Plant & Equipment – 69.6% over budget:

The overrun is due to the timing of the purchase of the EMV Compliant parking machines and the purchase of a Side Loading Automatic Bin Lifter Rubbish Truck.

Furniture & Equipment – 93.9% below budget:

- The Administration Network upgrade is now anticipated to be completed later in the year;
 - Delay in the purchase of notebooks and A3 Scanner for Records Section;
 - Purchase of some Library items put on hold due to budget review; and
 - Timing for the replacement of signs at the Loftus Recreation Centre.
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Transfers to Reserves

| | Budget 2014/15 | YTD Budget 31/12/14 | YTD Actual | % Variance |
|----------------------|--------------------|------------------------|--------------------|---------------|
| Transfer to Reserves | (4,248,453) | (1,567,561) | (2,339,133) | 49.2% |

This category is 49.2% above budget. Whilst there is no amendment required, transfer to reserves will be reviewed as we progress through the financial year.

ANNUAL BUDGET ADJUSTMENTS DETAILED BELOW:

Capital Expenditure:

| | Annual Budget 2014/2015 | Year to Date Budget as at 31/12/2014 | Revised Budget 2014/15 | Budget Amendment |
|-------------------------|----------------------------|---|------------------------------|---------------------|
| Furniture and Equipment | (153,625) | (150,825) | (209,075) | (55,450) |
| Plant and Equipment | (1,065,167) | (530,340) | (1,229,057) | (163,890) |
| Land and Buildings | (1,038,275) | (573,275) | (1,070,555) | (32,280) |
| Infrastructure | (11,034,467) | (7,384,881) | (11,168,041) | (133,574) |
| TOTAL: | (13,291,534) | (8,639,321) | (13,676,728) | (385,194) |

Furniture and Equipment - \$(55,450):

The budget has been amended to reflect the additional cost required for the San for Server Environment i.e. Network upgrade which is funded from Reserve and the reallocation of some costs from the Library.

Plant and Equipment - \$(163,890):

The budget adjustments reflect the additional cost for the EMV Compliant parking machines funded from Parking Reserve and project on the investigation of a red light camera at Beaufort and Walcott Street not proceeding.

Land and Buildings - \$(32,280):

This budget has been amended for reallocation of costs for the North Perth, Beatty Park and Leederville Town Centre Artworks, and to fund the installation of ten (10) power points for Axford Park.

Infrastructure - \$(133,574):

This budget has been amended for reallocation of costs of the following budgets:

- Capital Initiatives;
- Additional expenditure for the installation of Bus shelters;
- Adopt a Verge;
- Additional parking bays; and
- Leederville Oval building repairs.

Detailed comments on Capital Expenditure Budget items are listed below:

The numbering below corresponds to the numbering allocated to Capital Expenditure items listed in Attachment 001.

1. Reduce Capital Expenditure Budget for North Perth Public Artwork - \$(100,000).

Comment:

This item was adopted at the Ordinary Meeting of Council held on 21 October 2014 (Item 9.4.2). The project will now be run over two (2) financial years and the remaining required funds will be listed on the 2015/16 Budget.

2. Include Capital Expenditure Budget for Beatty Park Public Artwork - \$130,000

Comment:

This item was adopted at the Ordinary Meeting of Council held on 12 August 2014 (Item 9.4.1).

3. Reduce Capital Expenditure Budget for Leederville Town Centre Public Artwork - \$(11,720).

Comment:

This item was adopted at the Ordinary Meeting of Council held on 16 December 2014 (Item 9.4.2). The project will run over two (2) financial years with only \$57,500 to be expended this financial year. The remaining required budget will be listed on the 2015/16 Budget.

4. Reduce Capital Expenditure Budget for Water Corporation Laneway upgrade- \$(7,750).

Comment:

This project is now complete and has come in under the anticipated budget.

5. Reduce Capital Expenditure Budget for Capital Miscellaneous Initiatives - \$(33,676).

Comment:

This item was adopted at the Ordinary Meeting of Council held on 26 August 2014 (Item 9.4.2). The project is not going ahead as matched funding was not received from the Department of Sport and Recreation.

6. Include Capital Expenditure Budget for power point installations at Axford Park - \$14,000.

Comment:

This item was adopted at the Ordinary Meeting of Council held on 2 December 2014 (Item 9.4.3) to list for consideration on the 2015/16 Draft Budget. The power points are required in Axford Park this financial year to assist with the Mt Hawthorn Markets and to improve adaptability and use of the park.

