



City of
Joondalup

*Financial Activity Statement for
the Period Ended
31 August 2007*

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Financial Activity Statement for period ended 31st August 2007

CITY OF JOONDALUP
Period: AUG-07
Submitted: 12-SEP-07 15:58:31

	Note	Adopted Budget	YTD Budget	YTD Actual	YTD Variance	YTD Variance
		\$	\$	\$	\$	%
OPERATING REVENUE						
Rates	1	(56,310,787)	(55,454,408)	(55,371,754)	(82,654)	0
Rates Specified Area		(141,353)	(141,353)	(141,340)	(13)	0
Government Grants and Subsidies - Operating		(3,364,026)	(871,054)	(855,981)	(15,073)	2
Contributions, Reimbursements & Donations - Operating	2	(668,646)	(118,723)	(155,259)	36,536	(31)
Profit on Disposal	3	(797,242)		(67,920)	67,920	100
Fees & Charges	4	(20,925,240)	(13,693,045)	(13,145,080)	(547,965)	4
Interest Earnings	5	(3,258,557)	(498,188)	(223,771)	(274,417)	55
Other Revenue		(115,000)	(17,500)	(14,799)	(2,701)	15
Total Operating Revenue		(85,580,851)	(70,794,271)	(69,975,904)	(818,367)	1
OPERATING EXPENSES						
Employee Costs	6	35,622,498	5,954,450	5,522,576	431,874	7
Materials & Contracts	7	30,516,132	4,729,438	4,388,147	341,291	7
Utilities		3,409,028	578,640	537,496	41,144	7
Depreciation on Assets		16,310,047	2,739,171	2,783,173	(44,002)	(2)
Loss on Disposal	3	254,756		28,839	(28,839)	100
Insurance Expenses		1,049,495	575,205	578,210	(3,005)	(1)
Interest Expenses		297,910	49,631	32,600	17,031	34
Other Expenses		66,000				
Total Operating Expenditure		87,525,866	14,626,535	13,871,040	755,495	5
(SURPLUS)/DEFICIT FROM OPERATIONS		1,945,015	(56,167,736)	(56,104,863)	(62,873)	0
CAPITAL REVENUE						
Capital Grants		(11,604,574)	(695,914)	(702,972)	7,058	(1)
Contributions & Reimbursements - Non Operating		(143,159)				
Acquired Infrastructure Assets		(5,190,000)				
Total Capital Revenue		(16,937,733)	(695,914)	(702,972)	7,058	(1)
CAPITAL EXPENDITURE						
Capital Budget - Capital Projects	8	15,252,775	301,900	126,891	175,009	58
Capital Budget - Capital Works	9	23,876,959		672,013	(672,013)	100
Motor Vehicle Replacement	3	2,490,500		96,923	(96,923)	100
Loan Repayment (Principal)		606,879	80,348	80,348		
Equity Investment				(20,000)	20,000	100
Total Capital Expenditure		42,227,113	382,248	956,174	(573,926)	(150)
CAPITAL (SURPLUS)/DEFICIT		25,289,380	(313,666)	253,203	(566,869)	181
(SURPLUS)/DEFICIT FROM OPERATIONS AND CAPITAL EXPENDITURE		27,234,395	(56,481,402)	(55,851,661)	(629,741)	1
Adjustments for non-cash movements						
Depreciation on Assets		(16,310,047)	(2,739,171)	(2,783,173)	44,002	(2)
Loss on Disposal	3	(254,756)		(28,839)	28,839	100
Profit on Disposal	3	797,242		57,387	(57,387)	100
FUNDING						
Proceeds from Disposal	3	(1,398,326)		(214,225)	214,225	100
Loan Funds		(4,000,000)				
Carried Forward Works & Motor Vehicle						
Transfer from Reserve		(14,563,910)				
Transfer to Reserve		9,247,653				
Transfer to Accumulated Surplus		5,190,000				
Opening Funds		(5,980,367)	(5,980,367)	(7,927,237)	1,946,870	(33)
Closing Funds		(38,116)	(65,200,940)	(66,747,747)	1,546,807	

