



*Financial Report For
the Period Ending
30 April 2004*

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Introduction

This report covers the financial position of the City of Joondalup for the year to date ending 30 April 2004.

Year to Date – Financial Overview

The City completed its half-year budget review in December 2003. A revised budget was developed and adopted by Council at its meeting of 17th February 2004. Financial reports for January 2004 onwards refer to the revised budget.

<i>Year-to-date Financial Overview</i>	<i>YTD Actual</i>	<i>YTD Budget</i>	<i>YTD Variance</i>
Operating (surplus)	(\$7.0m)	(\$6.3m)	(\$0.7m)
Capital Expenditure	\$2.2m	\$2.3m	(\$0.1m)
Capital Works	\$7.0m	\$17.5m	(\$10.5m)
Total	\$2.2m	\$13.5m	(\$11.3m)

On the *Operating Statement by Nature*, (Appendix *A*) the City of Joondalup reported an operating surplus (Change in Net Assets Before Reserve Transfers) for the year to date of **\$7.0m**, against a budget of **\$6.3m**.

- Total **Operating Revenues** for the year-to-date is **\$63.2m** against a budget of **\$63.2m** and are on target.
- Total **Operating Expenses** for the year-to-date is **\$56.3m** against a budget of **\$57.0m**, an under spend of **\$0.7m**.

Capital Expenditure (Appendix *E*) for the year-to-date is **\$2.2m** against a budget of **\$2.3m**, an under spend of **\$0.1m**.

Capital Works (Appendix *F*) for the year-to-date is **\$7.0m** against a budget of **\$17.5m**, an under spend of **\$10.5m**. Forward orders of **\$4.4m** have been placed for all capital works.

Operating Revenues

Operating Revenue for the year-to-date is **\$63.2m**. The year-to-date income is as follows:

<i>Revenue</i>	<i>YTD Actual</i>	<i>YTD Budget</i>
Rates	\$42.2m	\$42.4m
Rates – Specified Area	\$0.2m	\$0.2m
Government Grants	\$5.1m	\$5.3m
Contributions, Reimbursements and Donations	\$1.8m	\$1.6m
Profit on Asset Disposal	\$0.1m	\$0.0m
Fees & Charges	\$11.7m	\$11.7m
Interest Earnings	\$2.0m	\$1.9m
Other	\$0.1m	\$0.1m
Total Revenue	\$63.2m	\$63.2m

a) Rates revenue

Revenue from rates and charges for the year-to-date amounted to **\$42.2m**, a shortfall of **\$0.2m** compared to budget.

The shortfall is due to revaluations advised by the Valuer General and represents rate refunds issued, **\$0.3m**. This is partially offset by additional revenue from interim ratings, **\$0.1m**.

Further details on Rating Performance are shown on [Page 3](#) and at Appendix [G](#).

b) Rates – Specified Area

Rates – Specified Area is [\\$0.2m](#) year to date and is on target.

c) Government Grants

Government Grants for the year-to-date are [\\$5.1m](#) against a budget of [\\$5.3m](#). This is a timing difference relating to the Roads to Recovery program. The shortfall is expected to be received in May.

d) Contributions, Reimbursements & Donations

Contributions, Reimbursements & Donations are [\\$1.8m](#) year - to - date compared to the budget of [\\$1.6m](#). The favourable variance is due to unbudgeted contributions and sponsorship income.

e) Profit on Asset Disposal

Profit on Asset disposal for the year to date is [\\$0.1m](#). The variance reflects a timing difference.

f) Fees and Charges

Fees and Charges for the year-to-date amounted to [\\$11.7m](#) and are on target.

g) Interest Earnings

Interest income is [\\$2.0m](#) year-to-date compared to the budget of [\\$1.9m](#), a favourable variance of [\\$0.1m](#). Funds available for investment are higher than anticipated at this stage of the financial year due primarily to the timing of Capital Works and Corporate Projects expenditure. Details of the City's investments are shown at Appendix [H](#).

h) Other Income

Other income is [\\$0.1m](#) year to date and is on target.

