

## 4.2: FINANCIAL ACTIVITY STATEMENT – 30 APRIL 2011 (VERSION 2)

**Responsible Officer** : Acting Executive Director Corporate Services (P Wignall)

### IN BRIEF

- Statement of Financial Activity reporting on the revenue and expenditure of the City of Albany for the reporting period ending 30 April 2011

### ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

**The Financial Activity Statement for the period ending 30 April 2011 be RECEIVED.**

### BACKGROUND

1. The Statement of Financial Activity for the period ending 30 April 2011 has been prepared and is attached.
2. In addition to the statutory requirement to provide Council with a Statement of Financial Performance, the City provides Council with a monthly investment summary to ensure the performance of the investment portfolio is in accordance with anticipated returns and complies with the Investment of Surplus Funds Policy.

### DISCUSSION

3. In accordance with section 34(1) of the Local Government (Financial Management) Regulations 1996, the City of Albany is required to prepare each month a Statement of Financial Activity reporting on the revenue and expenditure of the local authority.
4. The requirement for local governments to produce a Statement of Financial Activity was gazetted in March 2005 to provide elected members with a greater insight in relation to the ongoing financial performance of the local government.
5. Additionally, each year a local government is to adopt a percentage or value to be used in Statements of Financial Activity for reporting material variances. Variations in excess of \$100,000 are reported to Council.

*“Please note that rounding errors may occur when whole numbers are used, as they are in the reports that follow. The ‘errors’ may be \$1 or \$2 when adding sets of numbers. This does not mean that the underlying figures are incorrect.”*

**CEO:**

**RESPONSIBLE OFFICER:**

## 6. STATEMENT OF FINANCIAL ACTIVITY – AS AT 30 APRIL 2011

	Actual Year to Date 30-Apr-11	Current Budget Year to Date 30-Apr-11	Current Budget vs Actual Variance	
<b>REVENUE</b>				*
Operating Grants, Subsidies and Cont	2,272,711	2,346,861	-74,150	X
Fees and Charges	6,163,266	6,199,550	-36,284	X
Service Charges	3,737,951	3,720,818	17,133	√
Interest Earnings	671,079	614,683	56,396	√
Other Revenue	789,343	525,056	264,287	√
	<b>13,634,350</b>	<b>13,406,968</b>	<b>227,382</b>	
<b>EXPENDITURE</b>				
Employee Costs	12,136,191	12,683,661	-547,470	√
Materials and Contracts	8,396,886	10,331,894	-1,935,008	√
Utility Charges	1,119,772	1,181,099	-61,327	√
Interest Expenses	536,473	562,649	-26,176	X
Insurance Expenses	543,200	523,074	20,126	X
Other Expenditure	817,325	-134,063	951,388	X
Depreciation	9,349,720	10,276,590	-926,870	√
	<b>32,899,567</b>	<b>35,424,904</b>	<b>-2,525,337</b>	
<b>Adjustment for Non-cash Revenue and Expenditure:</b>				
Depreciation	-9,349,720	-10,276,590	926,870	
<b>CAPITAL REVENUE</b>				
Non-Operating Grants, Subsidies and Cont	8,005,431	7,980,858	24,573	X
Proceeds from asset disposals	606,706	534,306	72,400	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	14,282	14,282	0	
Transfers from Reserves (Restricted Assets)	5,616,072	5,780,786	-164,714	√
	<b>14,242,491</b>	<b>14,310,232</b>	<b>-67,741</b>	
<b>CAPITAL EXPENDITURE</b>				
Capital Expenditure	13,175,233	17,538,504	-4,363,271	√
Repayment of Loans	586,626	607,755	-21,129	√
Transfers to Reserves (Restricted Assets)	3,750,733	3,537,452	213,281	√
	<b>17,512,592</b>	<b>21,683,711</b>	<b>-4,171,119</b>	
Estimated Surplus B/fwd				
ADD Net Current Assets July 1 B/fwd	<b>1,578,986</b>	<b>1,578,986</b>	<b>n/a</b>	
LESS Net Current Assets Year to Date	<b>12,483,236</b>	<b>6,604,408</b>	<b>n/a</b>	
Amount Raised from Rates	<b>-24,089,849</b>	<b>-24,140,248</b>	<b>50,399</b>	

\* √ Is higher than expected revenue or lower than expected expenditure \* X is lower than expected revenue and higher than expected Expenditure