7. Increase Capital Expenditure Budget for Storage Area Network (SAN) for Server Environment - \$60,000.

Comment:

Total cost for the network upgrade is approximately \$90,000 of which \$30,000 is in the current year budget. The additional \$60,000 from 2013/2014 budget which was not brought forward is funded from Reserve.

8. Increase Capital Expenditure Budget for installation of bus shelters - \$30,000.

Comment:

The Public Transport Authority has instructed that in accordance with Human Rights and Equal Opportunity Commission's guidelines for infrastructure compliance, 'where substantial refurbishment of a bus stop (including associated infrastructure) occurs, the entire bus stop must be upgraded'. This extends to the new Adshel shelters currently being installed and includes specified kerb heights and expanded boarding areas, which fall outside the scope of works defined in the terms of the contract with Adshel Street Furniture. As a consequence, both the City and Adshel are faced with additional costs over and above what was originally budgeted for in 2014/2015 to comply.

9. Increase Capital Expenditure Budget for Greening Plan - \$5,000.

Comment:

An additional \$5,000 is required due to an increase in the initial tree purchasing cost estimate, as larger trees had to be sourced and planted as part of the Vincent Street works.

10. Increase Capital Expenditure Budget for Adopt a Verge - \$30,000.

Comment:

At the Ordinary Meeting of Council held on 16 December 2014 (Item 9.2.3), Council resolved to list for consideration an amount of \$30,000 in either the mid-year budget review or in the 2015/16 draft budget to undertake the additional Adopt a Verge round approved by Council at its Ordinary meeting held on 10 June 2014.

11. Include Capital Expenditure Budget for additional bays in Fitzgerald Street carpark - \$30,000:

Comment:

At a recent meeting with representatives of the Bocce Club it was considered that additional parking in the Fitzgerald Street carpark could be accommodated by a minor reconfiguration of the carpark to convert a portion of the 45 degree parking to 90 degree angle parking. This proposal would increase the parking by 16 bays.

12. Include Capital Expenditure Budget for Leederville Oval Building Repairs - \$60,000.

Comment:

A structural assessment of the western wall of Medibank Stadium Building was undertaken in November 2014 and the wall was found to be structurally unsound. A suggested improvement solution was subsequently developed and quotations to undertake the repair works obtained. Due to the unsound nature of the wall the repair works have commenced, as the area was deemed to be unsafe.

13. Increase Capital Expenditure Budget for Beaufort Street Enhancement - \$20,000.

Comment:

At the Ordinary Meeting of Council held on 22 April 2014, Council approved: "the installation of an 'artistic light structure' in the laneway between Lot 2 (485) Beaufort Street and Lot 1 (483) Beaufort Street; and Light boxes being affixed to the building on Lot 1 (483) Beaufort Street, facing onto the abutting laneway".

The proposed amount of \$20,000 will cover the completion of these works.

14. Reduce Capital Expenditure Budget for investigation of Red Light Camera at Beaufort/Walcott intersection - \$(30,000).

Comment:

This allocation was made to enable officers to engage a consultant to assess the intersection and provide a report to the WA Police to enable the City to pay for the installation (if approved) of a red light camera at this intersection. The WA Police advised that all revenue raised from red light camera infringements must be paid directly to the Road Trauma Trust Account in accordance with the Road Safety Council Act 2002. Therefore the WA Police should fund any works associated with the installation of a camera at this location.

15. Include Capital Expenditure Budget for EMV compliant parking machines - \$193,890.

Comment:

At the Ordinary Meeting of Council held 11 March 2014, Council accepted the tender for twenty-five (25) Europay, Mastercard and Visa Card (EMV) Compliant Ticket Issuing Machines at a cost of up to \$186,750 excluding GST, in accordance with the specifications as detailed in Tender 480/13.

At the Ordinary Meeting of Council held 27 August 2014, Council approved the purchase of eleven (11) Europay, Mastercard and Visa (EMV) upgrade kits at a cost of up to \$40,000 excluding GST, to enable eleven (11) non compliant parking ticket machines to be upgraded for EMV compliance.

