

**CITY OF PORT PHILLIP
STANDARD STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

Standard Income Statement for the year ending 30 June 2009

	2009 Budget \$'000	2009 Actual \$'000	Variance \$'000	%	Note
Revenue					
Rates and garbage charges	73,680	74,943	1,263	1.7%	2.1
Operating grants	8,010	10,044	2,034	25.4%	2.2
Capital grants	630	1,868	1,238	196.5%	2.3
Contributions	1,665	6,582	4,917	295.3%	2.4
Interest	1,650	2,100	450	27.3%	2.5
User charges and other fines	12,076	10,816	(1,260)	(10.4%)	2.6
Statutory fees and fines	2,681	2,242	(439)	(16.4%)	2.7
Parking fees and fines	23,487	23,828	341	1.5%	
Other revenue	1,734	3,163	1,429	82.4%	2.8
Rent	6,422	6,054	(368)	(5.7%)	
Total Revenues	132,035	141,640	9,605	7.3%	
Expenses					
Employee benefits	46,126	48,911	(2,785)	(6.0%)	2.9
Materials and consumables	14,463	18,073	(3,610)	(25.0%)	2.10
External contracts	35,252	30,614	4,638	13.2%	2.11
Bad and doubtful debts	1,690	2,212	(522)	(30.9%)	2.12
Utility payments	2,191	2,127	64	2.9%	
Professional services	3,577	4,775	(1,198)	(33.5%)	2.13
Finance costs	191	245	(54)	(28.3%)	
Depreciation	13,200	15,852	(2,652)	(20.1%)	2.14
Loss on disposal of property, infrastructure, plant and equipment	-	2,470	(2,470)	100.0%	2.15
Other expenses	3,663	5,129	(1,466)	(40.0%)	2.16
Total Expenses	120,353	130,408	(10,055)	(8.4%)	
Surplus / (deficit) for the year	11,682	11,232	(450)	(3.9%)	

The accompanying notes form part of this standard statement

Standard Balance Sheet as at 30 June 2009

	2009 Budget \$'000	2009 Actual \$'000	Variance \$'000	%	Note
Current assets					
Cash assets	23,638	25,407	1,769	7.5%	3.1
Financial assets	-	7,716	7,716	100%	3.1
Receivables	10,827	10,075	(752)	(6.9%)	
Other assets	1,469	1,747	278	18.9%	3.2
Assets held for sale	-	1,200	1,200	100.0%	3.3
Total current assets	35,934	46,145	10,211	28.4%	
Non-current assets					
Financial assets	5	6,268	6,263	125260.0%	3.1
Receivables	2	-	(2)	(100.0%)	
Property, infrastructure, plant and equipment	1,706,972	1,826,687	119,715	7.0%	3.4
Total non-current assets	1,706,979	1,832,955	125,976	7.4%	
Total assets	1,742,913	1,879,100	136,187	7.8%	
Current liabilities					
Payables	7,192	10,954	(3,762)	(52.3%)	3.5
Trust funds and deposits	591	1,776	(1,185)	(200.5%)	3.6
Provisions	6,360	7,221	(861)	(13.5%)	3.7
Interest-bearing loans and borrowings	495	779	(284)	(57.4%)	3.8
Total current liabilities	14,638	20,730	(6,092)	(41.6%)	
Non-current liabilities					
Provisions	1,297	1,437	(140)	(10.8%)	3.7
Interest-bearing loans and borrowings	2,312	3,029	(717)	(31.0%)	3.8
Total non-current liabilities	3,609	4,466	(857)	(23.7%)	
Total liabilities	18,247	25,196	(6,949)	-38.1%	
Net assets	1,724,666	1,853,904	129,238	7.5%	
Equity					
Accumulated surplus	608,834	569,433	(39,401)	(6.5%)	
Asset revaluation reserves	1,103,160	1,261,737	158,577	14.4%	3.9
Other reserves	12,672	22,734	10,062	79.4%	3.10
Total equity	1,724,666	1,853,904	129,238	7.5%	

