



SECOND QUARTERLY REVIEW 11-12

© City of Albany 2012

Index

	<u>Page</u>
Operating Variances from Current Budget - Detail	3
Capital Variances from Current Budget - Detail	8
Risks	11

Tables

Table 1 – Q2 Budget Review Summary	2
Table 2 - Operating Expenditure Variances by Directorate	2
Table 3 - Operating Variances from Current Budget – Detail	3
Table 4 – Capital Expenditure Variances by Directorate	7
Table 5 - Capital Variances from Current Budget – Detail	8

SECOND QUARTERLY REVIEW 2011-12

In accordance with Section 33A of the *Local Government (Financial Management) Regulations 1996*, a review of the 2011-12 Budget has been undertaken.

The review has resulted in a net cash deficit of \$238 against the current 2011-12 Budget.

*Note that amounts in brackets are income and amounts without brackets are expenditure.

Table 1 – Q2 Budget Review Summary

	Current Budget 2011-12	Q2 Budget Review 2011-12	Variance from Current Budget
Operating	(\$3,137,665)	(\$4,863,052)	(\$1,725,388)
Capital	\$4,706,440	\$6,432,065	\$1,725,626
TOTAL	\$1,568,775	\$1,569,013	\$238

Table 2 - Operating Expenditure Variances by Directorate

	Current Budget 2011-12	Q2 Budget Review 2011-12	Variance from Current Budget
Office of the CEO	\$6,820,796	\$7,005,383	\$184,587
Community Services	\$3,324,546	\$3,257,948	(\$66,598)
Corporate Services	\$3,529,929	\$3,686,054	\$156,125
Development Services	\$1,584,440	\$1,659,061	\$74,621
Works and Services	\$9,437,722	\$9,501,600	\$63,877
General Purpose Income	(\$28,837,247)	(\$30,975,247)	(\$2,138,000)
Loans	\$1,002,149	\$1,002,149	\$0
TOTAL	(\$3,137,665)	(\$4,863,052)	(\$1,725,388)

Operating Variances from Current Budget - Detail

There are several movements within areas of responsibility which net to zero and therefore do not impact on the Budget. They are not reported in Table 3 unless they are significant new items funded externally or from reserves.

*Note that amounts in brackets are savings and amounts without brackets represent cost increase.

Table 3 - Operating Variances from Current Budget – Detail

Operating - Area of Responsibility	Amount
<p>Following the corporate restructure undertaken during 2011, the first quarter review had a number of re-allocations between directorates and budget areas. For this quarterly review there is a smaller number of employee budget cost items that need to be reviewed and reallocated between Directorates. However, the overall net effect of these adjustments is nil. Where the reallocation is within a directorate and will net to zero, it is not shown in this table.</p>	
Office of the Chief Executive Officer	
Regional Cities Alliance	
<ul style="list-style-type: none"> • Reduction in Regional Cities Alliance contribution due to two more Councils joining the Alliance. 	(\$28,830)
Contract employees for PA position CEO	
<ul style="list-style-type: none"> • Reduction in Salary Budget – (\$35,000) • Increase in Contractor Costs - \$35,000 	\$0
Festive Lighting.	
<ul style="list-style-type: none"> • Reallocate budget item for festive lighting from Works and Services, to the Office of the CEO - Events Management. 	\$19,000
Corporate Governance.	
<ul style="list-style-type: none"> • Increase in WALGA membership subscription costs. • External review of number of larger planning projects. 	\$5,500 \$2,500
Records Management	
<ul style="list-style-type: none"> • Continued re-alignment of salary budgets due to re-structure. Records management salary budget transferred from Community Services directorate. 	\$182,384
Members of Council	
<ul style="list-style-type: none"> • Increase in insurance cost. 	\$4,033
Chief Executive Officer Total	\$184,587

Table 3 - Operating Variances from Current Budget – Detail (cont.)

