



City of
Joondalup

*Monthly Financial Report
For the Month Ending
28 February 2002*

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Introduction

This monthly financial report covers the financial position of the City of Joondalup for the year to date ending 28 February 2002. The report does not include changes identified as part of the half-year budget review.

The half-year budget review changes were approved by Council in February 2002. Funds of **\$645k** were reallocated to new operational and capital expenditures. Unfortunately some Oracle Financial systems issues have prohibited the February 2002 financial report to report on variations against the Revised Budget. All comparisons are against the Adopted Budget at this time. These systems matters would be resolved during the coming month.

Financial Overview

The City of Joondalup is reporting a variance of **\$4.3m** when compared to the YTD budget.

Financial Overview	YTD Budget	YTD Actual	YTD Variance
Variance			
Operating surplus	\$14.0m	\$15.9m	\$1.9m
Non-Operating			YTD Variance
Capital Expenditure	\$1.1m	\$0.6m	\$0.5m
Capital Works	\$7.4m	\$5.5m	\$1.9m
Variance	\$8.5m	\$6.1m	\$2.4m
Total Variance			\$4.3m

On the **Operating Statement by Nature**, the City of Joondalup reported an operating surplus to date of **\$15.9m** against a budget of **\$14.0m**, a variance on budget of **\$1.9m**.

The above variance reflects differences attributable to the timing of revenue and expenditure and does not represent net savings for the year.

The major differences are as follows:

- The **Operating net variance** of **\$1.9m** resulted from YTD shortfall in revenue of **\$0.2m** and under expenditure of **\$2.1m** when compared to budget.
- **Operating Revenue** for the year-to-date is **\$55.2m** against a YTD budget of **\$55.4m** shortfall in revenue of **\$0.2m**.
- **Operating Expenditure** for the year-to-date amounted to **\$39.3m** against a YTD budget of **\$41.4m**, representing under expenditure to budget of **\$2.1m**.
- **Capital Expenditure** (shown at Appendix E) for the year-to-date is **\$0.6m** against a YTD budget of **\$1.1m**, under spending of **\$0.5m**.
- **Capital Works** (shown at Appendix F) for the year-to-date amounted to **\$5.5m** against a year-to-date budget of **\$7.4m**, an under spend to the phased budget of **\$1.9m**. However the City has committed expenditure through raised purchase orders of **\$2.30m**.

Operating Revenues

Operating Revenue for the year-to-date is **\$55.2m** against a YTD budget of **\$55.4m**, a revenue shortfall of **\$0.2m**.

A comparison of the year-to-date income is as follows:

Revenue	YTD Budget	YTD Actual
Rates	\$39.2m	\$39.2m
Rates – Specified Area	\$0.1m	\$0.1m
Government Grants	\$5.2m	\$4.9m
Contributions, Reimbursements and Donations	\$1.1m	\$1.1m
Service Charges	\$6.4m	\$6.4m
Fees & Charges	\$1.7m	\$2.2m
Interest Earnings	\$1.6m	\$1.2m
Revenue from other councils	\$0.1m	\$0.1m
Total Revenue	\$55.4m	\$55.2m

Referring to Appendix A:

a) Rates and Charges Revenue

Rates and Charges revenue is on target for the year-to-date. Interim rates are expected to be significantly lower than the adopted budget of **\$591k**. The half-year budget review identified a **\$200k** shortfall in interim rates income on the adopted budget. Further details on Rating

Performance are shown under this section on **Page 5**.

b) Government Grants

Government Grants for the year-to-date amounted to **\$4.9m** compared to a YTD budget of **\$5.2m**. The deficit of **\$342k** relates mainly to road grants not yet received. The half year review identified a net reduction in grant revenue of 275k, due mainly to an error in compiling the budget. More information on this is available under the Capital Works section on page 5.

c) Contributions, Reimbursements & Donations

This includes transfers from reserves of **\$0.5m**, consisting mainly of **\$362k** from the Property Surveillance and Security Charge Reserve, **\$25k** from the Special Area Rating – Iluka Reserve and **\$113k** for the purchase of Light Fleet items. Transfers to and from Reserves are shown at Appendix **H**.

d) Service Charges

Service Charges levied for the year-to-date are on budget and amounted to **\$6.4m**.

e) Fees and Charges

Fees and Charges for the year-to-date amounted to **\$2.2m** compared to a YTD budget of **\$1.7m**. The YTD surplus of **\$553k** relates mainly to

additional development application fees (**\$38k**), building licenses (**\$152k**) and land purchase inquiries (**\$91k**) arising from increased building activity.