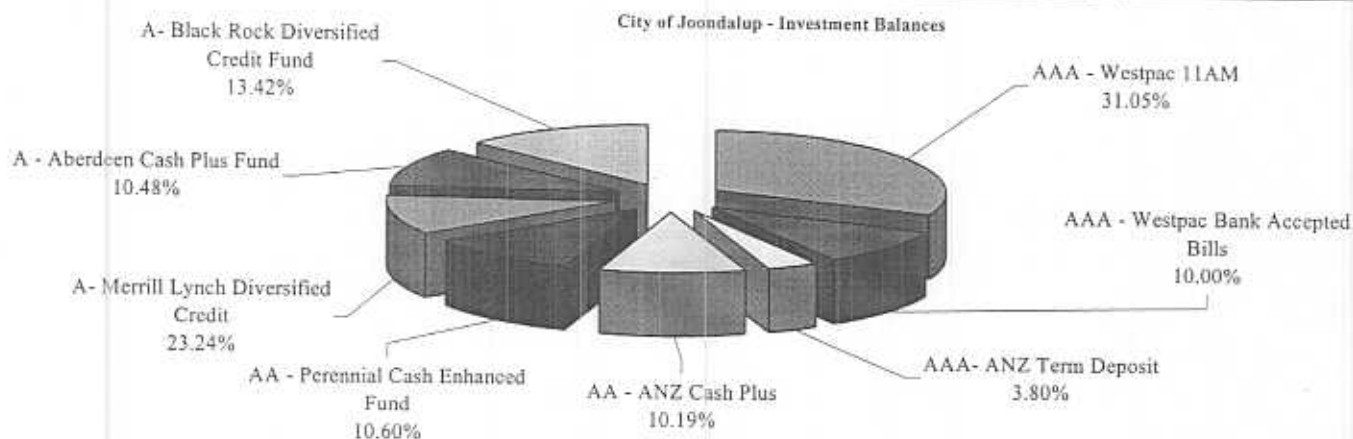


Investment Summary

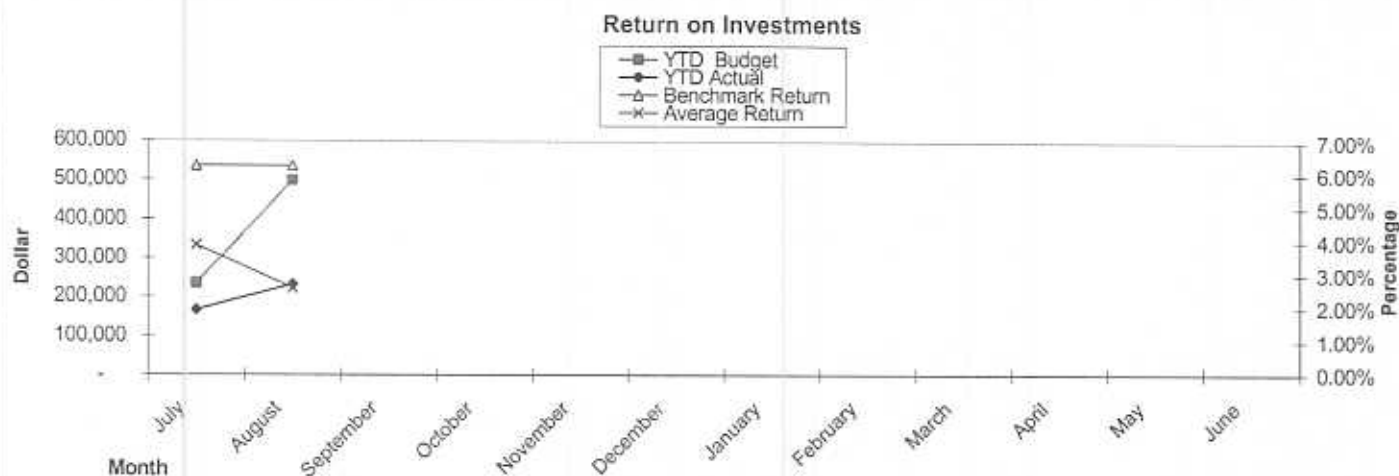
CITY OF JOONDALUP

August-07

Investment Account	MTD Return	YTD Return	Value \$	% of Portfolio	Policy Limit
AAA - Westpac 11AM	6.39%	6.34%	24,528,108	31.05%	50%
AAA - Westpac Bank Accepted Bills	6.79%	6.79%	7,900,946	10.00%	50%
AAA- ANZ Term Deposit	6.87%	6.87%	3,000,000	3.80%	50%
AA - ANZ Cash Plus	3.52%	4.33%	8,047,976	10.19%	50%
AA - Perennial Cash Enhanced Fund	3.85%	3.42%	8,376,919	10.60%	50%
AA - Perpetual Credit Enhanced Cash Fund	1.40%	2.73%	8,257,560	10.45%	50%
A - Aberdeen Cash Plus Fund	4.51%	4.03%	8,279,748	10.48%	40%
A - Black Rock Diversified Credit Fund	-9.75%	-2.76%	10,599,438	13.42%	40%
Total Investment Portfolio	1.73%	2.59%	78,990,695	100.00%	
Municipal Funds			57,615,311		
Reserve Funds			21,375,384		
			78,990,695		



Month	MTD Budget	YTD Budget	MTD Actual	YTD Actual	Benchmark Return	Average Return
July	234,206	234,206	167,019	167,019	6.25%	3.88%
August	264,234	498,440	65,108	232,127	6.25%	2.59%



**NOTES TO AND FORMING PART OF THE FINANCIAL ACTIVITY STATEMENT
FOR THE PERIOD ENDED ON 31 AUGUST 2007**

1 Rates

The year to date variance for rate income is due to the following:

a) GRV Rates	\$96k
b) UV Rates	\$(162)k
c) Other	\$(17)k
	<u>\$(83)k</u>

a) This variance is due to higher than budgeted number of properties rated on GRV basis.

b) This variance is mainly due to a reduction in the value of UV rated properties in Iluka and Kinross. This comes about because as land currently rated as UV is developed it converts to GRV.

c) Minor variances – not material and spread across various accounts.