Operating Expenses

Operating expenses were as follows:

<i>Operating Expenses</i>	<i>YTD Actual</i>	<i>YTD Budget</i>
Employee Costs	\$22.1m	\$21.6m
Materials and Contracts	\$19.0m	\$20.2m
Utilities	\$2.3m	\$2.4m
Depreciation	\$12.0m	\$12.0m
Loss on Asset Disposal	\$0.1m	\$0.0m
Insurance Expenses	\$0.8m	\$0.8m
Other Expenses	\$0.0m	\$0.0m
Total	\$56.3m	\$57.0m

Operating Expenditure for the year-to-date amounted to [\\$56.3m](#) and is [\\$0.7m](#) under spent.

a) Employee Costs

Employee Costs for the year to date amounted to [\\$22.1m](#) against a budget of [\\$21.6m](#).

b) Materials and Contracts

Materials and Contracts costs for the year-to-date amounted to [\\$19.0m](#) compared to the budget of [\\$20.2m](#). The [\\$1.2m](#) under spend was due primarily to the following: -

- Consultancy, [\\$908k](#)
- Contributions Costs, [\\$200k](#)
- Promotions Costs, [\\$136k](#), and

- Computer Equipment, [\\$87k](#).

The Consultancy cost under spend relates primarily to proposals, specifically: -

- Ocean Reef Boat Harbour Development, [\\$289k](#)
- Employer of Choice, [\\$129k](#)
- Support for Small Business, [\\$31k](#)
- Asset Management Strategy, [\\$36k](#)
- Property Revaluations, [\\$30k](#)
- Tamala Park Development, [\\$38k](#)

In addition, consultancy costs associated with the normal ongoing operations of the City are [\\$135k](#) underspent. It is expected that the majority of these funds will be used in the remainder of the financial year.

The Contributions cost underspend relates primarily to two areas: -

- Community Art Gallery project, [\\$100k](#), and
- Iluka Special Area Rates, [\\$63k](#).

Of the Community Art Gallery project under spend; [\\$63k](#) represents a permanent difference.

The underspend in the Iluka Special Area is a timing difference. Costs are expected to occur once audited statements are received from the community group.

The Promotions cost underspend occurs primarily in: -

- Marketing Administration, [\\$33k](#) and,
- Creating a Future Image for Libraries project, [\\$29k](#).

It is expected these funds will be used in the current year and therefore represents a timing difference.

Of the Computer Equipment cost underspend; **\$49k** represents savings associated with the Corporate PC Replacement Program.

c) Utilities

Utility Costs for the year-to-date amounted to **\$2.3m** against a budget of **\$2.4m**, an under spend of **\$0.1m**. The variance is due to the timing of electricity costs in relation to parks and leisure centres.

d) Depreciation on Non Current Assets

Depreciation expense for the year-to-date amounted to **\$12.0m** and is in line with the year-to-date budget.

e) Loss on Asset Disposal

Loss on Asset Disposal for the year to date is **\$63k**. The variance is a timing difference.

f) Insurance Expenses

Insurance expenses for the year to date amounted to **\$0.8m** and are on target.

g) Other Expenses

Other expenses for the year to date amounted to **\$21k** and are on target.

Capital Expenditure

Capital Expenditure (Appendix E) includes purchases of motor vehicles, plant, other assets and acquired assets (assets gifted to the City). The net expenditure on Capital for the year-to-date

amounted to **\$2.2m** against a budget of **\$2.3m**. The underspend is primarily a timing difference. Computer network upgrades and some items of plant and equipment are expected to occur later in the year than originally forecast. Also, some mobile plant items may be deferred until 2004/05 due to better than anticipated condition.

The capitalisation of Kingsley Memorial Clubrooms appears on this report as an over spend. However, the budget for this item is included in the Capital Works report (Appendix F) and is therefore offset.

Capital Works

Capital Works (Appendix F) pertain mainly to the development of infrastructure including buildings, parks and roads.

Actual year-to-date expenditure amounts to **\$7.0m** against a year-to-date budget of **\$17.5m**, a net under spend of **\$10.5m**.

Of this variance, **\$4.5m** relates to normal Capital Works while **\$6.0m** relates to Capital Works classified as Corporate Projects, primarily: -

- Works Depot, **\$3.3m** - Council has approved the site acquisition for a sum of \$2.8m from Landcorp. The transfer of the funds is pending final settlement of the sale with Landcorp.
- Performing Arts Land, **\$1.1m** - Council has approved the site acquisition for a sum of \$578,000 (inclusive of GST) from the Department of Education and Training. The

transfer of funds is pending the final settlement of the sale with the Minister for Education and Training. Council has since agreed to contribute 50% of the construction costs of a new entrance road to the TAFE site off Grand Boulevard for an estimated cost to the City of \$385,000.