In addition, the transfer of bond forfeitures from previous years has contributed **\$249k** to the additional revenue.

It is to be recognised that additional building license fee revenue was generated by a number of major building projects including:

- Edith Cowan University - \$79k
- Apartments - Kingsbury Rd, Joondalup - \$7k
- Apartments - Grand Blvd, Joondalup - \$7k
- Lake Joondalup Baptist College - \$7k
- Shops/Offices - Dwyer Turn, Joondalup - \$4k

f) Interest Earnings

Interest on	Annual Budget	YTD Budget	YTD Actual
Municipal	\$1.4m	\$1.0m	\$0.8m
Reserves	\$0.9m	\$0.6m	\$0.4m
Total	\$2.3m	\$1.6m	\$1.2m

Interest income for the year-to-date is below budget due to the decreases in world interest rates and the resultant rate cuts undertaken since July 2001.

While the better than expected rates collection has provided a larger investment base, the longer-term

interest rate outlook (4.25%) is still well below the budgeted rate of 5.25%.

At its February 2002 meeting the Reserve Bank of Australia did not foreshadow further interest rate drops. The revised interest rate outlook and actual interest return will continue to be monitored. A decrease in Interest on Municipal Funds of \$300k and a decrease of \$300k in Interest on Reserve account has been factored into the half year budget review.

Details of the City's investments are referred to later in this report.

g) Other Revenues

Other Revenues reflect income received from services provided to the City of Wanneroo as part of the Library Service Level Agreement. The operational support portion of this Service Level Agreement ceased in September 2001, however the sharing of the Library computer system will continue for a further 3 years.

Currently, the revenues received from the City of Wanneroo for the library computer licences exceeds the phased budget by **17k**.

Operating Expenses

Operating expenses were as follows:

<i>Operating Expenses</i>	<i>Annual Budget</i>	<i>YTD Budget</i>	<i>YTD Actual</i>
Employee Costs	\$22.3m	\$14.4m	\$13.9m
Materials and Contracts	\$24.4m	\$15.6m	\$13.9m
Utilities	\$2.6m	\$1.7m	\$1.7m
Depreciation	\$13.8m	\$9.2m	\$9.3m
Loss on Asset Disposal	\$0.1m	\$0.0m	\$0.1m
Insurance	\$0.8m	\$0.5m	\$0.4m
Total	\$64.0m	\$41.4m	\$39.3m

Operating Expenditure for the year-to-date amounted to **\$39.3** against a YTD budget of **41.4m**, a net under spend to budget of **\$2.1m**. The main under spending is in Employee Costs of **\$0.5m** and Material and Contracts of **\$1.7m**.

a) Employee Costs

Employee Costs for the year-to-date amounted to **\$13.9m** against a budget of **\$14.4m**. The underspend of **\$519k** is due to:

- Delays in replacing staff who have left the employ of the City. (In some cases the positions have been "backfilled" with contract staff.)

- Delays in the commencement of certain projects that incorporate employee costs.

b) Materials and Contracts

Materials and Contracts costs for the year-to-date amounted to **\$13.9m** against a budget of **\$15.6m**, when internal transfers are removed. Materials and Contracts costs are under budget by **\$1.7m** due to delays in commencing administrative programs and projects. In most instances development work has commenced and the expenditures will be incurred during coming months.

Material and Contracts includes transfers to reserves of **\$1.0m** made during the year-to-date, to provide for the future replacement of Plant, Heavy and Light Fleet and interest of **\$0.4m** accumulated on the investment of the Reserve funds.

Major areas of under spending are:

- Administration costs (printing, postage and stationery) **\$197k**. Some underspending is in relation to payment for the printing of the Business and Community Directory and some cost savings achieved in this area.
- Equipment costs relating to non-asset purchases of minor plant, furniture and office equipment **\$179k**.
- Public Relations costs (promotions) **\$130k** relating to community program expenditure,

such as the Joondalup Festival and catering \$42k not yet undertaken

- Consultancy costs \$714k due to projects where expenditure has not yet been incurred. These include Ocean Reef Lot 1029 (\$87k), Urban Enhancements (\$50k), Strategic Planning Facilitation (\$25k), Foreshore Recreation Strategy (\$25k), Computerising Agenda & Minutes (\$22k), Community Consultation (\$47k), Central Walk Promotion (30k), Precinct Concepts (\$42k), Spatial Data Development (\$50k), IT consulting (\$49k), Contestability Framework (\$30k).

c) Utilities

Utility Costs for the year-to-date amounted to \$1.7m, which is on budget.

d) Depreciation on Non Current Assets

Depreciation expense for the year-to-date amounted to \$9.3m and is slightly over budget. Actual depreciation charges are processed through the General Ledger reflecting the actual depreciation costs of buildings, equipment, motor vehicles and plant.

e) Loss on Asset Disposal

The loss on the disposal of assets arises from the actual disposal price and written down value of the assets at the time of disposal.