In April 2014, the City purchased 23 EMV Compliant Ticket Machines totalling \$155,940. In August 2014, the City purchased 11 EMV upgrade kits for parking machines totalling \$37,950.

16. **Reduce Capital Expenditure Budget for Junior Area activity tables and chairs - \$(750).**

Comment:

This project is not proceeding and can be rescheduled for the 2015-2016 financial year.

17. **Reduce Capital Expenditure for RFID mobile circulation device - \$(1,800).**

Comment:

This project is not proceeding as the product does not work with the library management system.

18. **Reduce Capital Expenditure Budget for Library shelving signage - \$(1,000).**

Comment:

This project is not proceeding and has been rescheduled for the 2015-2016 financial year.

19. **Reduce Capital Expenditure Budget for Library Junior area additional book storage - \$(1,000).**

Comment:

This project is not proceeding due to a decision to review the Junior area layout and accommodate stock within the space that is already available.

Detailed comments on Operating Budget items are listed below:

The numbering below corresponds to the numbering allocated to Operating Expenditure and Operating Revenue items listed in Attachment 001.

Operating Expenditure

1. **Increase Operating Expenditure Budget for Beatty Park Leisure Centre (BPLC) Administration - \$231,670.**

Comment:

Increase is due to additional costs associated with the lease payments for LED light installation from the CEEP grant and Variable Speed Drives for ongoing power savings. Also due to higher than budgeted amount of gas used due to ongoing issues encountered with the Geothermal heating system.

2. **Increase Operating Expenditure Budget for BPLC Swim School - \$38,850.**

Comment:

This is due to increased enrolments requiring more classes and more staff to be employed to run the classes.

3. Reduce Operating Expenditure Budget for BPLC Café - \$(1,950).

Comment:

A number of minor expenditure accounts have been reduced where they were deemed to not have an impact on ongoing service level.

4. Reduce Operating Expenditure Budget for BPLC Retail - \$(3,500).

Comment:

The operation of the Retail shop from Reception has allowed for savings in the Retail salary budget.

5. Increase Operating Expenditure Budget for BPLC Health and Fitness - \$17,500.

Comment:

This is due to the reallocation of the internet account for cardio equipment to Beatty Park from COV IT department which was not originally budgeted for by Beatty Park. Also wear and tear on equipment due to high use has required higher levels of maintenance than expected.

6. Increase Operating Expenditure Budget for BPLC Group Fitness - \$10,000.

Comment:

This is due to increased class attendances requiring more classes and more staff to be employed to run the classes.

7. Reduce Operating Expenditure Budget for BPLC Cycling Fitness - \$(6,000).

Comment:

Decrease due to less classes running in this area requiring less staff.

8. Reduce Operating Expenditure Budget for BPLC Aqua Fitness - \$(13,450).

Comment:

Decrease due to less classes running in this area requiring less staff.

9. Increase Operating Expenditure Budget for BPLC Creche - \$30,000.

Comment:

Increase due to additional staff hours required for safely operating weekend Creche and higher than expected baby numbers (higher ratio of carers to children required).

10. Reduce Operating Expenditure Budget for Seniors Study - \$(5,000).

Comment:

This budget line item was adopted at the Ordinary Meeting of Council held on 1 July 2014. The project will not be going ahead this financial year.

11. Reduce Operating Expenditure Budget for Youth Events - \$(10,000).

Comment:

This budget line item was adopted at the Ordinary Meeting of Council held on 1 July 2014. The full budget will not be expended this financial year.

12. Reduce Operating Expenditure Budget for Establishment of Youth Advisory Council - \$(2,000).

Comment:

This budget line item was adopted at the Ordinary Meeting of Council held on 1 July 2014. The full budget will not be expended this financial year.

13. Reduce Operating Expenditure Budgets for Spirit of Christmas Banners - \$(2,000).

Comment:

This project is complete and has come in under anticipated budget.

14. Reduce Operating Expenditure Budgets for Programme Funding - \$(1,000).

Comment:

This budget line item was adopted at the Ordinary Meeting of Council held on 1 July 2014. The project will not be going ahead this financial year.

15. Reduce Operating Expenditure Budget for Concerts in the Park - \$(20,000).

Comment:

The reduction in balance of this account was discussed in September 2014 as part of the 2014/15 Budget adjustments. It is now proposed to re-allocate the \$20,000 to the Form Art Festival budget line item.

