



City of
Wanneroo

**SUPPLEMENTARY
BRIEFING PAPERS
FOR ELECTED MEMBERS'
BRIEFING SESSION**

Draft Only

to be held at
the Civic Centre,
Dundebar Rd, Wanneroo
on 27 January, 2015 commencing at 6.00PM



City of Wanneroo

Supplementary Briefing Papers for Tuesday 27 January, 2015

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L A T E I T E M S A G E N D A

Item 5 Late Reports

5.1 Financial Activity Statement for the Period Ended 30 November 2014

File Ref: 12606 – 14/349270
Responsible Officer: Director Corporate Strategy & Performance
Disclosure of Interest: Nil
Attachments: 4

Issue

To consider the Financial Activity Statement for the period ended 30 November 2014.

Background

In accordance with the Local Government Regulations, the Financial Activity Statement has been prepared in compliance with the following:

- 1) *Regulation 34(1) of the Local Government (Financial Management) Regulations 1996*, which requires a local government to prepare each month a statement of financial activity, presented according to nature and type, by program, or by business unit. For the 2014/15 financial year Council will present the statement of financial activity by nature and type.
- 2) *Regulation 34(5) of the Local Government (Financial Management) Regulations 1996*, which requires a local government to adopt a percentage or value, calculated in accordance with Australian Accounting Standards, to be used in statements of financial activity for reporting material variances. For the 2014/15 financial year Council will use 10% for the reporting of variances.

Detail

The Financial Activity Statement and financial performances of the City for the period ended 30 November 2014 are detailed in **Attachments 1, 2, 3 and 4**.

Consultation

The City contacted the Department of Local Government and Communities (DLGC) during November 2014 to discuss the statutory compliance requirements of monthly financial reports to Council, particularly in respect to *Regulation 34(4)(a) of the Local Government (Financial Management) Regulations 1996*. The Manager Sector Monitoring, Local Government Regulation and Support provided verbal and written confirmation of the DLGC's position on this. The details of the confirmation are recorded in the Statutory Compliance section of this report.

Comment

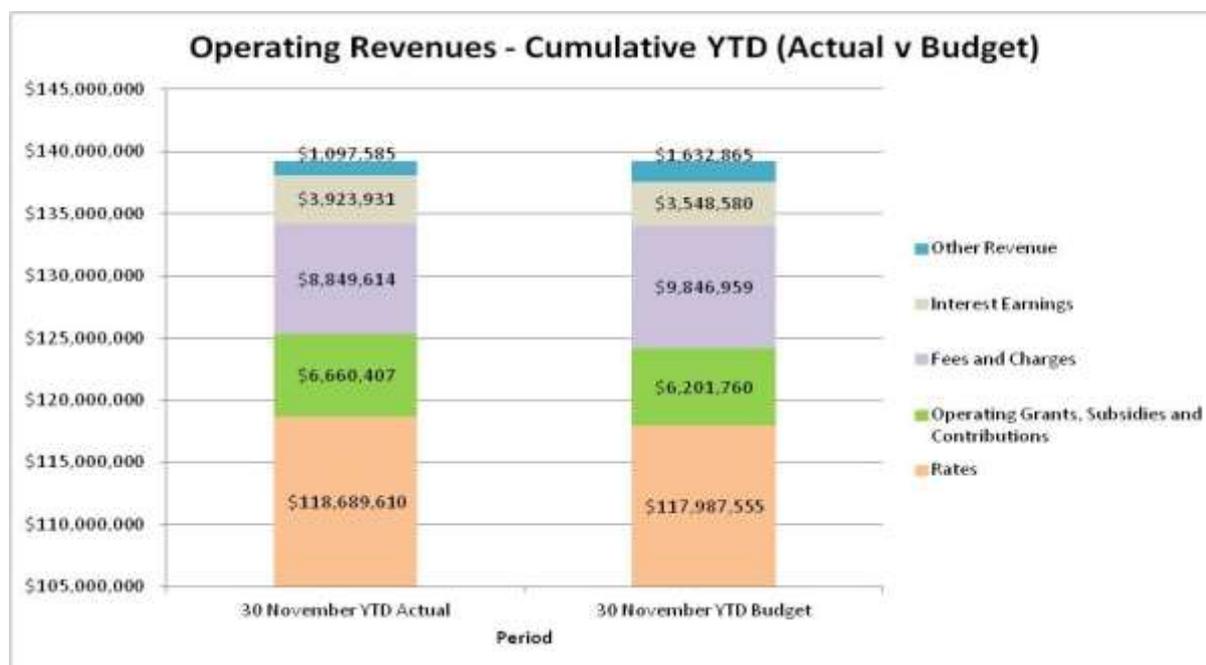
In accordance with the requirement of *Regulation 34(5) of the Local Government (Financial Management) Regulations 1996*, the commentaries on 10% variances to adopted budget in the Financial Activity Statement for the period ended 30 November 2014 are provided below. It should be noted that there are no amendments to the adopted budget year to date.

Income Statement (Refer to Attachment 1)

| <u>Net Result</u> | <u>\$ million</u> |
|------------------------------|-------------------|
| Year to Date Actual | 89.581 |
| Year to Date Budget Estimate | 82.223 |
| Year to Date Variance | +7.358 (+9%) |
| Full Year Adopted Budget | 52.938 |

The following information is provided on key aspects of the year to date financial results:

| <u>Revenues</u> | <u>\$ million</u> |
|------------------------------|-------------------|
| Year to Date Actual | 139.221 |
| Year to Date Budget Estimate | 139.218 |
| Year to Date Variance | 0.003 (0%) |
| Full Year Adopted Budget | 167.084 |

**Fees and Charges**

As at November 2014 Fees and Charges income reflect a -10% (-\$0.997 million) variance against the year to date budget which is mainly related to the Service Fees income.

The Wangara Recycling Centre (WRC) has ceased operation since end of October 2014. In consultation with the other partners of WRC, i.e. Cities of Swan and Joondalup, it was agreed that an exit audit is to be performed prior to finalizing the financials between the three partners. Accordingly, it was also agreed among the partners that the September and October WRC charges to the Cities of Swan and Joondalup of approximately \$0.624 million would be put on hold, pending for the confirmation of final figures.

Interest Earnings

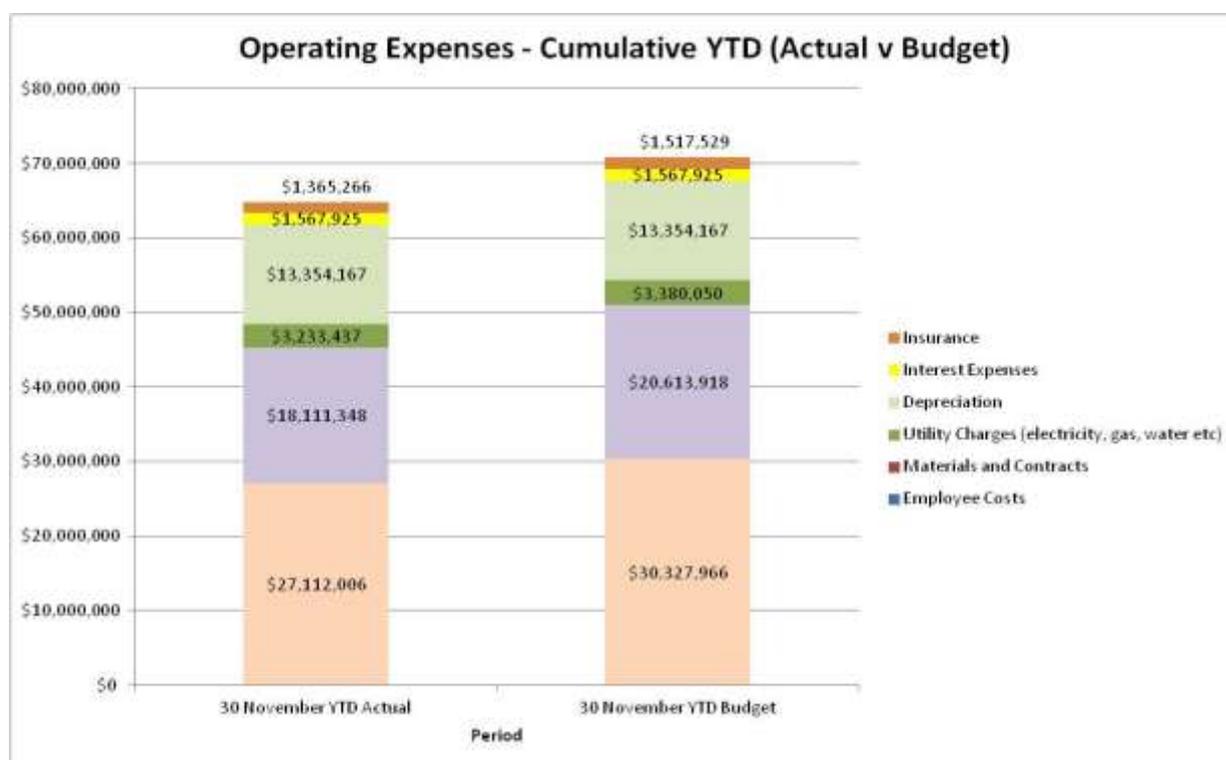
The financial year to November 2014 has produced a positive variance of +11% (+\$0.375 million) for interest earnings. The primary driver for the variance is the higher than anticipated income from Rates Instalment Plans Interest Income (\$0.345 million).

Other Revenue

The Other Revenue income category represents a year to date variance of -33% (-\$0.535 million) against the year to date budget. The main contributor is the lower than anticipated sales revenue of commodity products from the Wangara Recycling Centre (WRC) which accounts for 77% of this annual adopted budget. Due to ageing plant and capacity limitations there has been a need to divert waste which in turn has reduced income levels. Furthermore the WRC ceased operations in November with services now being outsourced to Cleanaway. As at the end of November \$0.859 million has been received from these sales, out of a year to date budget of \$1.250 million. Subsequent amendments to reflect the change in the delivery of this service will be reported to Council during the mid year review.