Special Area Works – Iluka

The City raised \$76,026 as Special Area Rates – Iluka, budget (\$73,393). The carried forward amount of \$24,797 was transferred from Reserves at the beginning of the year. The year-to-date expenditure for work undertaken is \$164,248 against the annual total expenditure budget of \$159,920, which includes the funds remitted to the Iluka Residents Association which is managing the total landscaping in the area.

Special Area Works – Woodvale Waters

The City raised \$24,348 as Special Area Rates - Woodvale Waters, budget (\$24,300). The Woodvale Waters Residents Association and Council agreed for the normal verge maintenance and the enhanced landscaping works to be subcontracted. Payment of \$40,500 has been made to the Woodvale Waters Residents Association (\$24,348 - Special Area Rates and \$16,152 - Council contribution).

Special Area Works – Harbour Rise

The City raised \$47,858 as the Special Area Rates – Harbour Rise, budget (\$40,200). No expenditure has been undertaken year-to-date as the Residents' body is yet to be reformed. The contractors costs for the first six months work will be invoiced in March 2002.

Reserve Transfers

At the end of the month, the City of Joondalup Reserve Funds totalled \$14.0m.

In accordance with the requirements of Section 6.11 of the Local Government Act 1995, unspent funds from specific charges were transferred to Reserve Accounts at the 30 June 2001 and formed part of the 1st July 2001 opening balance.

During July 2001, a total of \$397,108 was transferred from Reserves to undertake budgeted works. Funds were transferred from the Property Surveillance and Security Charge Reserve – \$362,094, and from the Special Area Iluka Reserve – \$24,797.

Transfers To / From Reserves, together with the balances of the Reserve Accounts at the end of the month is shown at Appendix H.

Capital Expenditure

Capital Expenditure (shown at Appendix E) for the year-to-date amounted to \$0.6m against a budget of \$1.1m, an under spend to budget of \$515k. The majority of under spending is mainly due to delays in purchasing:

- computer equipment
- \$150k purchase of a Mercedes Benz bus
- two Skid Steer Loaders \$115k
- 4WD Tractor \$70K

- completion of software upgrades or undertaking scoping of projects. Capital Expenditure is shown at Appendix E.

Capital Works

Capital Works is shown at Appendix F.

For the 2001/02 year, the City of Joondalup planned to undertake a Capital Works program of **\$17.2m**.

Actual year-to-date expenditure amounts to **\$5.5m** against a year-to-date budget of **\$7.4m**, a net under spending of **\$1.9m**. However, the City has committed expenditure through raised purchase orders of **\$2.30m**.

Whilst the timing of individual capital works projects differ to the adopted budget, the majority of year-to-date underspending is in the following projects:

- Administration Centre – Roof/ Solar panels/modify lighting (**\$178k**)
- Civic Chambers – Members Lounge (**\$22k**)
- Giles Ave - Resurface and Roundabout (**\$111k**)
- Eddystone Ave - Road Works (**\$175k**)
- Beach Rd - Drainage Upgrade (**112k**)
- Shenton Ave – Dual Carriageway (**200k**)
- Dampier Ave – Raised Intersection (**107k**)

A shortfall in grant funding of (**\$706k**) has been identified. This shortfall is reflected in the Revised Budget but relates to the following:

- Grant funding relating to the totalling (**\$697m**) will not be received and this adjustment will be included in the Revised Budget.
- A non operational grant of (**\$9.0k**) will not be received.

Rating Performance

General Rates

The statement of rating information is shown at Appendix G.

The 2001/02 rates notices were issued on 16 August 2001.

General Rates of **\$39.2m** have been raised. The City offered an Early Payment Discount and an Early Payment Prize Draw which expired on 13 September 2001. The early payment incentive was particularly effective with **28,921** ratepayers having paid the outstanding balance in full by the due date.

The due date for the election of an instalment payment program or full payment of rates was 20 September 2001. **13,759** property owners elected either of the 2 or 4 instalment payment options offered by the City by the due date. Instalment notices are issued 28 days prior to the instalment payment date.