2 Contributions, Reimbursements and Donations - Operating

The year to date variance for contributions, reimbursements and donations is due to the following:

a) Legal Fees	\$49k
b) Other	\$(12)k
	<u>\$37k</u>

a) This variance relates in the main to \$55k (excl GST) invoiced to the Mullaloo Progress Association claiming the full recovery of Supreme Court costs.

b) Minor variances – not material and spread across various accounts.

3 Profit and Loss on Disposal

The year to date variance relates to vehicles and plant disposed of in July and August 2007 which were part of last year's plant replacement programme but were not included in the 2007/08 budget.

4 Fees and Charges

The year to date variance for fees and charges relates in the main to the following:

a) Service Charges	\$(412)k
b) Service Fees and Charges	\$(107)k
c) Other	\$(29)k
	<u>\$(548)k</u>

a) The year to date variance is due to household refuse removal charges being below the number of properties budgeted and to which household refuse charges will progressively be levied as interim rates are raised during the year.

b) This variance is mainly due to lower than budgeted user/entry fees for the CLC Pool area of \$(42)k, lower than budgeted CLC Learn to Swim revenue of (\$27k) and lower than budgeted Term Programme Activities revenue of \$(23)k.

c) Minor variances – not material and spread across various accounts

5 Interest Earnings

The City received a year to date portfolio return of 2.48% compared to a budgeted return of 6.15%, resulting in reduced revenue of \$(274)k, being made up of an adverse rate variance of \$(296)k, and favourable volume variance of \$22k.

The adverse rate variance has arisen on the Managed Funds reflecting market volatility caused by the sub-prime mortgage market in the US to which the City has no direct exposure. Rates are expected to improve. The volume variance is caused by less expenditure incurred than estimated in the budget.

6 Employee Costs

The details of the underspend in employee costs are as follows: -

a) Vacant Positions	\$439k
b) Capital Recovery - Wages	\$(89)k
c) Reversal of accrual re 2006/07	\$55k
d) Other	\$27k
	<u>\$432k</u>

a) This variance is primarily due to vacant positions in the following areas:

• Governance Strategy Admin (partially offset by unbudgeted contract labour costs of \$(17)k)	\$56k
• Library Information Services	\$21k
• Financial Services	\$32k
• Leisure & Cultural Services	\$93k
• Information Management	\$20k
• Infrastructure Management (across all cost centres)	\$76k
• Operations Administration	\$85k
• Others	\$56k
	<u>\$439k</u>

Recruitment of staff continues to prove difficult. Some positions have been advertised multiple times, agencies and professional contacts are also being used to identify potential candidates.

7 Materials and Contracts

The details of the underspend in materials and contract costs are as follows: -

a) Administration	\$172k
b) Computing	\$(59)k
c) Contributions and Donations	\$(147)k
d) Equipment Expenditure	\$63k
e) Materials	\$323k
f) Land & Buildings Expenditure	\$(189)k
g) Other Service Expenses	\$168k
h) Other	\$10k
	<u>\$341k</u>

Year to date variances are attributable to the following:

a) The administration variance is partially due to an underspend of \$98k in printing costs, \$20k in the Leisure Centres area (relating to the leisure guide with the costs now expected to be incurred in September), \$10k in the Environmental Waste area (relating to the printing of the tip vouchers and the bulk collection pamphlet distributed with the rates notices) and \$32k re an invoice from Zipform for the printing of the rates notices and Budget News that was not accrued for. There was also an underspend of \$46k on general advertising across the City.

b) The computing expenditure variance is due to an overspend against budget of \$(76)k on computer software maintenance partially offset by an overprovision of \$25k in 2006/07 for computer software licences.

c) The contributions and donations variance is primarily due to an overspend against budget of \$(284)k which represents a 40% progress payment for the Arena Community Sport Funding. This is partially offset by an over provision for the 2006/07 deficit relating to the contract with Churches of Christ at Warwick Leisure Centre \$70k. A final invoice has now been received from Churches of Christ for \$52k, which will be reflected in the September report. There were also savings against budget of \$38k for various donations and sponsorship.

d) The equipment expenditure variance relates mainly to underspend on plant & equipment of \$45k, with the main variances being in Environmental Waste Management \$20k for replacement bins, aerobic equipment at Craigie Leisure Centre \$7k and Parks and Engineering \$7k. These are timing differences with the expenditure still being planned. A container of replacement bins will be ordered shortly with the costs expected to be incurred in October/November.

e) The materials variance is due mainly to underspends on external contract services of \$430k and minor building works of \$65k and an overspend of \$(188)k on external materials purchases.