Expenses

| | <u>\$ million</u> |
|------------------------------|-------------------|
| Year to Date Actual | 64.744 |
| Year to Date Budget Estimate | 70.762 |
| Year to Date Variance | +6.017 (+9%) |
| Full Year Adopted Budget | 167.063 |



Employee Costs

For the year to November employee costs, year to date is showing a favourable variance of +11% (+\$3.216 million). This is due to a combination of factors mainly being; 1) level of staff vacancies, and 2) difference between payment dates which equates to approximately \$2.000 million. Furthermore, other employee expenses such as conferences, training, uniforms, etc. are overall spending below the year to date budget by a total of approximately \$0.600 million.

Materials and Contracts

Currently the Materials and Contracts category presents a variance to year to date budget of +\$2.503 million (+12%) which represents a lower than expected level of activities to date. This category captures a large volume of accounts, with the most material being Refuse Removal Expenses and Contract Expenses, with annual adopted budgets of \$13.322 million and \$18.024 million respectively.

To the end of November these areas have incurred expenses of \$4.286 million and \$6.357 million representing 32% and 35% of each annual budget respectively. As the year progresses and activity levels increase within this category, variances are anticipated to be reduced.

Insurance

The City has recorded \$1.365 million against insurance expenditures to the end of November, which is in excess of the year to date budget by 10%. This cost reflects payments made for most of the annual premiums in October which is less than the annual budget estimate. An excess allowance for potential claims is available over the remainder of the year.

| <u>Other Revenue and Expenses</u> (Excluding Contributions of Physical Assets) | <u>\$ million</u> |
|---|-------------------|
| Revenue in excess of expenses: | |
| Year to Date Actual | 15.104 |
| Year to Date Budget Estimate | 13.767 |
| Year to Date Variance | +1.337 (+10%) |
| Full Year Adopted Budget | 22.917 |

Town Planning Scheme (TPS) Expenses

TPS Expenses as at November month end reflects a minimal amount of \$0.106 million, being a +96% variance (+\$2.297 million) to year to date budget. These expenditures relate to specific costs and land purchases within the Scheme location and have no impact on municipal accounts.

Profit/(Loss) on Asset Disposals

The City has not recorded any profits or losses on asset sales to date. Asset sales planned for the 2014/15 financial year relate to the plant and equipment replacement program and also potential land disposals, with scheduled activities expected to occur over coming months.

| <u>Contributions of Physical Assets</u> | <u>\$ million</u> |
|---|-------------------|
| Year to Date Actual | 0.000 |
| Year to Date Budget Estimate | 0.000 |
| Year to Date Variance | 0.000 (0%) |
| Full Year Adopted Budget | 30.000 |

Each year developers hand over physical assets such as parklands, roads and pathways to the City, for its ongoing management and control. These assets can be of considerable value and are currently being finalised and booked to the accounts. It should be noted that variations on the amounts of contributions of physical assets comparing to budget has no direct impact to the City's current financial year results, but can have a significant impact on future servicing, maintenance and renewal costs needing to be factored into the Long Term Financial Plan. The scale of the value of assets handed over to the City in the past has generally aligned closely to the % increase in the number of new Lots created during the financial year.

Balance Sheet (Refer to Attachment 2)

Capital Works Program

The current status of the Capital Works Program as of 30 November 2014 is summarised below by Program Category:-

Capital Works Detail by Program

| Program Category Description | Annual Budget \$ million | Year to date Actual \$ million | Commitments \$ million |
|------------------------------|--------------------------|--------------------------------|------------------------|
| Community | 7.254 | 1.199 | 0.774 |
| Corporate | 15.378 | 1.433 | 1.077 |
| Drainage | 1.392 | 0.552 | 0.107 |
| Investment | 3.533 | 0.111 | 0.108 |
| Recreation and Sport | 20.410 | 4.893 | 1.739 |
| Transport | 29.611 | 7.220 | 2.907 |
| Waste Management | 10.113 | 3.162 | 3.619 |
| Total | 87.691 | 18.570 | 10.331 |

The table above notes a total Annual Budget for the capital works program as \$87.691 million. As at the end of November \$18.570 million has been spent against capital works. In addition to the actual expenditure, \$10.331 million is recognised as committed. (Note: Commitments are life to date and may also relate to future financial periods).

To further expand on the capital works program information above, key infrastructure projects are selected to be reported on, on a regular basis, which are listed in the following table.

Major Projects for 2014/15

| Project Description | Budget \$ million | YTD Actual \$ million | Committed \$ million | Comments |
|--|-------------------|-----------------------|----------------------|--|
| Flynn Drive Neerabup - construct road stage 2 | 8.554 | 1.594 | 1.175 | Stage 1 works suspended, with remobilisation planned for early 2015. Stage 2 design completed with liaison continuing to be undertaken with service providers who have not yet provided comment/quotation for reallocation of services. |
| Lenore Road Wanneroo - construct carriageway stage 2 | 7.059 | 0.073 | 0.215 | Design complete, liaison continuing to be undertaken with service providers and tender documentation being finalised, with the intent to advertise tender before Christmas. |
| Extension of Civic Centre - stage 1 | 4.578 | 0.102 | 0.166 | Tenders awarded for cost planner and architect services, with start-up meeting scheduled for early Decmebr 2014. Design/documentation for associated roadworks finalised, approval for change from two-way traffic flow to one-way traffic flow received, with works schedule for construction during the last quarter of 2014/2015. |
| Koondoola Community Centre | 2.079 | 0.106 | 0.121 | Detailed design completed, with the construction tender closed and under evaluation - tender award to be considered at the December 2014 meeting of Council. |
| Kingsway Baseball Clubrooms | 1.355 | 0.061 | 0.056 | Detailed design completed, with the construction tender closed and under evaluation - tender award to be considered at the December 2014 meeting of Council. |
| Hocking Pearsall Community Centre | 0.565 | 0.001 | - | Concept design under development. |

Investment Portfolio Summary (Refer to Attachment 3)

In accordance with the *Local Government (Financial Management) Regulations 1996*, the City only invests in the following highly secured investments effective from 1 August 2012:

1. Deposits with authorised deposit taking institutions and the Western Australian Treasury Corporation for a term not exceeding 12 months;
2. Bonds that are guaranteed by the Commonwealth Government or a State or Territory for a term not exceeding three years; and
3. Australian currency.

As at 30 November 2014, the City holds an investment portfolio (cash and cash equivalents) of \$310.752 million. Interest earnings were budgeted at 3.50% yield. For the period ending 30 November 2014, Council's investment portfolio return has exceeded the bank bill index benchmark by 0.95% pa (3.63% pa vs. 2.68% pa).

Displayed below are graphical representations of the portfolio performance and earnings:



Note: Interest Earnings = Interest on investments plus Rates Instalment and Penalty Income.

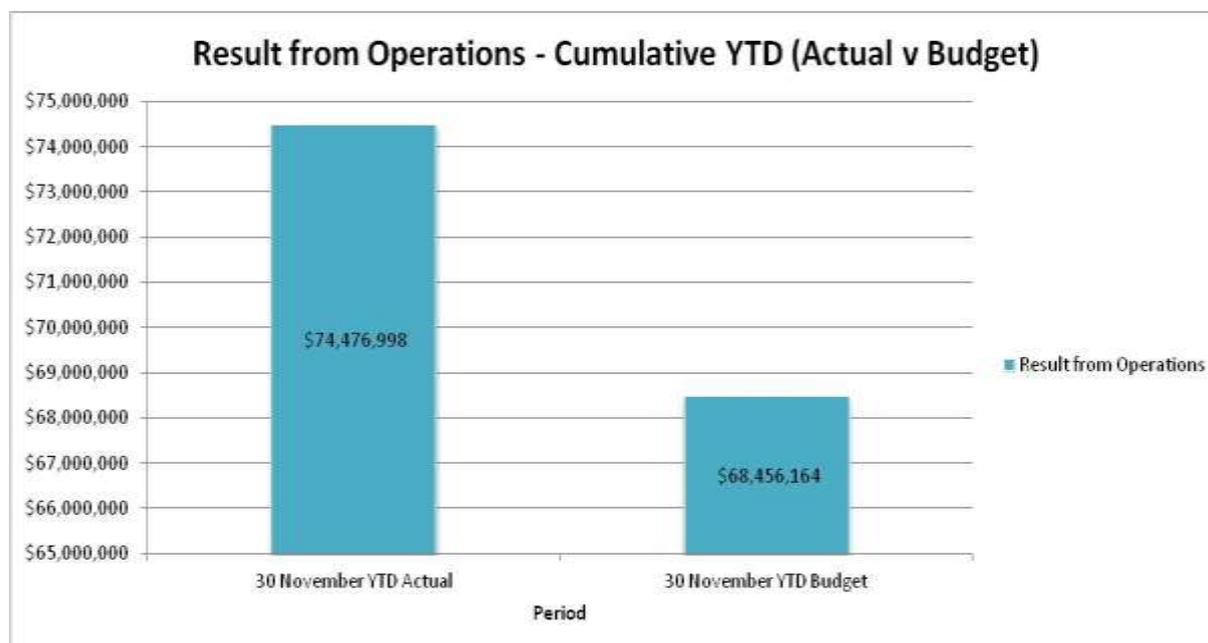
Rate Setting Statement (Refer to Attachment 4)

The Rate Setting Statement outlined in Attachment 4 represents a composite view of the finances of the City, identifying the movement in the surplus/(deficit), primarily based on the operations and capital works revenue and expenditure, and resulting rating income required.

Overall Comment

The Operating Result for the City to November month end presents an overall favourable variance of +\$6.021 million (+9%) to year to date budget.

Operating Income presented a minimum variance to year to date budget whilst Operating Expenditures present a favourable variance to budget of +\$6.017 million (+9%) with the main contributor being Employee Costs (+\$3.216 million) and Materials and Contracts +\$2.503 million (+12%).



Historically, activities within the Capital Works Program tend to reflect lower levels at the beginning of the financial year, due to the timing of budget adoption and scheduling of works. The period ending November 2014 has however reported substantially higher levels of progression when compared to previous years, with \$18.570 million already recorded to account.

