

4.5: REQUEST TO ADOPT THIRD QUARTER 2011-12 BUDGET REVIEW

Attachments : Third Quarter 2011-12 Budget Review
Responsible Officer : Acting Executive Director Corporate Services (P Wignall)

IN BRIEF

- Adoption of the Third Quarter 2011-12 Budget Review.

**ITEM 4.5: RESPONSIBLE OFFICER RECOMMENDATION
VOTING REQUIREMENT: ABSOLUTE MAJORITY**

THAT Council ADOPT the Third Quarter 2011-12 Budget Review.

BACKGROUND

1. At the Special Council Meeting held on 29th June 2010, Council resolved at Item 6.1 (xii):

One month before the scheduled quarterly review, council convene a meeting for the purpose of managing the budget and overseeing its progressive implementation.

2. The Third Quarter Review of the 2011-12 Budget was presented and discussed at the 26 March 2012 Audit Committee meeting.

DISCUSSION

3. The net position of the Budget following the third quarterly 2011-12 Budget review is a deficit of \$1,534,833.
4. There were a number of required amendments resulting from changed circumstances since the second quarterly review of the 2011-12 Annual Budget in February 2012.
5. The changes are detailed in the Attachment.

GOVERNMENT CONSULTATION

6. Nil

PUBLIC CONSULTATION / ENGAGEMENT

7. Nil

STATUTORY IMPLICATIONS

8. Under the Local Government Act, Section 6.8, a local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure:
- is incurred in a financial year before the adoption of the annual budget by the local government
 - is authorised in advance by a resolution (absolute majority required) or
 - is authorised in advance by the mayor in an emergency

STRATEGIC IMPLICATIONS

9. This item relates directly to the following elements of the City of Albany Strategic Plan (2011-2021 *Community Vision*):

Key Focus Area

Organisational Performance

Community Priority

Financial Management

Proposed Strategies

Reduce debt through careful financial management, prioritisation of expenditure and investments in secure portfolios.

POLICY IMPLICATIONS

10. Nil

RISK IDENTIFICATION & MITIGATION

Risk	Likelihood	Consequence	Risk Rating	Mitigation
Council does not approve the Third Quarter 2011-12 Budget Review	Unlikely	Moderate	Medium	The existing second quarter review of the 2011-12 Budget would apply and proposed amendments could not be applied.

FINANCIAL IMPLICATIONS

11. A summary of the proposed Third Quarter 2011-12 Budget Review follows:

	Original Budget	Current Budget	Proposed Q3 Budget	Variance from Current Budget
Office of the CEO	4,706,321	7,537,013	7,400,517	(136,496)
Community Serv.	4,364,720	3,906,783	3,938,400	31,617
Corporate Services	3,630,264	4,005,894	4,109,526	103,632
Development Services	1,492,137	1,659,061	1,765,061	106,000
Works & Services	15,414,915	14,571,779	14,516,879	(54,900)
General Purpose Income	(28,837,247)	(30,975,247)	(30,059,281)	915,966
Loans	863,730	863,730	(136,269)	(1,000,000)
Total (Surplus)/Deficit	1,634,840	1,569,013	1,534,833	(34,180)

LEGAL IMPLICATIONS

12. Nil

ALTERNATE OPTIONS

13. The Third Quarter 2011-12 Budget Review is not adopted by Council. Therefore, the proposed re-allocation of budget line items could not be applied.

14. The Third Quarter 2011-12 Budget Review may be adopted subject to specific changes directed by Council. The proposed small surplus would be affected by any changes directed by Council.

SUMMARY CONCLUSION

15. Nil

Consulted References	Adopted Budget 2011-12 Local Government Act 1995
File Number (Name of Ward)	FM.BUG.2
Previous Reference	<ul style="list-style-type: none"> Annual Budget – OCM 9th August 2011



THIRD QUARTERLY REVIEW 11-12

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THIRD 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 surplus of \$34,180 against the current 2011-12 Budget.