The accompanying notes form part of this standard statement

Standard Cash Flow Statement for the year ending 30 June 2009

	2009 Budget \$'000	2009 Actual \$'000	Variance \$'000	%	Note
Cash flows from operating activities					
Receipts from customers	73,680	75,152	1,472	2.0%	
Payments to suppliers (inclusive of GST)	(35,252)	(41,911)	(6,659)	(18.9%)	4.1
Net cash inflow / (outflow) from customers/suppliers	38,428	33,241	(5,187)	(13.5%)	
Parking fees and fines	21,927	21,920	(7)	(0.0%)	
Government grants (inclusive of GST)	8,010	10,401	2,391	29.9%	4.2
Contributions	1,665	4,622	2,957	177.6%	4.3
Capital grants	630	1,868	1,238	196.5%	4.4
Interest received	1,650	2,095	445	27.0%	4.5
Other receipts (inclusive of GST)	22,913	22,959	46	0.2%	
Net GST refund	-	6,232	6,232	100.0%	4.6
Payments to employees	(46,126)	(48,138)	(2,012)	(4.4%)	
Other payments	(24,025)	(23,953)	72	0.3%	
Net cash inflow from operating activities	25,072	31,247	6,175	24.6%	
Cash flows from investing activities					
Proceeds from sale of financial assets	-	8,000	8,000	100.0%	4.7
Payments for financial assets	-	(9,716)	(9,716)	-100.0%	4.7
Payments for property, infrastructure, plant and equipment	(36,777)	(26,536)	10,241	27.8%	4.8
Net cash (outflow) from investing activities	(36,777)	(28,252)	8,525	(23.2%)	
Cash flows from financing activities					
Repayment of borrowings	(466)	(650)	(184)	-39.5%	
Borrowing costs	(191)	(245)	(54)	-28.3%	
Net cash (outflow) from financing activities	(657)	(895)	(238)	-36.2%	
<i>Net increase / (decrease) in cash held</i>	(12,362)	2,100	14,462	(117.0%)	
Cash at the beginning of the financial year	36,000	23,307	(12,693)	(35.3%)	
Cash at the end of the financial year	23,638	25,407	1,769	7.5%	
Reconciliation of Operating Result and Net Cash Flows					
Net surplus from operations	11,682	11,232	450		
Depreciation	13,200	15,852	(2,652)		
Loss on disposal of property, infrastructure, plant and equipment	-	2,470	(2,470)		
Impairment loss related to non current financial asset	-	1,737	(1,737)		
Non monetary contributed assets	-	(1,960)	1,960		
Work in progress amounts transferred to operating expenses	-	1,015	(1,015)		
Finance costs	191	245	(54)		
Net movement in assets and liabilities	-	656	(656)		
Net cash inflows from operating activities	25,073	31,247	(6,174)		

The accompanying notes form part of this standard statement

Standard Statement of Capital Works for the year ending 30 June 2009

	2009 Budget \$'000	2009 Actual \$'000	Variance \$'000	%	Note
Capital Works Areas					
Roads, lanes, footpaths kerb and channel and bridges	9,910	9,900	10	0.1%	
Drains	700	663	37	5.3%	
Buildings	7,119	8,056	(937)	(13.2%)	5.1
Land improvements	7,980	6,129	1,851	23.2%	5.2
Plant and equipment	3,068	747	2,321	75.7%	5.3
Furniture and fittings	-	945	(945)	100.0%	5.4
Heritage assets and works of art	-	28	(28)	100.0%	5.5
Total capital works	28,777	26,468	(2,309)	(8.0%)	
Represented by:					
Renewal	9,816	13,272	(3,456)	(35.2%)	5.6
Upgrade	6,780	6,766	14	0.2%	
New Assets	12,181	6,430	5,751	47.2%	5.7
Expansion	-	-	-	0.0%	
Total capital works	28,777	26,468	(2,309)	(8.0%)	

	2009 Budget \$'000	2009 Actual \$'000	Variance \$'000
Property, Infrastructure, Plant and Equipment movement reconciliation worksheet			
The movement between the previous year and current year in property, infrastructure, plant and equipment as shown in the Balance Sheet links to the net of the following items:			
Total capital works	33,709	26,468	(7,241)
Asset revaluation movement	-	(106,603)	(106,603)
Depreciation and amortisation	(13,200)	(15,852)	(2,652)
Written down value of assets disposed	-	(2,470)	(2,470)
Work in progress amounts transferred to operating	-	(1,015)	(1,015)
Joint venture assets consolidated	-	643	643
Capital expenditure	3,068	-	(3,068)
Contributed Assets	-	1,960	1,960
Net movement in property, infrastructure, plant and equipment	23,577	(96,869)	(120,446)

The accompanying notes form part of this standard statement

Notes to the Standard Statements for the year ended 30 June 2009

Note 1 Basis of preparation of Standard Statements

The City of Port Phillip is required to prepare and include audited Standard Statements within its Annual Report.

These statements and supporting notes form a special purpose financial report prepared to meet the requirements of the *Local Government Act* 1989 and the Local Government (Finance and Reporting) Regulations 2004.