Statutory Compliance

This monthly financial report complies with *Section 6.4 of the Local Government Act 1995 and Regulations 33A and 34 of the Local Government (Financial Management) Regulations 1996*, excluding *Regulation 34(4)(a)* which stipulates that:

"A statement of financial activity, and the accompanying documents referred to in subregulation (2), are to be –

- (a) presented at an ordinary meeting of the council within 2 months after the end of the month to which the statement relates"*

In regard to *Regulation 34(4)(a) of the Local Government (Financial Management) Regulations 1996*, the following is quoted from the Manager Sector Monitoring, Local Government Regulation and Support of the DLGC, in respect to the November 2014 Financial Activity Statement being presented to Council at its first meeting of 2015 on 3 February:

"it is not a non-compliance issue that DLGC will be concerned with given the timing of the City's meetings with no January 2015 meeting and planned agenda close offs.

Furthermore, the Manager went on to state;

"There is at least one regional local government that only meets quarterly. That regional local government can therefore never achieve compliance of a financial report that falls immediately after the Council meeting.

This is not a concern for DLGC given that the regional council deals with matters at the next available meeting.

Again I confirm that it will not be a concern for Wanneroo given the timing of meetings."

Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2013 – 2023:

- "4 Civic Leadership - Working with others to ensure the best use of our resources.*
- 4.3 A Strong and Progressive Organisation - You will recognise the hard work and professionalism delivered by your council through your interactions and how our community is developing."*

Risk Management Considerations

Nil

Policy Implications

Nil

Financial Implications

As outlined above and detailed in **Attachments 1, 2, 3 and 4.**

Voting Requirements

Simple Majority

Recommendation

That Council RECEIVES the Financial Activity Statements and commentaries on variances to Year to Date Budget for the period ended 30 November 2014, consisting of:

- 1. 2014/15 Annual Adopted Budget;**
- 2. November 2014 Year to Date Budget;**
- 3. November 2014 Year to Date Income and Expenditures;**
- 4. November 2014 Year to Date Material Variance Notes; and**
- 5. November 2014 Year to Date Net Current Assets.**

Attachments:

- | | |
|---|------------------|
| <i>1. November Income Statement</i> | <i>14/366335</i> |
| <i>2. November Balance Sheet</i> | <i>14/366338</i> |
| <i>3. November Inv</i> | <i>14/366339</i> |
| <i>4. November Rate Setting Statement</i> | <i>14/366336</i> |

CITY OF WANNEROO

INCOME STATEMENT BY NATURE OR TYPE

FOR THE PERIOD ENDED 30 NOVEMBER 2014

| Description | Year to Date | | | | Annual Adopted Budget \$ |
|--|---------------------|---------------------|------------------|-----------|-----------------------------------|
| | Actual \$ | Budget \$ | Variance | | |
| | | | \$ | % | |
| Revenues | | | | | |
| Rates | 118,689,610 | 117,987,555 | 702,055 | 1 | 119,719,385 |
| Operating Grants, Subsidies and Contributions | 6,660,407 | 6,201,760 | 458,647 | 7 | 12,370,325 |
| Fees and Charges | 8,849,614 | 9,846,959 | (997,345) | (10) | 22,537,478 |
| Interest Earnings | 3,923,931 | 3,548,580 | 375,351 | 11 | 8,520,000 |
| Other Revenue | 1,097,585 | 1,632,865 | (535,280) | (33) | 3,936,884 |
| Total Revenues | 139,221,147 | 139,217,719 | 3,428 | 0 | 167,084,072 |
| Expenses | | | | | |
| Employee Costs | (27,112,006) | (30,327,966) | 3,215,960 | 11 | (72,032,208) |
| Materials and Contracts | (18,111,348) | (20,613,918) | 2,502,570 | 12 | (49,657,347) |
| Utility Charges (electricity, gas, water etc) | (3,233,437) | (3,380,050) | 146,613 | 4 | (8,116,720) |
| Depreciation | (13,354,167) | (13,354,167) | 0 | 0 | (32,050,000) |
| Interest Expenses | (1,567,925) | (1,567,925) | 0 | 0 | (3,689,236) |
| Insurance | (1,365,266) | (1,517,529) | 152,263 | 10 | (1,517,528) |
| Total Expenses | (64,744,149) | (70,761,555) | 6,017,406 | 9 | (167,063,039) |
| Result from Operations | 74,476,998 | 68,456,164 | 6,020,834 | 9 | 21,033 |
| Other Revenue & Expenses (excl. Contr of Physical Assets) | | | | | |
| Non Operating Grants, Subsidies and Contributions | 5,809,475 | 5,404,855 | 404,620 | 7 | 12,972,750 |
| Town Planning Scheme Revenues (including Interest Earnings) | 9,400,186 | 9,557,060 | (156,874) | (2) | 22,946,125 |
| Town Planning Scheme Expenses | (105,657) | (2,403,035) | 2,297,378 | 96 | (15,902,000) |
| Profit on Asset Disposals | 0 | 1,416,667 | (1,416,667) | (100) | 3,400,000 |
| Loss on Assets Disposals | 0 | (208,333) | 208,333 | 100 | (500,000) |
| Total Other Revenue and Expenses | 15,104,004 | 13,767,213 | 1,336,790 | 10 | 22,916,875 |
| Contributions of Physical Assets | 0 | 0 | 0 | 0 | 30,000,000 |
| Net Result | 89,581,001 | 82,223,377 | 7,357,624 | 9 | 52,937,908 |

CITY OF WANNEROO

BALANCE SHEET

FOR THE PERIOD ENDED 30 NOVEMBER 2014

| Description | 2014/15 |
|--------------------------------------|------------------------|
| | YTD Actual \$ |
| Current Assets | |
| Cash at Bank | 1,036,558 |
| Investments | 314,709,224 |
| Receivables | 48,350,265 |
| Inventory | 350,907 |
| Total Current Assets | 364,446,954 |
| Current Liabilities | |
| Payables | (19,566,947) |
| Provisions | (11,316,739) |
| Total Current Liabilities | (30,883,686) |
| Net Current Assets | 333,563,268 |
| Non Current Assets | |
| Receivables | 15,082,722 |
| Land | 13,564,088 |
| Buildings | 77,433,556 |
| Plant | 13,732,334 |
| Equipment | 59,750,980 |
| Furniture and Fittings | 4,948,385 |
| Infrastructure | 1,380,905,189 |
| Work in Progress | 26,466,314 |
| Total Non Current Assets | 1,591,883,568 |
| Non Current Liabilities | |
| Interest Bearing Liabilities | (60,778,188) |
| Provisions | (1,411,746) |
| Total Non Current Liabilities | (62,189,934) |
| NET ASSETS | 1,863,256,902 |
| Equity | |
| Accumulated Surplus | (1,744,210,408) |
| Municipal Reserves | (117,863,646) |
| Non Cash Reserves | (1,182,848) |
| TOTAL EQUITY | (1,863,256,902) |

NET CURRENT ASSETS SURPLUS/(DEFICIT) CARRIED FORWARD

| Description | 2014/15 | |
|---|--------------------|--------------------------|
| | YTD Actual \$ | Annual Adopted Budget \$ |
| Current Assets | | |
| Cash - Unrestricted | 68,722,282 | 2,921,575 |
| Cash & Cash Equivalents - Restricted | 246,999,300 | 195,177,349 |
| Receivables | 48,350,265 | 23,092,827 |
| Non-Cash Investments | 0 | 0 |
| Inventory | 350,907 | 358,103 |
| Less Current Liabilities | | |
| Payables and Provisions | (30,883,686) | (30,369,573) |
| Net Current Assets | 333,539,068 | 191,180,281 |
| Plus Leave Provisions Cash Backed | 1,389,519 | 3,997,068 |
| Less Cash & Cash Equivalents - Restricted | 246,999,300 | 195,177,349 |
| SURPLUS/(DEFICIT) CARRIED FORWARD | 87,929,287 | 0 |

| INVESTMENT SUMMARY - As At 30 November 2014 | | | | | | | | |
|---|----------------------------|--------------------------------------|--------|-------------------|----------------|-------------------|---------------------|-------------------------------|
| Face Value \$ | Interest Rate % | Borrower | Rating | Maturity | Purchase price | Purchase Date | Current Value \$ | YTD Accrued Interest \$ |
| Corporate Bond Investment Group | | | | | | | | |
| 0.00 | | | | | | | 0.00 | |
| Current Account Investment Group | | | | | | | | |
| 1,440,000.00 | 2.45 | Commonwealth Bank of Australia Perth | A1+ | N/A | | N/A | 1,440,000.00 | |
| 2,382,447.40 | 2.90 | Commonwealth Bank of Australia Perth | A1+ | N/A | | N/A | 2,382,447.40 | |
| 3,822,447.40 | | | | | | | 3,822,447.40 | |
| Term Investment Group | | | | | | | | |
| 12,000,000.00 | 3.80 | National Australia Bank | A1+ | 03-December-2014 | 12,000,000.00 | 03-December-2013 | 12,453,501.37 | 191,145.21 |
| 20,000,000.00 | 3.85 | ING Bank | A1 | 18-December-2014 | 20,000,000.00 | 19-December-2013 | 20,732,027.40 | 322,767.12 |
| 10,000,000.00 | 3.82 | Westpac Banking Corporation | A1+ | 27-March-2015 | 10,000,000.00 | 27-March-2014 | 10,260,597.26 | 160,126.03 |
| 10,000,000.00 | 3.82 | Westpac Banking Corporation | A1+ | 28-March-2015 | 10,000,000.00 | 28-March-2014 | 10,259,550.68 | 160,126.03 |
| 12,000,000.00 | 3.82 | Westpac Banking Corporation | A1+ | 28-March-2015 | 12,000,000.00 | 28-March-2014 | 12,311,460.82 | 192,151.23 |
| 4,000,000.00 | 3.75 | Bank of Queensland | A2 | 06-May-2015 | 4,000,000.00 | 06-May-2014 | 4,085,890.41 | 62,876.71 |
| 3,000,000.00 | 3.90 | Members Equity Bank Melbourne | A2 | 08-May-2015 | 3,000,000.00 | 08-May-2014 | 3,066,353.42 | 49,043.84 |
| 5,000,000.00 | 3.60 | IMB Limited | A2 | 12-May-2015 | 5,000,000.00 | 13-May-2014 | 5,099,616.44 | 75,452.05 |
| 17,112,397.26 | 3.75 | Bank of Queensland | A2 | 12-May-2015 | 17,112,397.26 | 18-July-2014 | 17,351,501.99 | 239,104.73 |
| 10,000,000.00 | 3.55 | Bendigo Bank | A2 | 27-August-2015 | 10,000,000.00 | 27-August-2014 | 10,093,369.86 | 93,369.86 |
| 7,000,000.00 | 3.55 | ING Bank | A2 | 26-August-2015 | 7,000,000.00 | 26-August-2014 | 7,065,358.90 | 65,358.90 |
| 15,000,000.00 | 3.70 | National Australia Bank | A1+ | 20-August-2015 | 15,000,000.00 | 20-August-2014 | 15,156,616.44 | 156,616.44 |
| 28,000,000.00 | 3.55 | National Australia Bank | A1+ | 01-September-2015 | 28,000,000.00 | 01-September-2014 | 28,245,095.89 | 245,095.89 |
| 30,000,000.00 | 3.50 | National Australia Bank | A1+ | 09-September-2015 | 30,000,000.00 | 09-September-2014 | 30,235,890.41 | 235,890.41 |
| 14,500,000.00 | 3.46 | National Australia Bank | A1+ | 18-September-2015 | 14,500,000.00 | 19-September-2014 | 14,600,615.66 | 100,615.66 |
| 20,000,000.00 | 3.51 | ING Bank | A1 | 18-September-2015 | 20,000,000.00 | 19-September-2014 | 20,140,400.00 | 140,400.00 |
| 30,317,062.15 | 3.70 | Westpac Banking Corporation | A1+ | 26-September-2015 | 30,317,062.15 | 26-September-2014 | 30,516,822.52 | 199,760.37 |
| 13,000,000.00 | 3.55 | Bank of Queensland | A2 | 03-October-2015 | 13,000,000.00 | 03-October-2014 | 13,073,334.25 | 73,334.25 |
| 18,000,000.00 | 3.65 | Members Equity Bank Melbourne | A2 | 19-October-2015 | 18,000,000.00 | 17-October-2014 | 18,079,200.00 | 79,200.00 |
| 8,000,000.00 | 3.58 | ANZ | A1+ | 13-November-2015 | 8,000,000.00 | 13-November-2014 | 8,013,339.18 | 13,339.18 |
| 10,000,000.00 | 3.57 | Bank of Queensland | A2 | 14-November-2015 | 10,000,000.00 | 14-November-2014 | 10,015,649.32 | 15,649.32 |
| 10,000,000.00 | 3.56 | Suncorp | A1 | 24-November-2015 | 10,000,000.00 | 24-November-2014 | 10,005,852.05 | 5,852.05 |
| 306,929,459.41 | | | | | | | 310,862,044.28 | 2,877,275.28 |
| | Weighted Return | | | | | | | |
| 310,751,906.81 | 3.63% | Totals | | | | | 314,684,491.68 | 2,877,275.28 |