Operating - Area of Responsibility	Amount
Community Services	
Records Management	
<ul style="list-style-type: none"> • Continued realignment of salary budgets due to restructure. Records management salary budget transferred to the Office of the CEO. 	(\$182,384)
Crime Prevention Income Funding. Funding source no longer available.	\$1,200
Recreational Precinct Masterplan	\$25,000
Recreational Precinct Masterplan Grant (Dept of Sport and Recreation)	(\$25,000)
Day Care	
<ul style="list-style-type: none"> • Fundraising 	(\$1,685)
<ul style="list-style-type: none"> • Minor adjustment to long service leave and workers compensation insurance allocation. 	\$644
<ul style="list-style-type: none"> • Repairs to equipment 	\$21
Town Hall	
<ul style="list-style-type: none"> • The Town Hall has had minimal use for a number of months. Basic repairs and maintenance needs to be undertaken to ensure this asset is kept in a usable state. 	\$30,488
Albany Visitors Centre	
<ul style="list-style-type: none"> • Bank Fees were not allowed for in the original budget. 	\$15,800
<ul style="list-style-type: none"> • Advertising and co-sponsorship of Taste Great Southern. 	\$5,000
<ul style="list-style-type: none"> • Contract management for team leader position, during transition period 	\$38,000
Forts.	
<ul style="list-style-type: none"> • Merchandise stock. Increase in merchandise stock purchases due to ANZAC Centenary event. 	\$7,250
<ul style="list-style-type: none"> • Increase in sales in lead up to ANZAC Centenary. 	(\$9,200)
Albany Art Prize	
<ul style="list-style-type: none"> • Adjustment to Albany Art Prize costs. Increase in contract management cost, exhibition opening event, freight and website costs. 	\$3,268
ALAC	
<ul style="list-style-type: none"> • Pool operation and cleaning employee cost increase. 	\$46,423
<ul style="list-style-type: none"> • Reduction Swim lesson income. 	\$40,687
<ul style="list-style-type: none"> • Increase in Aquatic Membership sales over budgeted revenue. 	(\$81,349)
<ul style="list-style-type: none"> • Increase in General Membership sales over budgeted revenue. 	(\$5,761)
ALAC	
<ul style="list-style-type: none"> • Asset and Plant condition report to identify any asset and plant deficiency in preparation for 2012/13 Budget. 	\$25,000
Community Services Total	(\$66,598)

Table 3 - Operating Variances from Current Budget – Detail (cont.)

Operating - Area of Responsibility	Amount
Corporate Services	
ICT Services Management.	
<ul style="list-style-type: none"> • Strategic Planning Review, includes plan for ICT and GIS. 	\$35,000
GIS Management.	
<ul style="list-style-type: none"> • Continued re-alignment of salary budgets due to re-structure. GIS salary budget transferred from Works and Services Directorate. 	\$71,125
Alternative Energy Modelling.	
<ul style="list-style-type: none"> • Examination of renewable energy options including opportunity to install solar at no cost and purchasing energy from the panels at prices less than currently being paid. 	\$20,000
Leased Assets	
<ul style="list-style-type: none"> • Following the leasing of the Middleton Beach cafe site, extensive repairs needed to be undertaken to restore the building to leasable state. 	\$30,000
Information Technology.	
<ul style="list-style-type: none"> • Reduction in employee costs due to staffing changes. • Increase contractor costs. 	(\$33,000) \$33,000
Corporate Services Total	\$156,125
Development and Planning	
Transport Model.	
<ul style="list-style-type: none"> • Transport model project had been managed by Works and Services. With employment of engineer in Planning and Development Directorate, this project will now be managed by Development and Planning. Funding had been received in prior year. 	\$80,000
Planning income – scheme amendments. Budget increased to meet actual.	(\$5,100)
Reduction office expenses building and planning.	(\$500)
Health increase food sampling costs.	\$221
Development Services Total	\$74,621
Works and Services	
Under the corporate restructure, a number of functions and employees have been reallocated.	
<ul style="list-style-type: none"> • Continued re-alignment of salary budgets due to re-structure. GIS salary budget transferred to Corporate Services Directorate. 	(\$71,125)

Table 3 - Operating Variances from Current Budget – Detail (cont.)