The Standard Statements have been prepared on accounting bases consistent with those used for the General Purpose Financial Report and the 2008/2009 Budget. The results reported in these Statements are consistent with those reported in the General Purpose Financial Report.

The Standard Statements are not a substitute for the General Purpose Financial Report, which is included in the Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare the Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government Act* 1989 requires explanation of any material variances. The Council has adopted a materiality threshold of 10 per cent or variances greater than \$2 million, whichever is the lower. Explanations have not been provided for variations below a materiality threshold of \$200K unless the variance is considered to be material because of its nature.

The budget figures included in the Standard Statements are those adopted by the Council on 23 June 2008. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet the Council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Report. The detailed budget can be obtained by contacting Council or through the Council's web site. The Standard Statements must be read in conjunction with these documents.

Explanation of material variances

Standard Income Statement
for the year ending 30 June 2009

Note 2 - Variance Explanation Report

Ref.	Item	Explanation
2.1	Rates and garbage charges	Favourable variance of \$1.263M primarily due to the impact of unbudgeted supplementary rates raised of \$1.265M throughout the 2008/09 financial year.
2.2	Operating grants	Favourable variance of \$2.034M due to the following: - \$742K due to the early receipt of the first quarterly instalment of the 2009/10 grants commission allocation in 2008/09 and the grants commission allocation exceeding expectations for 2008/09 - \$307K as a result of the indexation of various community services grants - \$237K due to additional libraries and festivals grants - \$224K due to additional grants for Social Inclusion, Metro Access and Linking Neighbours programs
2.3	Capital grants	Favourable variance of \$1.238M due to the receipt of unbudgeted grants including: - Cleve Plaza / Jacka Crossing \$574K - Clarendon street pedestrian safety \$227K - Garden City reserve playspace works \$182K
2.4	Contributions	Favourable variance of \$4.918M being: - the transfer of the land and buildings of Lady Forster Kindergarten from the state government \$1.960M - developer contributions \$2.271M favourable due to the number of large property developments in the municipality being completed in the early part of 2008/09 - unbudgeted capital works contributions for Cleve Plaza / Jacka Crossing (\$430K) and Murphy Reserve (\$218K)
2.5	Interest	Favourable variance of \$450K as delays in completing some large capital work projects allow these funds to be available for investments.
2.6	User charges and other fines	Unfavourable variance of \$1.259M due to reduced utilisation of child care centres, reduced levels of home based care and lower than anticipated footpath trading income.
2.7	Statutory fees and fines	Unfavourable variance of \$439K due to lower than anticipated kerbside permits income due to a reduction in renewed permits.
2.8	Other revenue	Favourable variance of \$1.429M due to - the receipt of unbudgeted developer contributions for the Red Bears development (\$338K) - unbudgeted contribution from DPCD for the Playspace upgrade capital project (\$80K) - higher than anticipated revenue received for the sale of valuation data to the State Revenue Office (\$158K) - favourable consolidation adjustment for the Streetsahead joint venture project that was not accounted for in the 2008/09 budget (\$159K).
2.9	Employee benefits	Unfavourable variance of \$2.785M primarily due to the consolidation adjustment of \$2.354M for the Streetsahead joint venture project not accounted for in the 2008/09 budget.
2.10	Materials and consumables	Unfavourable variance of \$3.610M due to the reallocation of work in progress and capital works expenditure recognised as operating expenditure
2.11	External contracts	Favourable variance of \$4.638M due to the consolidation adjustment of \$3.291M for the Streetsahead joint venture and lower than anticipated building maintenance expenditure.
2.12	Bad and doubtful debts	Unfavourable variance of \$522K due to - higher than anticipated PERIN parking debtor provision for doubtful debts (\$474K) - review of sundry debtors provision for doubtful debts at year end increasing the provision compared to budget (\$100K).
2.13	Professional services	Unfavourable variance of \$1.198M primarily due to increased legal fees in relation to the St Kilda Triangle site and additional consultancy fees for the South Melbourne Market.
2.14	Depreciation	Unfavourable variance of \$2.652M due to the following: - Full years depreciation of new furniture and fittings relating to the St Kilda Town Hall redevelopment (\$674,000) - Increased depreciation in building assets (\$820,000) as a result of additions over the past two years of \$35.628 million requiring depreciation to be charged over 12 months, - New assets such as the Palais Theatre being depreciated during the financial year.
2.15	Loss on disposal of assets	Unfavourable variance of \$2.470M due to the disposal of the following assets: - \$549K related to the disposal of land identified as owned by the Department of Education and subsequently removed from Council's asset register - \$1.406M related to the disposal of infrastructure assets replaced and/or upgraded as a result of the capital works program. - \$115K related to the disposal of plant and equipment no longer in use by Council
2.16	Other expenses	Unfavourable variance of \$1.466 million due to Council recognising an impairment charge of \$1.747M on one of the investments it holds (a floating rate note of \$3M with Deutsche Bank which has a maturity date of 23/11/2012). This is an unrealised loss and current expectations are that this loss will be written back in subsequent years as the global financial crisis recedes.