2.68% 12 month Bloomberg AusBond Bank Bill Index (Formerly UBS Australian Bank Bill Index) for 30 November 2014

0.95% Differential between Council's Weighted Return and UBSA Bank Bill Index

Notes: Face Value - refers to the principal amount invested.
Interest Rate - refers to the annual interest rate applicable to the investment.
Borrower - refers to the institution through which the City's monies are invested.
Rating - refers to the Standard & Poor (S&P) Short Term Rating of the Borrowers.
Current Value - refers to the accumulated value of the investment including accrued interest from time invested to current period.
YTD Accrued Interest - refers to the accrued interest from 1 July 2013 to current period.
YTD Accrued Interest only relates to interest for the specific investments currently in place as at the date of the report (i.e. Interest received this financial year on expired investments are not shown).
Investments are listed by purchase date.

| INDIVIDUAL LIMITS - As At 30 November 2014 | | | | | | |
|---|-------------------------|--------------------------|----------------------------------|-----------------------------------|-----------------------------|------------------------------------|
| BORROWER | FACE VALUE \$ | INVESTMENT RATING | INVESTMENT POLICY LIMIT % | INVESTMENT POLICY LIMIT \$ | INVESTMENT % BALANCE | INVESTMENT POLICY COMPLIANT |
| Commonwealth Bank of Australia Perth | \$3,822,447.40 | A1+ | 50% | \$155,375,953.41 | 1.23% | Yes |
| National Australia Bank | \$99,500,000.00 | A1+ | 50% | \$155,375,953.41 | 32.02% | Yes |
| Westpac Banking Corporation | \$62,317,062.15 | A1+ | 50% | \$155,375,953.41 | 20.05% | Yes |
| ANZ | \$8,000,000.00 | A1+ | 50% | \$155,375,953.41 | 2.57% | Yes |
| ING Bank | \$47,000,000.00 | A1 | 35% | \$108,763,167.38 | 15.12% | Yes |
| Suncorp | \$10,000,000.00 | A1 | 35% | \$108,763,167.38 | 3.22% | Yes |
| Bank of Queensland | \$44,112,397.26 | A2 | 20% | \$62,150,381.36 | 14.20% | Yes |
| Bendigo Bank | \$10,000,000.00 | A2 | 20% | \$62,150,381.36 | 3.22% | Yes |
| IMB Limited | \$5,000,000.00 | A2 | 20% | \$62,150,381.36 | 1.61% | Yes |
| Members Equity Bank Melbourne | \$21,000,000.00 | A2 | 20% | \$62,150,381.36 | 6.76% | Yes |
| Totals | \$310,751,906.81 | | | | 100.00% | |

| OVERALL CREDIT PROFILE - As At 30 November 2014 | | | | | | |
|--|-------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------------------|
| | FACE VALUE \$ | INVESTMENT RATING | INVESTMENT POLICY LIMITS % | INVESTMENT POLICY LIMIT \$ | INVESTMENT % BALANCE | INVESTMENT POLICY COMPLIANT |
| | \$173,639,509.55 | A1+ | 100% | \$310,751,906.81 | 55.88% | Yes |
| | \$57,000,000.00 | A1 | 80% | \$248,601,525.45 | 18.34% | Yes |
| | \$80,112,397.26 | A2 | 80% | \$248,601,525.45 | 25.78% | Yes |
| Totals | \$310,751,906.81 | | | | 100.00% | |

CITY OF WANNEROO

RATE SETTING STATEMENT

FOR THE PERIOD ENDED 30 NOVEMBER 2014

| Description | Year To Date | | | | Annual Adopted Budget \$ |
|---|----------------------|----------------------|---------------------|--------------|-----------------------------------|
| | Actual \$ | Budget \$ | Variance | | |
| | | | \$ | % | |
| Revenues | | | | | |
| Operating Grants, Subsidies and Contributions | 6,660,407 | 6,201,760 | 458,647 | 7 | 12,370,325 |
| Fees and Charges | 8,849,614 | 9,846,959 | (997,345) | (10) | 22,537,478 |
| Interest Earnings | 3,923,931 | 3,548,580 | 375,351 | 11 | 8,520,000 |
| Other Revenue | 1,097,585 | 1,632,865 | (535,280) | (33) | 3,936,884 |
| Total Revenues | 20,531,537 | 21,230,164 | (698,627) | (3) | 47,364,687 |
| Expenses | | | | | |
| Employee Costs | (27,112,006) | (30,327,966) | 3,215,960 | 11 | (72,032,208) |
| Materials and Contracts | (18,111,348) | (20,613,918) | 2,502,570 | 12 | (49,657,347) |
| Utility Charges (electricity, gas, water etc) | (3,233,437) | (3,380,050) | 146,613 | 4 | (8,116,720) |
| Depreciation | (13,354,167) | (13,354,167) | 0 | 0 | (32,050,000) |
| Interest Expenses | (1,567,925) | (1,567,925) | 0 | 0 | (3,689,236) |
| Insurance | (1,365,266) | (1,517,529) | 152,263 | 10 | (1,517,528) |
| Total Expenses | (64,744,149) | (70,761,555) | 6,017,406 | 9 | (167,063,039) |
| Other Revenue and Expenses | | | | | |
| Non Operating Grants, Subsidies and Contributions | 5,809,475 | 5,404,855 | 404,620 | 7 | 12,972,750 |
| Town Planning Scheme Revenues (including Interest Earnings) | 9,400,186 | 9,557,060 | (156,874) | (2) | 22,946,125 |
| Town Planning Scheme Expenses | (105,657) | (2,403,035) | 2,297,378 | 96 | (15,902,000) |
| Profit on Asset Disposals | 0 | 1,416,667 | (1,416,667) | (100) | 3,400,000 |
| Loss on Assets Disposals | 0 | (208,333) | 208,333 | 100 | (500,000) |
| Contributions of Physical Assets | 0 | 0 | 0 | 0 | 30,000,000 |
| Total Other Revenue and Expenses | 15,104,004 | 13,767,213 | 1,336,790 | 10 | 52,916,875 |
| Adjustments for Cash Budget Requirements | | | | | |
| (Profit)/Loss on Asset Disposals | 0 | (1,208,333) | 1,208,333 | 100 | (2,900,000) |
| Depreciation on Assets | 13,354,167 | 13,354,167 | 0 | 0 | 32,050,000 |
| Contributions of Physical Assets | 0 | 0 | 0 | 0 | (30,000,000) |
| Total Adjustments for Cash Budget Requirements | 13,354,167 | 12,145,833 | 1,208,333 | 10 | (850,000) |
| Adjustments for Non-Operating Revenue & Expenses | | | | | |
| Capital Acquisitions | (18,570,000) | (18,268,836) | (301,164) | (2) | (87,690,411) |
| Proceeds from Disposal of Assets | 0 | 0 | 0 | 0 | 4,974,921 |
| Movement in Leave Provisions to Reserve | 0 | 0 | 0 | 0 | 50,000 |
| Total Adjustments for Non-Operating Revenue & Expenses | (18,570,000) | (18,268,836) | (301,164) | (2) | (82,665,490) |
| Transfers | | | | | |
| Movement in Restricted Grants, Contributions and Loans | 1,052,747 | 2,919,104 | (1,866,357) | (64) | 7,005,850 |
| Transfers to Reserves | 0 | (16,371,465) | 16,371,465 | 100 | (39,291,516) |
| Transfers from Reserves | 2,967,557 | 21,342,128 | (18,374,571) | (86) | 51,221,107 |
| Transfers to Schemes | (9,013,984) | (9,557,060) | 543,076 | 6 | (22,946,125) |
| Transfers from Schemes | 0 | 10,846,028 | (10,846,028) | (100) | 26,030,467 |
| Total Transfers | (4,993,680) | 9,178,735 | (14,172,415) | (154) | 22,019,783 |
| Surplus/(Deficit) | | | | | |
| Surplus/(Deficit) July 1 Brought Forward | 8,557,799 | 8,557,799 | 0 | 0 | 8,557,799 |
| Surplus/(Deficit) Carried Forward | 87,929,287 | 93,836,909 | (5,907,622) | (6) | 0 |
| Movement in Surplus/(Deficit) | 79,371,488 | 86,279,110 | (5,907,622) | (7) | (8,557,799) |
| Amount Required to be Raised from Rates | (118,689,610) | (117,987,555) | (702,055) | (1) | (119,719,385) |

5.2 Financial Activity Statement for the Period Ended 31 December 2014

File Ref: 12606 – 15/13067
 Responsible Officer: Director Corporate Strategy & Performance
 Disclosure of Interest: Nil
 Attachments: 4

Issue

To consider the Financial Activity Statement for the period ended 31 December 2014.