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

Table 1 – Q3 Budget Review Summary

	Current Budget 2011-12	Q3 Budget Review 2011-12	Variance from Current Budget
Operating	(\$4,863,052)	(\$3,753,965)	\$1,109,087
Capital	\$6,432,065	\$5,288,798	(\$1,143,267)
TOTAL	\$1,569,013	\$1,534,833	(\$34,180)

Table 2 - Operating Expenditure Variances by Directorate

	Current Budget 2011-12	Q3 Budget Review 2011-12	Variance from Current Budget
Office of the CEO	\$7,005,383	\$6,968,887	(\$36,496)
Community Services	\$3,257,948	\$3,289,565	\$31,617
Corporate Services	\$3,686,054	\$3,778,054	\$92,000
Development Services	\$1,659,061	\$1,765,061	\$106,000
Works and Services	\$9,501,600	\$9,501,600	\$0
General Purpose Income	(\$30,975,247)	(\$30,059,281)	\$915,966
Loans	\$1,002,149	\$1,002,149	\$0
TOTAL	(\$4,863,052)	(\$3,753,965)	\$1,109,087

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
Office of the Chief Executive Officer	
Contract employees for Major Project management.	
<ul style="list-style-type: none"> • Reduction in Salary Budget – (\$60,000) • Increase in Contractor Costs - \$60,000 	\$0
ANZAC Centenary	
<ul style="list-style-type: none"> • Per OCM 20/9/11, item 1.5 - \$15,102 • Request from ACAA meeting held on 22/11/11 that the City transfer money from the ANZAC Reserve - \$15,000 • Transfer from Reserve – (\$30,102) 	\$0
Special Events – NAIDOC Week	
<ul style="list-style-type: none"> • No provision in original budget for NAIDOC Week. Allocation of budget amount to enable event to occur. 	\$7,534
Public Relations	
<ul style="list-style-type: none"> • Increase in telephone budget to actual costs. 	\$300
Members of Council	
<ul style="list-style-type: none"> • Payment of past Councillor sitting fees. 	\$4,813
Economic Development	
<ul style="list-style-type: none"> • Reduction in Economic Development salary costs due to unfilled position. 	(\$49,143)
Chief Executive Officer Total	(\$36,496)

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

Operating - Area of Responsibility	Amount
Community Services	
Customer Service	
<ul style="list-style-type: none"> • Increase in Customer Service salary budget due to long service leave taken, extra leave coverage and increased salary cost while training new staff members. 	\$11,932
Day Care	
<ul style="list-style-type: none"> • Reduction in repairs, equipment, and food. - (\$1,500) • Increase in office supplies and stationery - \$1,500 	\$0
Lotteries House	
<ul style="list-style-type: none"> • Transfer from trust account to purchase new photocopier 	(\$3,632)
Town Hall	
<ul style="list-style-type: none"> • Increase in hire fees budget to actual receipts taken. 	(\$4,186)
<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. 	\$20,000
<ul style="list-style-type: none"> • Increase operating cost budget to actual amount. This is water, power, telephone and allocation of employee costs to maintain minimal standards to allow public access for small events, hire of space for commercial or community purposes. 	\$10,661
Forts.	
<ul style="list-style-type: none"> • Merchandise stock. Increase in merchandise stock purchases due to ANZAC Centenary event. - \$7,000 • Increase in sales in lead up to ANZAC Centenary. – (\$7,300) • Increase in power, vehicle and staff seminar costs.- \$1,625 • Reduction in telephone budget. – (\$2,968) 	(\$1,643)
Vancouver Art Centre	
<ul style="list-style-type: none"> • Overall reduction in VAC operating costs following review of various exhibition costs, running costs and building maintenance. 	(\$1,580)
Albany Art Prize	
<ul style="list-style-type: none"> • Review of Albany Art Prize budget has lead to an increase exhibition opening costs, largely offset by savings in other budget lines. 	\$155
Centennial Art Prize	
<ul style="list-style-type: none"> • Review of Centennial Art Prize budget, reduction in management and workshop cost. 	(\$90)
Community Services Total	\$31,617