Explanation of material variances continued

Standard Balance Sheet
as at 30 June 2009

Note 3 - Variance Explanation Report

Ref. Item	Explanation
3.1 Cash assets Financial assets Current and non-current	<p>Council's budget for investments is grouped together as cash assets. The overall favourable variance of \$15.748M is due to \$6.869M relating to the delay in expending the capital works program that is planned for completion during 2009/10 and a favourable variance of \$10.062M in Council's cash backed other reserves compared to budget (see note 3.10 below for further details).</p> <p>The \$6.263M favourable variance in non-current financial assets relates to Council investing in two longer term bank bills greater than 12 months which was included in the cash asset balance in the 2008-09 budget.</p>
3.2 Other assets	The favourable variance of \$278K is due to an increase in the prepayment of insurance for the 2009/2010 financial year.
3.3 Assets held for sale	Council is holding a property of 2 Princes Street for sale which was expected to be settled during this financial year and was not accounted for when the 2008-09 budget was adopted in June 2008.
3.4 Property, infrastructure, plant and equipment	<p>The favourable variance of \$119.715M is due to the following adjustments not accounted for when the budget was adopted in June 2008:</p> <ul style="list-style-type: none"> - \$158.6M being the net impact of land revaluations taken up in the last two financial years since the budget was adopted - \$3M being land improvements revaluation increment at 30 June 2009 - (\$42M) of land and building housing assets transferred from Council to the Port Phillip Housing Trust - \$2M contributed land and building assets relating to the planned redevelopment of Lady Forster Kindergarten
3.5 Payables	The variance of \$3.762M is due to increased accounts payable commitments at year end compared to the estimate projected in the 2008/09 budget.
3.6 Trust funds	The variance of \$1.185M is largely due to Asset Protection Deposits which were not accounted for when the 2008/09 budget was adopted in June 2008.
3.7 Provisions - Current and non-current	The overall increase of \$1.001M is attributed to staff accumulating leave balances and increases in pay rates which was not accounted for when the 2008/09 budget was adopted. The increase in the non current provision reflects turnover of staff during the financial year, which has reduced the probability of employees being entitled to long service leave.
3.8 Interest bearing liabilities - Current and non current	The overall increase of \$1.001M reflects the inclusion of Council's Streetsahead joint venture finance lease liability which was not accounted for when the 2008/09 budget was adopted in June 2008.
3.9 Asset revaluation reserves	The variance of \$158.577M is largely due to significant land revaluations being undertaken in the 2007/08 and 2008/09 financial years which were not accounted for when the 2008/09 budget was adopted in June 2008.
3.10 Other reserves	<p>The favourable increase of \$10.062M is due to:</p> <ul style="list-style-type: none"> - net developer contributions of \$2.213M being received and transferred to reserve - delays in drawing down Council reserves for major projects including Gasworks Park remediation \$1.926M and the St Kilda Family and Children's Centre \$700K - the 2008/2009 budgeted opening reserve balance being understated by \$5.010M against the actual 2007/2008 year end balance.