Background

In accordance with Local Government Regulations, the Financial Activity Statement has been prepared in compliance with the following:

- 1) *Regulation 34(1) of the Local Government (Financial Management) Regulations 1996*, which requires a local government to prepare each month a statement of financial activity, presented according to nature and type, by program, or by business unit. For the 2014/15 financial year Council will present the statement of financial activity by nature and type.
- 2) *Regulation 34(5) of the Local Government (Financial Management) Regulations 1996*, which requires a local government to adopt a percentage or value, calculated in accordance with Australian Accounting Standards, to be used in statements of financial activity for reporting material variances. For the 2014/15 financial year Council will use 10% for the reporting of variances.

Detail

The Financial Activity Statement and December 2014 year to date financial performances of the City are detailed in **Attachments 1, 2, 3 and 4**.

Consultation

Nil

Comment

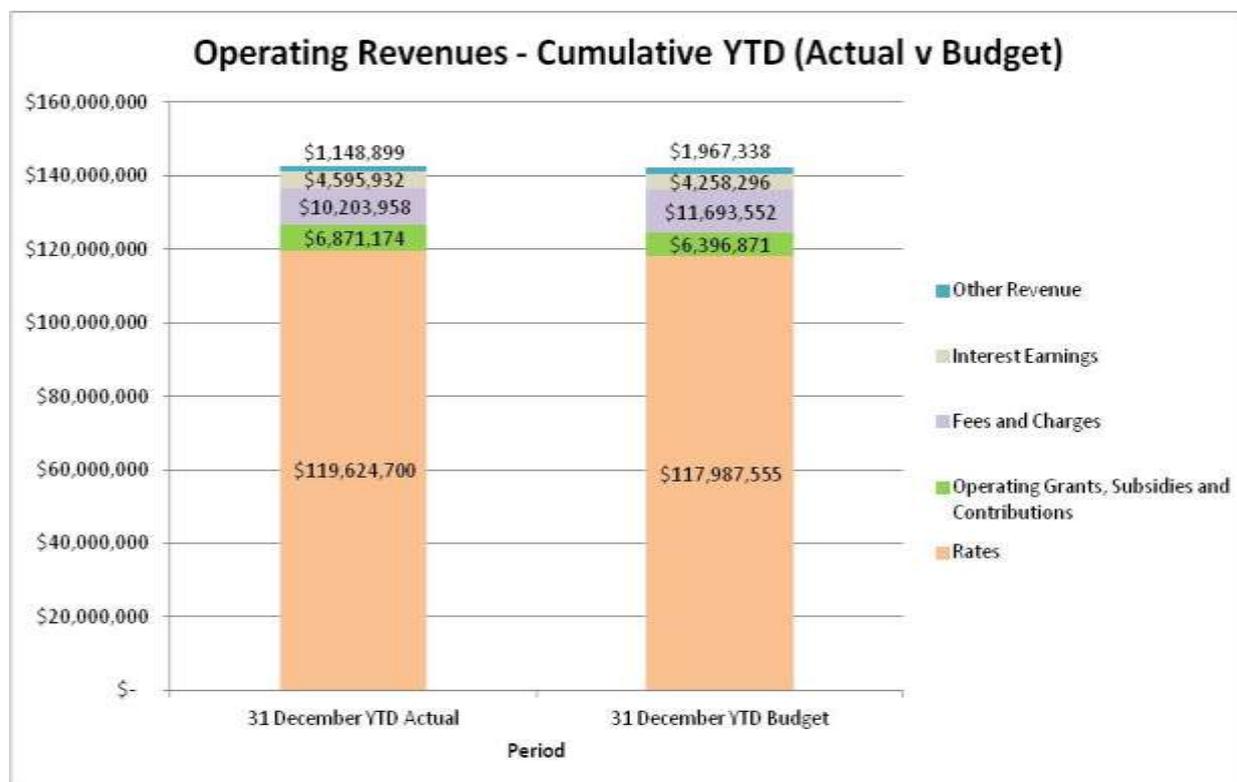
In accordance with the requirement of *Regulation 34(5) of the Local Government (Financial Management) Regulations 1996*, the commentaries on 10% variances to adopted budget in the Financial Activity Statement for the period ended 31 December 2014 are provided below. It should be noted that there are no amendments to the adopted budget year to date.

Income Statement (Refer to Attachment 1)

| <u>Net Result</u> | <u>\$ million</u> |
|------------------------------|-------------------|
| Year to Date Actual | 85.948 |
| Year to Date Budget Estimate | 74.740 |
| Year to Date Variance | +11.209 (+15%) |
| Full Year Adopted Budget | 52.938 |

The following information is provided on key aspects of the year to date financial results:

| <u>Revenues</u> | <u>\$ million</u> |
|------------------------------|-------------------|
| Year to Date Actual | 142.445 |
| Year to Date Budget Estimate | 142.304 |
| Year to Date Variance | 0.141 (0%) |
| Full Year Adopted Budget | 167.084 |



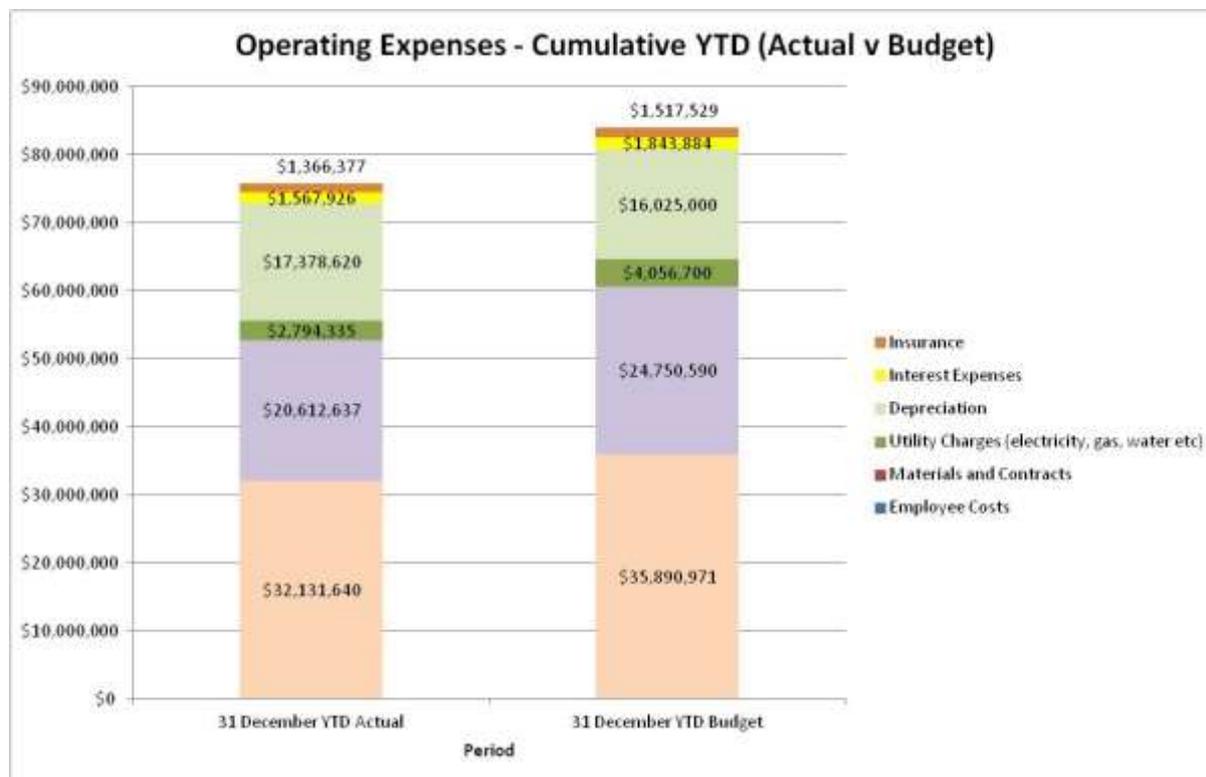
Fees and Charges

As at December 2014 the variance to year-to-date budget for the Fees and Charges Income category is reported as being -13% (-\$1.490 million). The main contributing factor relates to the change being undertaken in handling of recyclable waste from the Wangara Recycling Facility (WRC). Furthermore, charges to the Cities of Swan and Joondalup from the Wangara Recycling Facility for the months of September and October are still to be raised (estimated at \$0.624 million) pending the outcome of the audit of the facilities operations. During January the mid-year-review will be undertaken and annual budget figures reforecast to reflect the cessation of the WRC operations with resulting adjustments subsequently reported to Council.

Other Revenue

The Other Revenue income category represents a year to date variance to budget of -42% (-\$0.818 million). As per previous months the main contributor is the lower than anticipated sales revenue of commodity products from the Wangara Recycling Centre (WRC) which represents a major component of the annual adopted budget. Hence with the WRC ceasing production in November this will have a material effect on budgets. As at the end of December \$0.861 million has been received from these sales, out of a year to date budget of \$1.602 million. It is noted that WRC income and expenses for 2014/2015 were budgeted for the full year business as usual operations, hence the related financial and budget implications of the change will be reflected and reported to Council as part of the mid-year review.

| <u>Expenses</u> | <u>\$ million</u> |
|------------------------------|-------------------|
| Year to Date Actual | 75.852 |
| Year to Date Budget Estimate | 84.085 |
| Year to Date Variance | +8.233 (+10%) |
| Full Year Adopted Budget | 167.063 |



Employee Costs

For the year to December the employee costs show a variance of 10% (+\$3.759 million) to budget. This is due to vacancies whilst new staff are recruited resulting in lower salary expenditure than budgeted, together with a timing difference between transfers of payroll payments. Close analysis of the salaries, wages and other associated employee costs is currently taking place with resulting amendments to be reporting to Council in the mid-year review report.