- Sorrento Beach Development, **\$1.4m** - Final approval for Sorrento Beach Development commenced during October 03. Funds totalling **\$1.4m** have been committed against the project. The City is currently negotiating directly with sub contractors due to the main building contractor going into liquidation. It is expected work will re commence on the project in late May 2004.

As at reporting date, committed funds in relation to all capital works totalled **\$4.4m**. Of this amount: -

- **\$2.4m** relates to normal Capital Works, and
- **\$2.0m** relates to Capital Works classified as Corporate Projects.

Rating Performance

General Rates

The statement of rating information is shown at Appendix G.

The 2003/04 rates notices were issued on 14 August 2003. This is consistent to prior year issue dates:

- 2002/2003 – 8 August 2002
- 2001/2002 – 16 August 2001,
- 2000/2001 – 16 August 2000, and
- 1999/2000 - 17 September 1999.

All instalment notices for the year have been issued.

Council provides special payment arrangement options for those customers who are unable to pay their rates in full. An administration fee of \$20 is applicable with penalty interest of 8.95% on the outstanding balance.

Total general rates levied were **\$43.25m**.

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

- General rates - **\$1.0m**
- Deferred rates - **\$0.9m**

The collection statistic for general rates is currently at 97.58%. This compares favourably to 96.4% at the same time last year.

Special Area Works – Iluka

The City raised **\$75,233** from **1,194** properties (budget **\$73,394**) as Special Area Rates – Iluka. Further interim rate notices may be processed during the remainder of the financial year.

Special Area Works – Harbour Rise

The City raised **\$59,194** from **368** properties (budget **\$56,610**) as Special Area Rates – Harbour Rise. Further interim rate notices may be processed during the remainder of the financial year.

Special Area Works – Woodvale Waters

The City raised **\$21,095** from **136** properties (budget **\$21,600**) as Special Area Rates - Woodvale Waters. Further interim rate notices may be

processed during the remainder of the financial year. The Woodvale Waters Residents Association and Council agreed for the normal verge maintenance and the enhanced landscaping works to be subcontracted.

Rubbish Charges

The 2003/04 Rubbish Charge of \$126 per property budgeted to net revenue of **\$7.0m**.

At the end of April 2004, **\$6.9m** had been levied against a YTD budget of **\$7.0m** in relation to the Refuse and Recycling Program. The variance is due to a shortfall in the number of properties levied.

Swimming Pool Inspection

The 2003/04 Swimming Pool Inspection fee of \$13.75 (including \$1.25 for GST) raised revenue of **\$205,321** (budget **\$207,500**) to cover four-yearly swimming pool inspections.

Emergency Services Levy

In accordance with the Emergency Services Legislation, the City levied **\$5.5m** on behalf of FESA. The City is required to collect these funds on behalf of FESA and to pay the funds to FESA on a monthly basis. As at 30 April 2004, the City had collected cash of **\$5.4m**.

Transfers (from) to Reserves

Transfers from/(to) Reserves, together with the balances of the Reserve Accounts at the end of the month is shown at Appendix **I**.

	YTD Actual	YTD Budget	YTD Variance
Transfers (from) Reserves	(\$0.5m)	(\$1.7m)	(\$1.2m)
Transfer to Reserves	\$0.9m	\$0.8m	(\$0.1m)
Net transfers (from) to Reserves	\$0.4m	(\$0.9m)	(\$1.3m)

Funding for various items have been made from Reserve accounts. The variance in transfers from reserves is due to the timing of Capital Works programs and mobile plant purchases. The variance in transfers to reserves is mainly due to unbudgeted contributions from developers in lieu of public open space and parking.

The City transfers funds to Reserves for the funding of future works or capital replacement or for other programs specifically identified.

Conclusion

On an overall basis, the City has a net under spend of **\$11.3m** when compared to the 2003/04 Revised Budget.

The YTD operating surplus (Change In Net Assets Before Reserve Transfers) is **\$7.0m** compared to a YTD budget of **\$6.3m**. The favourable variance is driven primarily by the consultancy and contributions underspend associated with proposals and the timing of promotions costs and utility costs.

Year to date Capital Expenditure is **\$0.1m** under spent due to the timing of computer network

upgrades and equipment and the deferment of some light vehicles until 2004/05.

The total capital works program is under spent by **\$10.5m** on a year to date basis. Works classified as normal capital works is underspent by **\$4.5m** and works classified as corporate projects are underspent by **\$6.0m**. Total committed funds in relation to normal capital works are **\$2.4m** and **\$2.0m** for works classified as corporate projects.