Explanation of material variances continued

Standard Cash Flow Statement
for the year ending 30 June 2009

Note 4 - Variance Explanation Report

Ref.	Item	Explanation
4.1	Payments to suppliers (inclusive of GST)	The unfavourable variance of \$6.659M is due to the consolidation adjustment of \$3.291M for the Streetsahead joint venture and lower than anticipated building maintenance expenditure.
4.2	Government grants (inclusive of GST)	The favourable variance of \$2.391M is due to the following: - \$742K due to the early receipt of the first quarterly instalment of the 2009/10 grants commission allocation in 2008/09 and the grants commission allocation exceeding expectations for 2008/09 - \$307K as a result of the indexation of various community services grants - \$237K due to additional libraries and festivals grants - \$224K due to additional grants for Social Inclusion, Metro Access and Linking Neighbours programs
4.3	Contributions	The favourable variance of \$2.957M is due to: - developer contributions \$2.271M favourable due to the number of large property developments in the municipality being completed in the early part of 2008/09 - unbudgeted capital works contributions for Cleve Plaza / Jacka Crossing (\$430K) and Murphy Reserve (\$218K)
4.4	Capital grants	Favourable variance of \$1.238M due to the receipt of unbudgeted grants including: - Cleve Plaza / Jacka Crossing \$574K - Clarendon street pedestrian safety \$227K - Garden City reserve playspace works \$182K
4.5	Interest received	The favourable variance of \$445K is due to an increase in funds available for investment as a result of delays in expending Council's capital program.
4.6	Net GST refund	The variance of \$6.232M is attributable to the budget not accounting for receipt of GST refunds from the Australian Tax Office when the 2008/2009 budget was adopted in June 2008.
4.7	Proceeds from sale and payments for financial assets	The net payments of \$1.716M is attributable to the 2008/2009 budget not reflecting investment transactions and balances, but reflecting the overall increase from Council's budgeted cash position as a whole.
4.8	Payments for property, infrastructure, plant and equipment	The variance of \$10.241M is attributable to: - budgeted capital works projects to the value of \$6.869M to be completed in 2009/2010 - delays in the scheduling of Gasworks remediation works transferred to cash reserves \$2.423M

Explanation of material variances continued

Standard Statement of Capital Works
For the year ending 30 June 2009

Note 5 - Variance Explanation Report

Ref. Item	Explanation
5.1 Buildings	A net overexpenditure of \$937k is due to: <ul style="list-style-type: none"> - the completion of \$2.179M of projects carried over from the 2007/2008 financial year - an underexpenditure of \$1.242M due to delays in expending the 2008/2009 budget for St Kilda Family and Childrens' Centre, Liardet Street Family and Childrens' Centre and Urban Studies Centre
5.2 Land improvements	A net underexpenditure of \$1.851M is due to: <ul style="list-style-type: none"> - delays in expending \$1.629M of the 2008/2009 capital budget for Sandridge Beach Promenade, Cleve Plaza and St Kilda Skate Park - \$2.423M of soil remediation works at Gasworks Park not expended - completion of \$1.899M of projects carried over from the 2007/2008 financial year
5.3 Plant and equipment	The 2008/2009 budget figures do not account for the split between plant and equipment; furniture and fittings and heritage assets. Overall underexpenditure of \$1.348M due to items purchased not meeting Council's capitalisation threshold and transferred to operating expenditure, coupled with minor delays in expending the information technology capital budget.
5.4 Furniture and fittings	The 2008/2009 budget figures do not account for the split between plant and equipment; furniture and fittings and heritage assets. Overall underexpenditure of \$1.348M due to items purchased not meeting Council's capitalisation threshold and transferred to operating expenditure coupled with minor delays in expending the information technology capital budget.
5.5 Heritage assets and works of art	The 2008/2009 budget figures do not account for the split between plant and equipment; furniture and fittings and heritage assets. Overall underexpenditure of \$1.348M due to items purchased not meeting Council's capitalisation threshold and transferred to operating expenditure coupled with minor delays in expending the information technology capital budget.
5.6 Renewal	Overexpenditure of \$3.456M due to the completion of capital projects carried over from 2007/2008 financial year.
5.7 New Assets	Underexpenditure of \$5.751M relates to: <ul style="list-style-type: none"> - underexpenditure of \$1.348M in plant and equipment; furniture and fittings and heritage assets outlined above. - underexpenditure of \$1.242M in building assets outlined above. - underexpenditure of \$1.174M in land improvements relating to delays in completing Cleve Plaza and St Kilda Skate Park capital projects. - minor costs such as landscaping, demolition works etc for projects completed during 2008/2009 transferred to operating expenses

Certification of the Standard Statements

In my opinion, the accompanying standard statements have been prepared on accounting bases consistent with the annual general purpose financial report and in accordance with the *Local Government Act 1989* and the Local Government (Finance and Reporting) Regulations 2004.

**DAVID FILMALTER MBL CA
PRINCIPAL ACCOUNTING OFFICER**

Date: / /2009
St Kilda

In our opinion, the accompanying standard statements have been prepared on accounting bases consistent with the annual general purpose financial report and in accordance with the *Local Government Act 1989* and the Local Government (Finance and Reporting) Regulations 2004.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the report to be misleading or inaccurate.

We were authorised by the Council on 31 August 2009 to certify the standard statements in their final form on behalf of the Council.

**FRANK O'CONNOR
MAYOR & COUNCILLOR**

Date: / /2009
St Kilda

**JUDITH KLEPNER
DEPUTY MAYOR & COUNCILLOR**

Date: / /2009
St Kilda

**KAY RUNDLE
CHIEF EXECUTIVE OFFICER**

Date: / /2009
St Kilda