Materials and Contracts

Reflected under the category of Materials and Contracts is a variance to year to date budget of +\$4.138 million (+17%). Whilst this variance is considered material in value, it is not unusual for differing levels of expenditures to be reflected at various times of the year due to seasonal activities, hence higher levels are expected over coming months. Notwithstanding this, a thorough review of all accounts under this category will be undertaken during January to assess the appropriateness of annual budgets. Council will be duly informed of the outcome of this assessment through the mid-year review report early in the new year. With respect to the two largest expense areas of Refuse Removal Expenses and Contract Expenses, as at December month end their year to date expenditures are \$5.098 million and \$7.900 million respectively, reflecting a combined variance to year to date budget of \$2.559 million (+16%).

Interest Expenses

The year to December presents a variance of +\$0.275 million (+15%). This is explained through the comparison of the monthly phasing of the annual budget vs. the periodical payments scheduled to be made to Western Australia Treasury Corporation (WATC) as per the City's loan agreement.

Interest payments are made in the months of August, November, February and May. Since there is no payment scheduled in December, the budget includes a month's expense which will not be realised until February when the next interest payment is made. Therefore interest expenditure is expected to be in line with budgets in the February financial activity report when the next interest instalment is made.

Insurance

The City has recorded \$1.366 million against insurance expenditures to the end of December, which is in excess of the year to date budget by 10%. With the majority of the annual premiums having been paid, the remaining budget will be for an excess allowance for potential claims. It is recognised that this allowance is difficult to accurately budget for and phase over the year however through the forthcoming mid-year review an overall budget reduction is likely.

| <u>Other Revenue and Expenses</u> (Excluding Contributions of Physical Assets) | <u>\$ million</u> |
|---|-------------------|
| Revenue in excess of expenses: | |
| Year to Date Actual | 19.355 |
| Year to Date Budget Estimate | 16.521 |
| Year to Date Variance | +2.835 (+17%) |
| Full Year Adopted Budget | 22.917 |

Town Planning Scheme (TPS) Expenses

TPS Expenses as at December month end continue to reflect low activities being \$0.133 million YTD, representing a +95% variance (+\$2.751 million) to year to date budget. These expenditures relate to specific costs and land purchases within the Scheme location and have no impact on municipal accounts.

| <u>Contributions of Physical Assets</u> | <u>\$ million</u> |
|---|-------------------|
| Year to Date Actual | 0.000 |
| Year to Date Budget Estimate | 0.000 |
| Year to Date Variance | 0.000 (0%) |
| Full Year Adopted Budget | 30.000 |

Each year developers hand over physical assets such as parklands, roads and pathways to the City, for its ongoing management and control. These assets can be of considerable value and are currently being finalised and booked to the accounts. It should be noted that variations on the amounts of contributions of physical assets comparing to budget has no direct impact to the City's current financial year results, but can have a significant impact on future servicing, maintenance and renewal costs needing to be factored into the Long Term Financial Plan. The scale of the value of assets handed over to the City in the past has generally aligned closely to the % increase in the number of new Lots created during the financial year.

Balance Sheet (Refer to Attachment 2)

Capital Works Program

The current status of the Capital Works Program as of 31 December 2014 is summarised below by Program Category:-

Capital Works Detail by Program

| Program Category Description | Annual Budget \$ million | Year to date Actual \$ million | Commitments \$ million |
|------------------------------|--------------------------|--------------------------------|------------------------|
| Community | 7.254 | 1.437 | 0.789 |
| Corporate | 15.378 | 2.358 | 1.859 |
| Drainage | 1.392 | 0.598 | 0.221 |
| Investment | 3.533 | 0.127 | 0.090 |
| Recreation and Sport | 20.410 | 5.688 | 1.392 |
| Transport | 29.611 | 8.993 | 2.787 |
| Waste Management | 10.113 | 3.164 | 3.617 |
| Total | 87.691 | 22.365 | 10.755 |

The table above notes a total Annual Budget for the capital works program as \$87.691 million. As at the end of November \$22.365 million has been spent against capital works. In addition to the actual expenditure, \$10.755 million is recognised as committed. (Note: Commitments are life to date and may also relate to future financial periods).

To further expand on the capital works program information above, key infrastructure projects are selected to be reported on, on a regular basis, which are listed in the following table.

| Major Projects for 2014/15 | | | | | |
|-----------------------------------|--|-------------------|-----------------------|----------------------|---|
| Project No | Project Description | Budget \$ million | YTD Actual \$ million | Committed \$ million | Comments |
| PR-1494 | Flynn Drive Neerabup - construct road stage 2 | 8.554 | 1.638 | 1.213 | Stage 1 works impacted by delay due to Western Power relocation works not yet completed. Stage 2 design completed with liaison being undertaken with service provider. |
| PR-2097 | Lenore Road Wanneroo - construct carriageway stage 2 | 7.059 | 0.518 | 0.530 | Design complete with liaison being undertaken with service provider. |
| PR-2332 | Extension of Civic Centre - stage 1 | 4.578 | 0.158 | 1.161 | Concept design being developed by architect with the cost planner to review budget costs. Roadworks associated conversion of two way road network to one way for Cafaggio Court and Scenario Drive scheduled for completion last quarter of 2014/15 |
| PR-1561 | Koondoola Community Centre | 2.079 | 0.151 | 0.072 | Construction tender awarded by council at its meeting on 09/12/14 |
| PR-1283 | Kingsway Baseball Clubrooms | 1.355 | 0.062 | 0.056 | Construction tender awarded by council at its meeting on 09/12/14 |
| PR-1046 | Hocking Pearsall Community Centre | 0.565 | 0.051 | - | Detailed design being advanced |

Investment Portfolio Summary (Refer to Attachment 3)

In accordance with the *Local Government (Financial Management) Regulations 1996*, the City only invests in the following highly secured investments effective from 1 August 2012:

1. Deposits with authorised deposit taking institutions and the Western Australian Treasury Corporation for a term not exceeding 12 months;

2. Bonds that are guaranteed by the Commonwealth Government or a State or Territory for a term not exceeding three years; and
3. Australian currency.

It is also worth noting that at the Ordinary Meeting of Council on 9 December 2014 a revised Investment Policy was endorsed. As a result of the endorsement of the revised Policy, new portfolio limits are used in Attachment 3 to benchmark the level of compliance in relation to the City's investment activities with the various financial institutions.

As at 31 December 2014, the City holds an investment portfolio (cash and cash equivalents) of \$307.097 million. Interest earnings were budgeted at 3.50% yield. For the financial year to date ending December 2014, Council's investment portfolio return has exceeded the bank bill index benchmark by 0.88% pa (3.57% pa vs. 2.69% pa).

Displayed below are graphical representations of the portfolio performance and earnings:



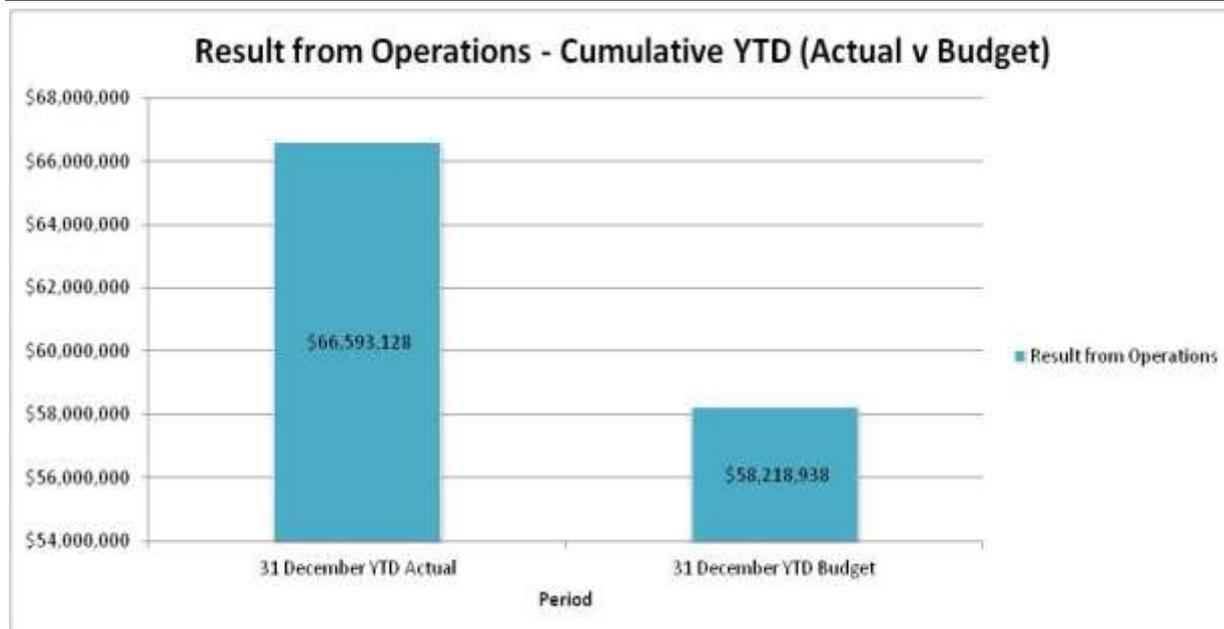
Note: Interest Earnings = Interest on investments plus Rates Instalment and Penalty Income.

Rate Setting Statement (Refer to Attachment 4)

The Rate Setting Statement outlined in Attachment 4 represents a composite view of the finances of the City, identifying the movement in the surplus/(deficit), primarily based on the operations and capital works revenue and expenditure, and resulting rating income required.

Overall Comment

The Operating Result for the City to December month end presents an overall favourable variance of +\$8.374 million (+14%) to year to date budget. Operating Income presented a marginal favourable variance to year to date budget of 0% (+\$0.141 million). Expenditures from Operations also present a favourable variance to budget of +\$8.233 million (+10%) with the main contributor being Materials and Contracts (+\$4.138 million).