16. Increase Operating Expenditure Budget for Form Art Festival - \$20,000.

Comment:

A proposal has been received by the City from FORM to fund its PUBLIC 2015 art festival to the amount of \$35,000. There is currently \$15,000 allocated to the FORM Art Festival in the 2014/15 Budget. The increase of \$20,000 is subject to a separate report to the Council Meeting to be held on 10 February 2014.

17. Reduce Operating Expenditure Budget for Men's Shed Expenditure - \$(18,000).

Comment:

In consultation with the Vincent Men's Shed operating expenses for the remainder of 2014/15 have been identified and will come in under expected budget.

18. Include Operating Expenditure Budget to replace blown globes at Leederville Oval - \$9,000.

Comment:

The Leederville Oval/Medibank Stadium sports lights were installed 10 years and are reaching the end of their life. Over the past year 9 lights have blown and require replacement, without which the lighting levels will not comply with the relevant standards. Administration is reviewing existing Stadium leases to determine if these expenses are partly or wholly recoverable.

19. Include Operating Expenditure Budget to repair bore at Menzies Park - \$15,500.

Comment:

An additional amount of \$15,000 was required due to the structural integrity of the bore casing being compromised and sand entering into the bore, rendering the reticulation system unusable prior to the Christmas / New Year break. This therefore required some remediation works which included removal of the pumping unit, sleeving the existing bore and reinstallation and testing of the pumping unit.

20. Include Operating Expenditure Budget for maintenance of Cricket Pitch at Charles Veryard - \$12,500.

Comment:

Following meetings in March/April 2014 regarding the co-existence of Modernians, Cardinals and Tuart Hill Cricket Club at Charles Veryard Reserve and concerns raised regarding damage to the turf pitch, an amount of \$12,500 was calculated as a possible contribution from the City towards the annual maintenance cost of the turf wicket. This was not included in the 2014/15 budget at this time.

21. Increase Expenditure Budget for Plant Operating Allocated outwards - \$(113,000).

Comment:

The plant charge out rate was increased to recover the total plant operating cost which in previous years was under recovered due to increased fuel and operating costs. The increase in budget review is to recognise the increase in plant allocation costs.

22. Reduce Operating Expenditure Budget for Public Health Plan - \$(5,000).

Comment:

This item was adopted at the Ordinary Meeting of Council held 26 November 2014, Item 9.4.2. Savings will be realised due to implementation commencing in the second half of the 2014/15 financial year.

23. Reduce Operating Expenditure Budget for Feral Pigeon Control Programme - \$(25,000).

Comment:

Administration is not intending to proceed with this programme due to only limited complaints regarding nuisance pigeons from businesses in the Oxford Street precinct over the past twelve (12) months and also due to the questionable impact of the programme.

24. Reduce Operating Expenditure Budget for Menuwise - \$(4,050).

Comment:

Savings will be realised due to implementation commencing in the second half of the 2014/15 financial year.

25. Reduce Operating Revenue Budget for Vaccine Purchase - \$(2,000).

Comment:

Savings will be realised due to the staff Hepatitis B programme having captured the majority of employees in previous financial years.

26. Reduce Operating Expenditure Budget for Vincent Accord - \$(2,000).

Comment:

Savings will be realised due to a reduced number of projects identified by the Vincent Accord in 2014/15.

27. Reduce Operating Expenditure Budget for Sample Analyses-Health Food Control - \$(2,000).

Comment:

Savings will be realised due to a reduced number of food samples being required for the Department of Health's statewide 'coordinated food sampling projects'.

28. Increase Operating Expenditure Budget for recruitment - \$20,000.

Comment:

Unforeseen recruitment expenses relating to the employment of two (2) Environmental Health Officers through Hays Employment consultants.

29. Reduce Operating Expenditure Budget for Legal Costs - \$(5,000).

Comment:

Savings will be realised due to a reduced number of prosecutions expected to commence prior to June 2015.

30. Reduce Operating Expenditure Budget for Training - \$(3,000).

Comment:

Savings realised due to vacant health positions during the main conference period.

31. Increase Operating Expenditure Budget for Subscriptions/Publications - \$4,500.

Comment:

This is due to an increase in the use of the City's Employee Assistance Provider (EAP) and in the annual retainer fees for this service has tripled.