The variance on external contract services relates predominantly to:

- Environmental Waste area \$63k due to an underprovision for the August recycling collection and processing external contract costs from Cleanaway. This has been corrected in September.
- Parks Maintenance (various locations) \$108k
- Warwick Leisure Centre Management Fee \$20k where the budget has not been phased evenly over the year.
- Engineering Maintenance Works \$69k
- Building Cleaning Works (various locations) \$54k
- Building Maintenance Works (various locations) \$39k
- Building Management & Preservation \$42k
- City Watch \$11k
- Building Refurbishment Project \$17k
- Environmental Development Projects – overspend \$(29k)
- Other minor variances \$36k

The underspend on minor building works is across a range of buildings. Only a few of the budgeted works have actually started.

The unfavourable variance on external materials purchases relates predominantly to park maintenance in the following locations:

- Medians and Verges \$(78)k
- Chichester Park \$(30)k
- Melene Park \$(22)k
- Warrigal Park \$(21)k
- Lakeside Park Pump Station & Bushland maintenance \$(21)k

f) The variance on land & buildings expenditure is due to additional costs incurred relating to the development of the car park at Lot 6 Lawley Court. This variance is still under investigation and will be reported on in September.

g) The variance on other service expenses relates in the main to tipping fees, these were under accrued, this will be corrected in September.

h) Minor variances – not material and spread across various accounts

8 Capital Projects

The underspend is due primarily to the following projects: -

	Annual Budget	Budget	Actual	Variance
a) Joondalup Works Depot	\$6200k	\$110k	\$0k	\$110k
b) Joondalup Drive Masterplan	\$192k	\$59k	\$0k	\$59k
c) Parking Lot 6 Lawley Court	\$0k	\$0k	\$11k	\$(11)k
	\$6392k	\$169k	\$11k	\$158k

a) Costs budgeted for the Works Depot have been charged to capital works (project 4102) and will be adjusted as appropriate in September (see note 9).

b) To be investigated

c) Actual expenditure on Parking Lot 6 Lawley Court represents a retention payment on previously completed project.

9 Capital Works

The capital works expenditure for August YTD of \$985k has been offset by the part reversal of the end of year accrual of \$(313)k for capital WIP for 2006/07. Not all expenditure has yet come through in relation to the end of year accrual of which a balance remains of \$716k.

	Budget	Actual	Variance
a) Road Preservation Programme FLRG 06/07 (project 6884)	\$0k	\$107k	\$(107)k
b) Joondalup Works Depot (project 4102) (see note 8a)	\$0k	\$434k	\$(434)k
c) Road Preservation Programme MRDG 06/07 (project 6902)	\$0k	\$67k	\$(67)k
d) Joondalup City Centre Parking Strategy Plan (project 6785)	\$0k	\$33k	\$(33)k
e) Sorrento Tennis Courts (project 2378)	\$0k	\$20k	\$(20)k
f) Sorrento Traffic Management Scheme (project 6846)	\$0k	\$56k	\$(56)k
g) Telopia Park, Duncraig – Bore & Reticulation (project 2392)	\$0k	\$(33)k	\$33k
h) Fenton Park, Hillarys – Bore & Reticulation (project 2393)	\$0k	\$(27)k	\$27k

Budgeted capital works expenditure is phased to commence in September. All projects were assumed to be in their design / start up stage. There has been some minor unbudgeted expenditure relating to the final costs coming through on 2006/07 projects, partly offset by year end accruals.

- a) Road Preservation Programme, Federal Local Roads Grant, 06/07 expenditure represents actual expenditure carry overs against a budget allowance \$500k.
- b) See note 8a
- c) – h) Not commented on as considered immaterial.

10 Closing Funds

	Actual
<u>Current Assets</u>	
Cash Assets	\$82,484k
Rates and Sundry Debtors	\$37,014k
GST Receivable	\$420k
Accrued Income	\$52k
Advances and Prepayments	\$240k
	\$120,210k
<u>Less: Current Liabilities</u>	
Creditors	(\$12,514k)
Provisions	(\$5,337k)
Accrued Expenses	(\$4,033k)
Income in Advance	(\$0k)
GST Payable	(\$61k)
Other- Clearing	(\$149k)
	(\$22,094k)
<u>Less: Restricted Assets</u>	
Reserves	(\$31,367k)
Movement in Long Term Provisions	
Closing Funds	\$66,749k