Historically, activities within the Capital Works Program tend to reflect lower levels at the beginning of the financial year, due to the timing of budget adoption and scheduling of works. The period ending December 2014 has however reported substantially higher levels of progression when compared to previous years, with \$22.365 million recorded to account.

Statutory Compliance

This monthly financial report complies with *Section 6.4 of the Local Government Act 1995* and *Regulations 33A and 34 of the Local Government (Financial Management) Regulations 1996*.

Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2013 – 2023:

- “4 *Civic Leadership - Working with others to ensure the best use of our resources.*
- 4.3 *A Strong and Progressive Organisation - You will recognise the hard work and professionalism delivered by your council through your interactions and how our community is developing.*”

Risk Management Considerations

Nil

Policy Implications

Nil

Financial Implications

As outlined above and detailed in **Attachments 1, 2, 3 and 4**.

Voting Requirements

Simple Majority

Recommendation

That Council RECEIVES the Financial Activity Statements and commentaries on variances to Year to Date Budget for the period ended 31 December 2014, consisting of:

1. 2014/15 Annual Adopted Budget;
2. December 2014 Year to Date Budget;
3. December 2014 Year to Date Income and Expenditures;
4. December 2014 Year to Date Material Variance Notes; and
5. December 2014 Year to Date Net Current Assets.

Attachments:

1. *December Income Statement* 15/13062
2. *December Balance Sheet* 15/13064
3. *December Inv* 15/13065
4. *December Rate Setting Statement* 15/13063

CITY OF WANNEROO

INCOME STATEMENT BY NATURE OR TYPE

FOR THE PERIOD ENDED 31 DECEMBER 2014

| Description | Year to Date | | | | Annual Adopted Budget \$ |
|--|---------------------|---------------------|-------------------|-----------|-----------------------------------|
| | Actual \$ | Budget \$ | Variance | | |
| | | | \$ | % | |
| Revenues | | | | | |
| Rates | 119,624,700 | 117,987,555 | 1,637,145 | 1 | 119,719,385 |
| Operating Grants, Subsidies and Contributions | 6,871,174 | 6,396,871 | 474,303 | 7 | 12,370,325 |
| Fees and Charges | 10,203,958 | 11,693,552 | (1,489,594) | (13) | 22,537,478 |
| Interest Earnings | 4,595,932 | 4,258,296 | 337,636 | 8 | 8,520,000 |
| Other Revenue | 1,148,899 | 1,967,338 | (818,439) | (42) | 3,936,884 |
| Total Revenues | 142,444,663 | 142,303,612 | 141,051 | 0 | 167,084,072 |
| Expenses | | | | | |
| Employee Costs | (32,131,640) | (35,890,971) | 3,759,331 | 10 | (72,032,208) |
| Materials and Contracts | (20,612,637) | (24,750,590) | 4,137,953 | 17 | (49,657,347) |
| Utility Charges (electricity, gas, water etc) | (2,794,335) | (4,056,700) | 1,262,365 | 31 | (8,116,720) |
| Depreciation | (17,378,620) | (16,025,000) | (1,353,620) | (8) | (32,050,000) |
| Interest Expenses | (1,567,926) | (1,843,884) | 275,958 | 15 | (3,689,236) |
| Insurance | (1,368,377) | (1,517,529) | 151,152 | 10 | (1,517,528) |
| Total Expenses | (75,851,535) | (84,084,674) | 8,233,139 | 10 | (167,063,039) |
| Result from Operations | 66,593,128 | 58,218,938 | 8,374,190 | 14 | 21,033 |
| Other Revenue & Expenses (excl. Contr of Physical Assets) | | | | | |
| Non Operating Grants, Subsidies and Contributions | 5,939,159 | 6,485,826 | (546,667) | (8) | 12,972,750 |
| Town Planning Scheme Revenues (including Interest Earnings) | 12,005,837 | 11,468,472 | 537,365 | 5 | 22,946,125 |
| Town Planning Scheme Expenses | (132,689) | (2,883,642) | 2,750,953 | 95 | (15,902,000) |
| Profit on Asset Disposals | 1,542,855 | 1,699,998 | (157,143) | (9) | 3,400,000 |
| Loss on Assets Disposals | 0 | (249,996) | 249,996 | 100 | (500,000) |
| Total Other Revenue and Expenses | 19,355,162 | 16,520,658 | 2,834,504 | 17 | 22,916,875 |
| Contributions of Physical Assets | 0 | 0 | 0 | 0 | 30,000,000 |
| Net Result | 85,948,290 | 74,739,596 | 11,208,694 | 15 | 52,937,908 |

CITY OF WANNEROO

BALANCE SHEET

FOR THE PERIOD ENDED 31 DECEMBER 2014

| Description | 2014/15 |
|--------------------------------------|------------------------|
| | YTD Actual \$ |
| Current Assets | |
| Cash at Bank | 4,607,879 |
| Investments | 310,713,006 |
| Receivables | 40,627,826 |
| Inventory | 358,644 |
| Total Current Assets | 356,307,355 |
| Current Liabilities | |
| Payables | (15,817,788) |
| Provisions | (11,447,304) |
| Total Current Liabilities | (27,265,092) |
| Net Current Assets | 329,042,263 |
| Non Current Assets | |
| Receivables | 14,283,378 |
| Land | 13,865,308 |
| Buildings | 76,184,054 |
| Plant | 12,584,744 |
| Equipment | 56,044,778 |
| Furniture and Fittings | 4,643,699 |
| Infrastructure | 1,369,633,399 |
| Work in Progress | 29,787,628 |
| Total Non Current Assets | 1,577,026,988 |
| Non Current Liabilities | |
| Interest Bearing Liabilities | (60,778,188) |
| Provisions | (1,411,746) |
| Total Non Current Liabilities | (62,189,934) |
| NET ASSETS | 1,843,879,317 |
| Equity | |
| Accumulated Surplus | (1,724,564,267) |
| Municipal Reserves | (118,132,202) |
| Non Cash Reserves | (1,182,848) |
| TOTAL EQUITY | (1,843,879,317) |

NET CURRENT ASSETS SURPLUS/(DEFICIT) CARRIED FORWARD

| Description | 2014/15 | |
|---|--------------------|--------------------------|
| | YTD Actual \$ | Annual Adopted Budget \$ |
| Current Assets | | |
| Cash - Unrestricted | 65,374,108 | 2,921,575 |
| Cash & Cash Equivalents - Restricted | 249,946,777 | 195,177,349 |
| Receivables | 40,627,826 | 23,092,827 |
| Non-Cash Investments | 0 | 0 |
| Inventory | 358,644 | 358,103 |
| Less Current Liabilities | | |
| Payables and Provisions | (27,265,092) | (30,369,573) |
| Net Current Assets | 329,042,263 | 191,180,281 |
| Plus Leave Provisions Cash Backed | 1,389,519 | 3,997,068 |
| Less Cash & Cash Equivalents - Restricted | 249,946,777 | 195,177,349 |
| SURPLUS/(DEFICIT) CARRIED FORWARD | 80,485,005 | 0 |

| INVESTMENT SUMMARY - As At 31 December 2014 | | | | | | | | |
|---|----------------------------|--------------------------------------|--------|-------------------|----------------|-------------------|-----------------------|-------------------------------|
| Face Value \$ | Interest Rate % | Borrower | Rating | Maturity | Purchase price | Purchase Date | Current Value \$ | YTD Accrued Interest \$ |
| Corporate Bond Investment Group | | | | | | | | |
| 0.00 | | | | | | | 0.00 | |
| Current Account Investment Group | | | | | | | | |
| 9,780,000.00 | 2.45 | Commonwealth Bank of Australia Perth | A1 | N/A | | N/A | 9,780,000.00 | |
| 2,387,832.39 | 2.75 | Commonwealth Bank of Australia Perth | A1 | N/A | | N/A | 2,387,832.39 | |
| 12,167,832.39 | | | | | | | 12,167,832.39 | |
| Term Investment Group | | | | | | | | |
| 10,000,000.00 | 3.82 | Westpac Banking Corporation | A1 | 27-March-2015 | 10,000,000.00 | 27-March-2014 | 10,293,041.10 | 192,569.86 |
| 10,000,000.00 | 3.82 | Westpac Banking Corporation | A1 | 28-March-2015 | 10,000,000.00 | 28-March-2014 | 10,291,994.52 | 192,569.86 |
| 12,000,000.00 | 3.82 | Westpac Banking Corporation | A1 | 28-March-2015 | 12,000,000.00 | 28-March-2014 | 12,350,393.42 | 231,083.84 |
| 4,000,000.00 | 3.75 | Bank of Queensland | A2 | 06-May-2015 | 4,000,000.00 | 06-May-2014 | 4,098,630.14 | 75,616.44 |
| 3,000,000.00 | 3.90 | Members Equity Bank Melbourne | A2 | 08-May-2015 | 3,000,000.00 | 08-May-2014 | 3,076,290.41 | 58,980.82 |
| 5,000,000.00 | 3.60 | IMB Limited | A2 | 12-May-2015 | 5,000,000.00 | 13-May-2014 | 5,114,904.11 | 90,739.73 |
| 17,112,397.26 | 3.75 | Bank of Queensland | A2 | 12-May-2015 | 17,112,397.26 | 18-July-2014 | 17,406,003.80 | 293,606.54 |
| 10,000,000.00 | 3.55 | Bendigo Bank | A2 | 27-August-2015 | 10,000,000.00 | 27-August-2014 | 10,123,520.55 | 123,520.55 |
| 7,000,000.00 | 3.55 | ING Bank | A1 | 26-August-2015 | 7,000,000.00 | 26-August-2014 | 7,086,464.38 | 86,464.38 |
| 15,000,000.00 | 3.70 | National Australia Bank | A1 | 20-August-2015 | 15,000,000.00 | 20-August-2014 | 15,203,753.42 | 203,753.42 |
| 28,000,000.00 | 3.55 | National Australia Bank | A1 | 01-September-2015 | 28,000,000.00 | 01-September-2014 | 28,329,517.81 | 329,517.81 |
| 30,000,000.00 | 3.50 | National Australia Bank | A1 | 09-September-2015 | 30,000,000.00 | 09-September-2014 | 30,325,068.49 | 325,068.49 |
| 14,500,000.00 | 3.46 | National Australia Bank | A1 | 18-September-2015 | 14,500,000.00 | 19-September-2014 | 14,643,342.86 | 143,342.86 |
| 20,000,000.00 | 3.51 | ING Bank | A1 | 18-September-2015 | 20,000,000.00 | 19-September-2014 | 20,200,021.92 | 200,021.92 |
| 30,317,062.15 | 3.70 | Westpac Banking Corporation | A1 | 26-September-2015 | 30,317,062.15 | 26-September-2014 | 30,612,092.85 | 295,030.70 |
| 13,000,000.00 | 3.55 | Bank of Queensland | A2 | 03-October-2015 | 13,000,000.00 | 03-October-2014 | 13,112,530.14 | 112,530.14 |
| 18,000,000.00 | 3.65 | Members Equity Bank Melbourne | A2 | 19-October-2015 | 18,000,000.00 | 17-October-2014 | 18,135,000.00 | 135,000.00 |
| 8,000,000.00 | 3.58 | ANZ | A1 | 13-November-2015 | 8,000,000.00 | 13-November-2014 | 8,037,653.56 | 37,653.56 |
| 10,000,000.00 | 3.57 | Bank of Queensland | A2 | 14-November-2015 | 10,000,000.00 | 14-November-2014 | 10,045,969.86 | 45,969.86 |
| 10,000,000.00 | 3.56 | Suncorp | A1 | 24-November-2015 | 10,000,000.00 | 24-November-2014 | 10,036,087.67 | 36,087.67 |
| 20,000,000.00 | 3.48 | National Australia Bank | A1 | 18-December-2015 | 20,000,000.00 | 19-December-2014 | 20,022,882.19 | 22,882.19 |
| 294,929,459.41 | | | | | | | 298,545,173.21 | 3,232,020.65 |
| | Weighted Return | | | | | | | |
| 307,097,291.80 | 3.57% | Totals | | | | | 310,713,005.60 | 3,232,020.65 |