Operating - Area of Responsibility	Amount
Contract management <ul style="list-style-type: none"> • Following the corporate restructure undertaken during 2011, a number of management positions are yet to be filled on a permanent basis. During this period contract consultants and contract management has been used. 	\$200,000
Transport Model. <ul style="list-style-type: none"> • Transport model project had been managed by Works and Services. With employment of engineer in Planning and Development Directorate, this project will now be managed by Development and Planning. 	(\$50,000)
Festive/Christmas Lights. <ul style="list-style-type: none"> • Re-allocated to Special Events, under the Office of the CEO 	(\$15,000)
Works and Services Total	\$63,875
General Purpose Income	
Instalment Interest. <ul style="list-style-type: none"> • Interest earned on instalment rates increase budget to actual receipts. 	(\$11,720)
Ex Gratia Rates. Increase budget to actual receipts.	(\$4,106)
Grants Commission. <ul style="list-style-type: none"> • Grants applied for and expected to be received exceed budgeted revenue. 	(\$54,941)
Local Roads Grants. <ul style="list-style-type: none"> • Local Road Grants applied for and expected to be received exceed budgeted revenue. 	(\$37,267)
Interest on Investments. <ul style="list-style-type: none"> • Interest earned on term deposit investments has been over what was anticipated in the budget. 	(\$25,966)
Reserves Interest. <ul style="list-style-type: none"> • Interest earned on term deposit investments has been over what was anticipated in the budget 	(\$4,000)
Proceeds Land Sales. <ul style="list-style-type: none"> • The budget accounted for land sale proceeds as capital proceeds. This amendment accounts for land sale proceeds as operating revenue. There is no change in the budget amount. 	(\$2,000,000)
General Purpose Income Total	(\$2,138,000)
Total Operating Variance – All Directorates	(\$1,725,388)

Table 4 – Capital Expenditure Variances by Directorate

	Current Budget 2011-12	Q2 Budget Review 2011-12	Variance from Current Budget
Office of the CEO	(\$1,468,371)	\$531,630	\$2,000,000
Community Services	\$520,832	\$648,835	\$128,003
Corporate Services	\$434,839	\$319,840	(\$115,000)
Works and Services	\$5,357,559	\$5,070,179	(\$287,379)
Loans	(\$138,419)	(\$138,419)	\$0
TOTAL	\$4,706,440	\$6,432,065	\$1,725,626

Capital Variances from Current Budget - Detail

There are several movements within areas of responsibility which net to zero and therefore do not impact on the Budget. They are not reported in Table 5 unless they are significant new items funded externally or from reserves.

*Note that amounts in brackets are savings and amounts without brackets represent cost increase.

Table 5 - Capital Variances from Current Budget – Detail

Capital - Area of Responsibility	Amount
Office of the CEO	
Proceeds Land Sales.	
<ul style="list-style-type: none"> • The budget accounted for land sale proceeds as capital proceeds. This amendment accounts for land sale proceeds as operating revenue. There is no change in budget amount. 	\$2,000,000
Office of the CEO Total	\$2,000,000
Community Services	
Replacement of Potters Roof reallocated to ALAC pool blanket.	(\$50,000)
ALAC Pool Blanket.	
<ul style="list-style-type: none"> • Heat loss from the ALAC pool has been identified as a major contributor to the higher energy cost. A pool blanket will reduce the energy costs for heating the large volume of water. 	\$58,000
Forts.	
<ul style="list-style-type: none"> • Anticipated grant funding unable to be sourced. Related expenditure also reduced. 	\$120,000
Community Services Total	\$128,000
Corporate Services	
Forts.	
<ul style="list-style-type: none"> • Due to grant funding unable to be sourced, anticipated works will not be undertaken. 	(\$120,000)
Information Technology. Installation and training of Clarion SAN.	\$5,000
Corporate Services Total	(\$115,000)

Table 5 - Capital Variances from Current Budget – Detail (cont.)