Council provides alternative payment arrangement options in cases of hardship. An administration fee of \$20 is applicable with penalty interest of 8.95% on the outstanding balance.

For the **9848** ratepayers who elected to pay by the 4-instalment option, instalment 4 is due on 28 March 2002.

The City will continue to collect outstanding rates through its normal collection process, however, where necessary, legal action is undertaken to collect outstanding balances.

The total general rates outstanding at the end of the month, including outstanding balances arising from prior years, is as follows:

- General rates - **\$4.2m**
- Deferred rates - **\$0.8m**
- Special Area Rates - **\$4k**

Interim rates are expected to be significantly lower than the **\$591k** budgeted. The Revised Budget will reflect a reduction of **\$200k** in expected interim rates income.

Specified Area Rate - Iluka

The 2001/02 Specified Area Rate - Iluka raised revenue of **\$76,026** from 979 properties. (Budget **\$73,393**). The City transferred **\$24,797** from the Special Area Rating – Iluka Reserve during July 2001 to undertake enhanced landscaping works in the area.

Specified Area Rate - Woodvale

The 2001/02 Specified Area Rate - Woodvale raised revenue of **\$24,348** from **136** properties. (Budget **\$24,300**).

Specified Area Rate – Harbour Rise

The 2001/02 Specified Area Rate – Harbour Rise raised revenue of **\$47,858** from **208** properties. (Budget **\$40,200**).

Rubbish Charges

- The 2001/02 Rubbish Charge of \$119 per property planned to net budget revenue of **\$6.4m** to cover Environmental Waste Services.
- At the end of January 2002, all budgeted rubbish charges had been levied in relation to the Refuse and Recycling Program.

Swimming Pool Inspection

The 2001/02 Swimming Pool Inspection fee of \$11 (including \$1 for GST) raised revenue of **\$156,595** (budget **\$152k**) to cover four-yearly swimming pool inspections.

Investments

The City of Joondalup investments are made in accordance with Policy guidelines. The City receives advice from Grove Financial Services P/L in relation to the most suitable investment portfolio to meet the City's risk guidelines.

At the end of the month, the City's investment portfolio amounted to **\$42.4m** and was spread across a number of different investment funds.

Of this amount, **\$28.8m**, **68%**, was invested in AAA rated investments. **\$13.5m**, **32%** was invested in AA rated investments. An amount of **\$95,265** is due from PBS (in liquidation), and is likely to be resolved prior to June 2002.

Interest on Investments is as follows:

<i>Interest on</i>	<i>Annual Budget</i>	<i>YTD Budget</i>	<i>YTD Actual</i>
Municipal	\$1.4m	\$1.0m	\$0.8m
Reserves	\$0.9m	\$0.6m	\$0.4m
Total	\$2.3m	\$1.6m	\$1.2m

The reductions in interest rates have had a detrimental impact on the City's investment income. The City had budgeted to receive interest at a **5.25%** interest rate, however current interest rates achieved have decreased to approximately **4.25%** with continued downward pressure.

The longer-term interest rate outlook (**4.25%**) is still well below the budget rate (**5.25%**) used. A decrease in Interest on Municipal Funds of \$300k and a decrease of \$300k in Interest on Reserves is projected when compared to the Adopted Budget.

Conclusion

Overall the City of Joondalup is reporting a net under spend compared to the year-to-date budget of **\$4.3m** as at 28 February 2002.

The net year-to-date underspend in **Operating Activities** compared to budget of **\$1.9m** is due to:

- Operating Revenue for the year-to-date of **\$55.2m** against a budget of **\$55.4m** represents a shortfall in revenue of **\$0.2m**. The main areas contributing to the shortfall are Interest Earnings deficit YTD of **\$492k**.
- Operating Expenditure for the year-to-date amounted to **\$39.3m** against a YTD budget of **\$41.4m**, a net underspend to budget of **\$2.1m**. The main underspending is in Employee Costs **\$519k** and Material and Contracts of **\$1.7m**.

Interest income for the year-to-date is below target due to significant decreases in world interest rates and the resultant rate cuts undertaken since July 2001. The better than expected rates collection at this time of year, however, has provided a larger investment base. The longer-term interest rate

outlook continues to differ from that estimated as part of the budget process.

The half-year budget review changes were undertaken during December and January and was approved by Council in February 2002. Funds of **\$645k** were reallocated to new operational and capital expenditures. Unfortunately some Oracle Financial systems issues have prohibited the February 2002 financial report to report on variations against the Revised Budget. All comparisons are against the Adopted Budget at this time. These systems matters would be resolved during the coming month.