32. Reduce Operating Expenditure Budget for Occupational Health Safety Initiatives - \$(4,500).

Comment:

Given the current range of initiatives that will require consideration by the City's Occupational Health and Safety committee and a number of actions already underway, a reduction in the budget can be accommodated.

33. Reduce Operating Expenditure Budget for Constable Care - \$(1,000).

Comment:

The actual cost for the Constable Care program was \$10,000.

34. Reduce Operating Expenditure Budget for Noongar Patrol - \$(7,000).

Comment:

The service is provided to the City for an annual cost of \$50,000.

35. Reduce Operating Expenditure Budget for Business Beat - \$(2,000).

Comment:

The funds allocated are not required.

36. Reduce Operating Expenditure Budget for Cat Impounding Costs- \$(3,000).

Comment:

The budget for this item can be reduced due as the requirement for the service is not in demand.

37. Increase Operating Expenditure Budget for Inspectorial Control Printing and Photocopying - \$7,000.

Comment:

There are two (2) line items for Printing and Photocopying. One (1) under Ranger Administration Services, the other under Inspectorial Control. Ranger Administration Services has a budget of \$17,800, whereas Inspectorial Control has a budget of \$0.00. Inspectorial Control requires a budget to purchase tickets etc for parking machines. \$7,000 will be allocated to Inspectorial Control from Ranger Administration Services.

38. Reduce Operating Expenditure Budget for Rangers Administration Printing and Photocopying - \$(7,000).

Comment:

There are two (2) line items for Printing and Photocopying. One (1) under Ranger Administration Services, the other under Inspectorial Control. Ranger Administration Services has a budget of \$17,800, whereas Inspectorial Control has a budget of \$0.00. Inspectorial Control requires a budget to purchase tickets etc for parking machines. \$7,000 will be allocated to Inspectorial Control from Ranger Administration Services.

39. Increase Operating Expenditure Budget for leasing of EMV kits - \$138,920.

Comment:

Parking machines with credit card facilities are required to be EMV compliant. The City leases the EMV kits to maintain compliance. This was reported to Council on 10 September 2013 Item 9.4.1, whereby Council would lease these EMV kits over a 5 year period.

40. Increase Operating Expenditure Budget for postage, courier & freight - \$1,000.

Comment:

These additional funds are required to pay for archive searches for office use and delivery of these to the office.

41. Increase Operating Expenditure Budget for sundry expenses - \$1,000.

Comment:

Additional expenses were incurred as a result of afterhours call monitoring, the cost of which is proportionately allocated to the number of enquiries received for each section.

42. Increase Operating Expenditure Budget for Consultants - \$40,000.

Comment:

Early in the 2014/2015 financial year, payments for a total of \$54,000 needed to be made in relation to SAT matters that were completed by June 2014. A further \$18,000 was required to be paid for SAT matters started in 2013/14 and finalised in the past 6 months. It is estimated that a further \$18,000 is likely to be required for matters that are still in progress.

43. Include Operating Expenditure Budget for Leederville Structure Plan - \$20,000.

Comment:

\$60,000 for the Leederville Structure Plan had been allocated in the draft 13/14 budget, but not carried forward into the current financial year. As it has been possible to complete some of the work internally and there are only 6 months of this budget period left, it is estimated that \$20,000 is required for this project until the end of June 2015.

44. Reduce Operating Expenditure Budget for Sustainability Education Programs - \$(10,000).

Comment:

Due to the changes to the CEEP project, the need for public education relating to the CEEP project no longer exists and accordingly not all funds budgeted will be required.

45. Increase Operating Expenditure Budget for Worker's Compensation premiums - \$220,975.

Comment:

The City pays the worker compensation insurance each year based on the estimated salary for the year. However each year LGIS Work Care will recalculate the workers compensation insurance adjustment based on performance based contribution. This is based on the claims paid less contribution previously paid. There were a few claims in 2008, 2010 and 2012 that increased the worker compensation premiums.

46. Increase Operating Expenditure Budget for Depreciation - \$2,656,700.

Comment:

The City had undertaken valuation on its Land and Buildings for 2013/2014 in accordance with Fair Value Legislation. The budget for the depreciation was prepared before the revaluation exercise was done. The increased in the fair value of the buildings had resulted in increased depreciation.

Operating Revenue

1. Increase Operating Revenue Budget for BPLC Administration - \$(28,000)

Comment:

This increased revenue is based on the current membership numbers for the Centre.