2.69% 12 month Bloomberg AusBond Bank Bill Index (Formerly UBS Australian Bank Bill Index) for 31 December 2014

0.88% Differential between Council's Weighted Return and UBSA Bank Bill Index

Notes: Face Value - refers to the principal amount invested.

Interest Rate - refers to the annual interest rate applicable to the investment.

Borrower - refers to the institution through which the City's monies are invested.

Rating - refers to the Standard & Poor (S&P) Short Term Rating of the Borrowers.

Current Value - refers to the accumulated value of the investment including accrued interest from time invested to current period.

YTD Accrued Interest - refers to the accrued interest from 1 July 2013 to current period.

YTD Accrued Interest only relates to interest for the specific investments currently in place as at the date of the report (i.e. Interest received this financial year on expired investments are not shown).

Investments are listed by purchase date.

| INDIVIDUAL LIMITS - As At 31 December 2014 | | | | | | |
|---|-------------------------|--------------------------|----------------------------------|-----------------------------------|-----------------------------|------------------------------------|
| BORROWER | FACE VALUE \$ | INVESTMENT RATING | INVESTMENT POLICY LIMIT % | INVESTMENT POLICY LIMIT \$ | INVESTMENT % BALANCE | INVESTMENT POLICY COMPLIANT |
| Commonwealth Bank of Australia Perth | \$12,167,832.39 | A1 | 50% | \$153,548,645.90 | 3.96% | Yes |
| National Australia Bank | \$107,500,000.00 | A1 | 50% | \$153,548,645.90 | 35.01% | Yes |
| Westpac Banking Corporation | \$62,317,062.15 | A1 | 50% | \$153,548,645.90 | 20.29% | Yes |
| ANZ | \$8,000,000.00 | A1 | 50% | \$153,548,645.90 | 2.61% | Yes |
| ING Bank | \$27,000,000.00 | A1 | 50% | \$153,548,645.90 | 8.79% | Yes |
| Suncorp | \$10,000,000.00 | A1 | 50% | \$153,548,645.90 | 3.26% | Yes |
| Bank of Queensland | \$44,112,397.26 | A2 | 25% | \$76,774,322.95 | 14.36% | Yes |
| Bendigo Bank | \$10,000,000.00 | A2 | 25% | \$76,774,322.95 | 3.26% | Yes |
| IMB Limited | \$5,000,000.00 | A2 | 25% | \$76,774,322.95 | 1.63% | Yes |
| Members Equity Bank Melbourne | \$21,000,000.00 | A2 | 25% | \$76,774,322.95 | 6.84% | Yes |
| Totals | \$307,097,291.80 | | | | 100.00% | |

| OVERALL CREDIT PROFILE - As At 31 December 2014 | | | | | | |
|--|-------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------------|------------------------------------|
| | FACE VALUE \$ | INVESTMENT RATING | INVESTMENT POLICY LIMITS % | INVESTMENT POLICY LIMIT \$ | INVESTMENT % BALANCE | INVESTMENT POLICY COMPLIANT |
| | \$226,984,894.54 | A1 | 100% | \$307,097,291.80 | 73.91% | Yes |
| | \$80,112,397.26 | A2 | 80% | \$245,677,833.44 | 26.09% | Yes |
| Totals | \$307,097,291.80 | | | | 100.00% | |

CITY OF WANNEROO

RATE SETTING STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2014

| Description | Year To Date | | | | Annual Adopted Budget \$ |
|---|----------------------|----------------------|---------------------|--------------|-----------------------------------|
| | Actual \$ | Budget \$ | Variance | | |
| | | | \$ | % | |
| Revenues | | | | | |
| Operating Grants, Subsidies and Contributions | 6,871,174 | 6,396,871 | 474,303 | 7 | 12,370,325 |
| Fees and Charges | 10,203,958 | 11,693,552 | (1,489,594) | (13) | 22,537,478 |
| Interest Earnings | 4,595,932 | 4,258,296 | 337,636 | 8 | 8,520,000 |
| Other Revenue | 1,148,899 | 1,967,338 | (818,439) | (42) | 3,936,884 |
| Total Revenues | 22,819,963 | 24,316,057 | (1,496,094) | (6) | 47,364,687 |
| Expenses | | | | | |
| Employee Costs | (32,131,640) | (35,890,971) | 3,759,331 | 10 | (72,032,208) |
| Materials and Contracts | (20,612,637) | (24,750,590) | 4,137,953 | 17 | (49,657,347) |
| Utility Charges (electricity, gas, water etc) | (2,794,335) | (4,056,700) | 1,262,365 | 31 | (8,116,720) |
| Depreciation | (17,378,620) | (16,025,000) | (1,353,620) | (8) | (32,050,000) |
| Interest Expenses | (1,567,925) | (1,843,884) | 275,958 | 15 | (3,689,236) |
| Insurance | (1,366,377) | (1,517,529) | 151,152 | 10 | (1,517,528) |
| Total Expenses | (75,851,535) | (84,084,674) | 8,233,139 | 10 | (167,063,039) |
| Other Revenue and Expenses | | | | | |
| Non Operating Grants, Subsidies and Contributions | 5,939,159 | 6,485,826 | (546,667) | (8) | 12,972,750 |
| Town Planning Scheme Revenues (including Interest Earnings) | 12,005,837 | 11,468,472 | 537,365 | 5 | 22,946,125 |
| Town Planning Scheme Expenses | (132,689) | (2,883,642) | 2,750,953 | 95 | (15,902,000) |
| Profit on Asset Disposals | 1,542,855 | 1,699,998 | (157,143) | (9) | 3,400,000 |
| Loss on Assets Disposals | 0 | (249,996) | 249,996 | 100 | (500,000) |
| Contributions of Physical Assets | 0 | 0 | 0 | 0 | 30,000,000 |
| Total Other Revenue and Expenses | 19,355,162 | 16,520,658 | 2,834,504 | 17 | 52,916,875 |
| Adjustments for Cash Budget Requirements | | | | | |
| (Profit)/Loss on Asset Disposals | (1,542,855) | (1,450,002) | (92,853) | (6) | (2,900,000) |
| Depreciation on Assets | 17,378,620 | 16,025,000 | 1,353,620 | 8 | 32,050,000 |
| Contributions of Physical Assets | 0 | 0 | 0 | 0 | (30,000,000) |
| Total Adjustments for Cash Budget Requirements | 15,835,765 | 14,574,998 | 1,260,767 | 9 | (850,000) |
| Adjustments for Non-Operating Revenue & Expenses | | | | | |
| Capital Acquisitions | (22,365,000) | (21,922,603) | (442,397) | (2) | (87,690,411) |
| Proceeds from Disposal of Assets | 449,182 | 0 | 449,182 | 0 | 4,974,921 |
| Movement in Leave Provisions to Reserve | 0 | 0 | 0 | 0 | 50,000 |
| Total Adjustments for Non-Operating Revenue & Expenses | (21,915,818) | (21,922,603) | 6,785 | 0 | (82,665,490) |
| Transfers | | | | | |
| Movement in Restricted Grants, Contributions and Loans | 1,232,216 | 3,502,925 | (2,270,709) | (65) | 7,005,850 |
| Transfers to Reserves | | (16,371,465) | 16,371,465 | 100 | (39,291,516) |
| Transfers from Reserves | 2,698,996 | 21,342,128 | (18,643,132) | (87) | 51,221,107 |
| Transfers to Schemes | (11,872,243) | (11,468,472) | (403,771) | (4) | (22,946,125) |
| Transfers from Schemes | 0 | 10,846,028 | (10,846,028) | (100) | 26,030,467 |
| Total Transfers | (7,941,031) | 7,851,144 | (15,792,175) | (201) | 22,019,783 |
| Surplus/(Deficit) | | | | | |
| Surplus/(Deficit) July 1 Brought Forward | 8,557,799 | 8,557,799 | 0 | 0 | 8,557,799 |
| Surplus/(Deficit) Carried Forward | 80,485,005 | 83,800,934 | (3,315,929) | (4) | 0 |
| Movement in Surplus/(Deficit) | 71,927,206 | 75,243,135 | (3,315,929) | (4) | (8,557,799) |
| Amount Required to be Raised from Rates | (119,624,700) | (117,987,555) | (1,637,145) | (1) | (119,719,385) |