Capital - Area of Responsibility	Amount
Works and Services	
As detailed in the Audit and Finance Committee report dated 6.12.11, examination of the capital works projects program was undertaken. This highlighted a number of projects which needed to be re-assessed to determine if they can realistically be completed within scope, on time and or/in budget.	
Road Safety. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Chipana Dr - \$5,000 • Le Grande Ave - \$60,000 • Anti-Hoon Program - \$31,320 • Lockyer Ave/Cockburn Rd - (\$40,000) • Lower Denmark Rd/Roundhay Rd - \$82,500 	\$138,820
Grant Funding.	
<ul style="list-style-type: none"> • Anti-hoon program funding from Mainroads anti-hoon program. 	(\$20,880)
Black Spot Funding.	
<ul style="list-style-type: none"> • Increase in funding for Lower Denmark Rd/Roundhay Rd. 	(\$55,000)
South Stirling Waste Site.	
<ul style="list-style-type: none"> • Project cancelled, funds re-allocated to Centennial Park Wetlands. 	(\$195,000)
Drainage Construction. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Frederick St to Stirling Tce – (\$20,000) • Chauncy Way – (\$20,000) • Anderson Place - \$25,000 • Green island/Range Crt/Hiam St – (\$150,000) • Mckail St - \$40,000 • North Rd/Sanford Rd - \$1,010,189 • Cull Rd Stormwater impact study - \$56,000 • Centennial Park Wetlands - \$195,000 	\$1,136,189
Drainage Masterplan Income.	
<ul style="list-style-type: none"> • Dept of Regional Development and Lands CLGF Individual Funding for North Rd/Sanford Rd intersection drainage infrastructure upgrade. 	(\$868,939)
Pathway Construction. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Emu Point pathway realignment - \$14,000 • Bay View Dr - \$57,000 	\$71,000
Asset Upgrade – Regional Roads. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Palmdale Road - \$50,000 • Kalgan Settlers Access - \$15,000 • Willyung Road - \$5,000 • Lower King Road – job completed in 10/11, budget allocation no 	

Table 5 - Capital Variances from Current Budget – Detail (cont.)

Capital - Area of Responsibility	Amount
<ul style="list-style-type: none"> longer required. – (\$302,570) • Pfeiffer Road - \$270,000 	(\$202,570)
Perkins Beach Road – (\$240,000)	
<p>Asset Preservation. Re-assessment of capital works project program.</p> <ul style="list-style-type: none"> • Bettys Beach Road - \$35,000 • Robinson Road – (\$30,000) • Muttonbird Access Road - (\$5,000) • Chillinup Road – (\$80,000) • Nanarup Road – (\$40,000) • Willyung Road – \$50,000 • Hay Street - \$20,000 • Robert Street -\$11,000 • Parker Street – (\$180,000) • Dempster Road – (\$10,000) • Moorialup Road – (\$10,000) • Scrub Bird Road - \$73,000 • Cheyne Beach Road – (\$75,000) • Muttonbird Road – (\$50,000) 	
	(\$291,000)
Works and Services Total	(\$287,380)
Total Capital Variance - All Directorates	\$1,725,626

Risks

1. EBA negotiations for the inside workers collective agreement are yet to be finalised. The impact on salaries budgets is therefore unknown.
2. Based on final tender prices the allowance for contingencies and provisional sums on Palmdale Road and Willyung Road upgrades are minimal. The final cost is expected to be within or close to budget, but this is subject to any unforeseen circumstances during construction.
3. The City was successful with its expression of interest to the Regional Development Australia Fund for the Centennial Precinct. The next stage of the process for securing funding is to complete a full application. The date for submission of the application is 15 February 2012. As the application requires submission of detailed mandatory documentation such as a business case, an Asset Management and Operations Plan, it will be necessary to engage an external resource to meet the deadline and ensure that the required documentation is of a standard which gives the City the best opportunity to secure the funding. The cost of this work is not known at this stage.
4. The City has sold five lots at The Ridge (Cull Road) subdivision, with a further three being under offer. Proceeds from the five lots total \$488,500. It is likely that the budgeted income from sale of land at the subdivision will need to be revised downward in the next quarterly budget review.