2. Increase Operating Revenue Budget for BPLC Swimming Pools - \$(28,500)

Comment:

This increased revenue is based on the current pool attendance numbers for the Centre.

3. Increase Operating Revenue Budget for BPLC Swim School - \$(144,000)

Comment:

This increased revenue is based on the current enrolment numbers for the Beatty Park Swim School.

4. Reduce Operating Revenue Budget for BPLC Café - \$1,950

Comment:

This decreased revenue is based on current birthday party bookings for the Beatty Park Café.

5. Increase Operating Revenue Budget for BPLC Retail - \$(5,000)

Comment:

This increased revenue is based on the current sales reports and projected income for the Beatty Park Retail shop.

6. Reduce Operating Revenue Budget for BPLC Health and Fitness - \$61,500

Comment:

This decreased revenue is based on a reduction in massage and personal training sessions due to lack of suitable staff being available at this time.

7. Increase Operating Revenue Budget for BPLC Group Fitness - \$(10,000)

Comment:

This increased revenue is based on the current membership numbers and attendance numbers for the redeveloped centre, as reported in the updated five (5) year financial forecast for the Centre.

8. Reduce Operating Revenue Budget for BPLC Cycling Fitness - \$4,500

Comment:

This increased revenue is based on the current membership numbers and attendance numbers for the redeveloped centre, as reported in the updated five (5) year financial forecast for the Centre.

9. Reduce Operating Revenue Budget for Health Act Fines - \$2,000.

Comment:

Lower revenue due to the reduced number of prosecutions expected to commence prior to June 2015.

10. Increase Operating Revenue Budget for Food Hygiene Fines - \$(3,000).

Comment:

Increased revenue due to payment of fines incurred in 2013/14 (referred to Fines Enforcement Registry hence the delay).

11. Reduce Operating Revenue Budget for Sundry Income - \$5,000.

Comment:

Lower anticipated revenue from liquor permits to date has been realised.

12. Increase Operating Revenue Budget for Temporary Food Licences - \$(7,000).

Comment:

Increased revenue due to the increased number of food stalls being approved for new markets and existing festivals attracting greater numbers during the 2014/15 financial year.

13. Increase Operating Revenue Budget for Public Building Licences - \$(3,000).

Comment:

Increased revenue due to the increased number of temporary public buildings being approved for existing festivals attracting greater numbers during the 2014/15 financial year.

14. Increase Operating Revenue Budget for Cat Registration Fees - \$(2,460).

Comment:

Revenue was forecast at \$4,000 for the financial year, however revenue has exceeded the forecast.

15. Increase Operating Revenue Budget for work zone licences and permits - \$(40,000).

Comment:

The revenue for this item was forecast at \$60,000, however revenue has exceeded expectations.

16. Increase Operating Revenue Budget for Planning Approvals - \$(20,000).

Comment:

The City has received more applications for planning approvals than was previously expected which accounts for this increase in revenue from planning approvals.

17. Increase Operating Revenue Budget for Cash in Lieu contributions - \$(50,000).

Comment:

Due to an increase in development activity in the City the amount of cash in lieu that is expected to be collected over the year will be higher than was previously predicted.

18. Increase Operating Revenue Budget for Building Licences - \$(50,000).

Comment:

The City has received more applications to process for Building permits than was previously expected which accounts for this increase in revenue for the building section.

19. Increase Operating Revenue Budget for Demolition Licences - \$(4,000).

Comment:

The City has received more applications for demolition licences than was previously expected which accounts for this increase in revenue in this regard.

20. Reduce Operating Revenue Budget for Archive Searches - \$10,000.

Comment:

The City has received fewer enquiries from the public for archive searches of building licences in the past 6 months and based on this trend it is therefore expected that the income from this activity will be significantly lower than had been budgeted previously.

21. Increase Operating Revenue Budget for Rates Revenue - \$(280,000).

Comment:

Rates had a positive variance due to additional properties being reported and received after the budget rates model was run. This included new properties and revalued properties not included on the revaluation file, resulting in increased revenue.

Capital Revenue:

The numbering below corresponds to the numbering allocated to Capital Revenue items in Attachment 001.