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

Operating - Area of Responsibility	Amount
Corporate Services	
Legal Fees	
<ul style="list-style-type: none"> • Increase in legal fees budget, due to continued various legal actions involving the City. 	\$100,000
Leased Assets	
<ul style="list-style-type: none"> • Increase in lease income due to more effective lease management. • Increase in expenses for maintenance (due to vandalism) of leased properties, and additional legal costs associated with leases. 	(\$28,000) \$20,000
Corporate Services Total	\$92,000
Development and Planning	
Development Management	
<ul style="list-style-type: none"> • Retail trading hours study – deregulation of trading hours. 	\$20,000
Building income.	
<ul style="list-style-type: none"> • Reduction in Building licence fees, BCITF Levy, and BRB Levy income due to continued slow building trade in the City. 	\$79,300
Health department	
<ul style="list-style-type: none"> • Reduction in septic inspection fees, and septic tank application fees, due to continued slow building trade in the City. 	\$6,700
Development Services Total	\$106,000
Works and Services	
No operating variation.	\$0
Works and Services Total	\$0

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

Operating - Area of Responsibility	Amount
General Purpose Income	
Interim Rates.	
• Increase in budget to actual receipts.	(\$30,000)
Interest on Investments.	
• Interest earned on term deposit investments. Increase in budget to actual receipts.	(\$54,034)
Proceeds Land Sales.	
• Reduction in budget for proceeds from land sales.	\$1,000,000
General Purpose Income Total	\$915,966
Total Operating Variance – All Directorates	\$1,109,087

Table 4 – Capital Expenditure Variances by Directorate

	Current Budget 2011-12	Q3 Budget Review 2011-12	Variance from Current Budget
Office of the CEO	\$531,630	\$431,630	(\$100,000)
Community Services	\$648,835	\$648,835	\$0
Corporate Services	\$319,840	\$331,472	\$11,632
Works and Services	\$5,070,179	\$5,015,280	(\$54,900)
Loans	(\$138,419)	(\$1,138,419)	(\$1,000,000)
TOTAL	\$6,432,065	\$5,288,798	(\$1,143,268)

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	
Land Development.	
<ul style="list-style-type: none"> • Reduction in land development budget due to lower land sales activity. 	(\$100,000)
Office of the CEO Total	(\$100,000)
Community Services	
No capital variations.	\$0
Community Services Total	\$0
Corporate Services	
Lotteries House.	
<ul style="list-style-type: none"> • Replacement of photocopier. Income transferred from Lotteries House Trust account. 	\$3,632
Leased Buildings	
<ul style="list-style-type: none"> • Installation of security fence around Volunteer Fire brigade building on North Rd, due to ongoing vandalism. 	\$8,000
Corporate Services Total	\$11,632

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

Capital - Area of Responsibility	Amount
Works and Services	
Road Safety. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Le Grande Ave – (\$63,000) • Lower Denmark Rd/Roundhay Rd - \$7,500 	(\$55,500)
Drainage Construction. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Frederick St to Stirling Tce – (\$7,200) • Chauncy Way – (\$4,000) 	(\$11,200)
Pathway Construction. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Minna St – (\$35,000) 	(\$35,000)
Asset Preservation. Re-assessment of capital works project program.	
<ul style="list-style-type: none"> • Muttonbird Access Rd - \$15,000 • Chillinup Rd - \$15,000 • Nanarup Rd - \$8,000 • Hare St - \$25,000 • Humpherys St - \$25,000 • Dempster Rd – (\$13,400) • Moorialup Rd –(\$27,900) • Kronhup Rd – (\$10,900) • Thomas Rd – (\$9,000) • Cheyne Beach Rd - \$20,000 	\$46,800
Works and Services Total	
	(\$54,900)
Loans	
Loan Refinancing	
<ul style="list-style-type: none"> • Due to reduction in budgeted sale proceeds from land developments, it is necessary to increase the amount of loan refinancing made. 	(\$1,000,000)
Total Capital Variance - All Directorates	
	(\$1,143,268)