1. Include Capital Revenue for Light Fleet vehicles trade in - \$113,000.

Comment:

The trade in value of the Light Fleet vehicles was approved and included in the 2014/2015 Budget but was not adjusted in the Statement of Comprehensive Income. The amount is offset against the Plant Operating Cost outward budget review.

2. Include Capital Revenue for Sale of 291 and 295 Vincent Street - \$(700,000).

Comment:

The sales value was originally budgeted for \$1,200,000. We anticipate an increase in revenue due to the new valuation undertaken for both the properties.

Reserve Funds – Transfers from:

The numbering below corresponds to the numbering allocated to Reserve Funds Transfers listed in Attachment 001.

1. Electronic Equipment Reserve - \$(60,000).

Comment:

These Reserve Funds are used to purchase the Storage Area Network (SAN) for Server Environment.

2. Cash in Lieu for Parking Reserve Fund - \$(30,000).

Comment:

These Reserve Funds will be used to fund the additional bays for the Fitzgerald Street car park.

3. Leederville Oval Reserve Fund - \$(60,000).

Comment:

These Reserve Funds will be used to finance the building repairs required at Leederville Oval.

4. Leederville Oval Reserve - \$(9,000).

Comment:

These Reserve Funds will be used to fund the lighting maintenance required at Leederville Oval.

5. Parking Reserve - \$(193,890).

Comment:

These Reserve Funds are used to purchase 23 EMV Compliant Ticket Machines totalling \$155,940 and 11 EMV upgrade kits for parking machines totalling \$37,950.

A summary table of the complete Budget Review transactions are included in Attachment 001.

CONSULTATION/ADVERTISING:

Not Applicable.

LEGAL/POLICY:

The Local Government Act 1995 requires that a budget review be undertaken each financial year, in the period between January and March of a financial year.

RISK MANAGEMENT:

High: Failure to undertake a Budget review in the period between January and March in any financial year would be a breach of the Local Government Act (1995).

STRATEGIC IMPLICATIONS:

Plan for the Future Strategic Plan 2011-2021 - Key Result Area 4 – Leadership, Governance and Management:

“4.1 Provide Good Strategic Decision-Making, Governance, Leadership and Professional Management:

4.1.2(a) Adopt “best practice” to manage the financial resources and assets of the City.”

SUSTAINABILITY IMPLICATIONS:

Not applicable.

FINANCIAL/BUDGET IMPLICATIONS:

A commentary on the variances in the Statement of Budget Amendments report as at 31 December 2014 has been provided earlier in this report.

A number of amendments recommended in this budget review have been approved by Council for the current financial year or foreshadowed for consideration in 2015/16.

The opening balance for the Revised Budget was reported as a deficit of \$3,199,779 (Attachment 002). However, as previously reported to Council, the actual opening balance deficit for the mid-year revised Budget is \$4,758,710, which accurately records the adjusted deficit figure as a result of the review process. The mid-year revised Budget closing balance reports a deficit of \$974,190, which is a significant reduction achieved through a rigorous exercise of scrutinising the various operating and capital budget items.

In order for the mid-year Budget to achieve a zero balance, the following options could be considered:

- Transferring funds from reserves, e.g. Tamala Park Land Sales Reserve;
- Disposal of assets/land subject to availability which will involve further scrutiny of current assets and land with a view to sell; and/or
- Applying further cutbacks and savings on operating and capital items on the budget which could result in an impact on service delivery.

These measures are not considered necessary to achieve a year-end zero balance, for several reasons, namely - additional funds are expected from the sale of 81 Angove Street, North Perth. Whilst this City asset is listed on the Budget to be sold at \$1.7 million, it is expected to be sold for in excess of \$2 million. Budget savings are also anticipated from reduced fuel costs and improved controls of overtime and salary budgets.

The predicted year-end results for 2014/15 as outlined in the Statement of Budget Amendments in Attachment 002 has been posted based on assumptions and predictions of expenditure and revenue, taking into account the amended budgetary items listed in this report.

Whilst a deficit of \$164,978 has been reported as a closing balance for the predicted year end results, it is anticipated that with the current systemic improvement in the monitoring and control of divisional budgets, the City which achieve a zero balance by the end of this financial year.

COMMENTS:

The City is required, under the Local Government Act (1995) to conduct a mid-year review of its Budget between January and March each financial year. The City is able to carry out further budget reviews and if required, may conduct a further review at the end of March 2015.