## 7. CITY OF ALBANY – NET CURRENT ASSETS – AS AT 30 APRIL 2011

	Actual 30-Apr-11	Actual 30-Jun-10
<b>NET CURRENT ASSETS</b>		
Composition of Net Current Asset Position		
<b>CURRENT ASSETS</b>		
Cash - Unrestricted	7,961,691	2,445,735
Cash - Restricted	6,079,877	8,268,976
Receivables	4,018,171	3,428,043
Inventories	4,357,547	4,607,191
<b>Total Current Assets</b>	<b>22,417,286</b>	<b>18,749,944</b>
<b>LESS: CURRENT LIABILITIES</b>		
Payables and Provisions	3,854,174	8,901,982
	<b>18,563,112</b>	<b>9,847,962</b>
Less: Cash - Restricted - Trust	(1,164,927)	(1,488,688)
Less: Cash - Restricted - Reserves	(4,914,950)	(6,780,288)
<b>NET CURRENT ASSET POSITION</b>	<b>12,483,235</b>	<b>1,578,986</b>
<b>NET CURRENT ASSETS PER BALANCE SHEET</b>	15,489,567	5,898,549
<b>Difference</b>	<b>3,006,332</b>	<b>4,319,563</b>
<b>Difference Represented by:</b>		
Restricted Cash (Trust)	1,164,927	1,488,688
Reserve Funds - Financial Assets	1,054,480	1,054,480
Reserve Funds - Other	3,860,470	5,725,809
Self Supporting Loans (part of Receivables and Other)	(14,282)	
	<b>6,065,595</b>	<b>8,268,976</b>
<b>Less:</b>		
Borrowings	1,945,480	2,532,106
Trust Liabilities	1,113,786	1,417,307
<b>Difference</b>	<b>3,006,329</b>	<b>4,319,563</b>

## 8. CITY OF ALBANY - BALANCE SHEET – AS AT 30 APRIL 2011

	Actual 30-Apr-11	Budget 30-Jun-11	Actual 30-Jun-10	Actual 30-Jun-09
<b>CURRENT ASSETS</b>				
Cash - Municipal	7,961,691	1,800,755	2,445,735	477,330
Restricted cash (Trust)	1,164,927	1,483,498	1,488,688	1,987,438
Reserve Funds - Financial Assets	1,054,480	800,755	1,054,480	1,170,755
Reserve Funds - Other	3,860,470	7,197,963	5,725,809	7,360,046
Receivables & Other	4,003,890	1,600,000	3,428,043	2,912,825
Investment Land	3,523,483	0	3,523,483	0
Stock on hand	834,065	800,000	1,083,708	1,033,538
	<b>22,403,006</b>	<b>13,682,971</b>	<b>18,749,944</b>	<b>14,941,932</b>
<b>CURRENT LIABILITIES</b>				
Borrowings	1,945,480	5,638,175	2,532,106	5,887,897
Creditors prov - Annual leave & LSL	2,410,088	2,286,053	2,245,816	2,023,128
Trust Liabilities	1,113,786	1,546,383	1,417,307	1,930,516
Creditors prov & accruals	1,444,085	3,101,240	6,656,166	4,190,792
	<b>6,913,439</b>	<b>12,571,851</b>	<b>12,851,395</b>	<b>14,032,333</b>
<b>NET CURRENT ASSETS</b>	<b>15,489,567</b>	<b>1,111,120</b>	<b>5,898,549</b>	<b>909,599</b>
<b>NON CURRENT ASSETS</b>				
Receivables	77,272	150,000	77,272	106,322
Pensioners Deferred Rates	320,922	280,000	320,922	292,616
Investment Land	2,220,758	2,150,000	2,220,758	2,150,000
Property, Plant & Equip	78,059,076	72,666,174	68,034,400	67,901,036
Infrastructure Assets	182,271,959	196,047,672	188,881,619	186,048,239
Local Govt House Shares	19,501	19,501	19,501	19,501
	<b>262,969,488</b>	<b>271,313,347</b>	<b>259,554,473</b>	<b>256,517,714</b>
<b>NON CURRENT LIABILITIES</b>				
Borrowings	18,264,569	12,626,394	18,264,569	15,996,675
Creditors & Provisions	364,846	260,000	364,845	259,838
	<b>18,629,415</b>	<b>12,886,394</b>	<b>18,629,414</b>	<b>16,256,513</b>
<b>NET ASSETS</b>	<b>259,829,640</b>	<b>259,538,073</b>	<b>246,823,608</b>	<b>241,170,800</b>
<b>EQUITY</b>				
Accumulated Surplus	236,137,525	232,764,720	221,268,686	212,131,561
Reserves	4,917,481	7,998,719	6,780,289	10,264,605
Asset revaluation Reserve	18,774,634	18,774,634	18,774,634	18,774,634
	<b>259,829,640</b>	<b>259,538,073</b>	<b>246,823,608</b>	<b>241,170,800</b>

**9. INCOME STATEMENT FOR PERIOD ENDED – AS AT 30 APRIL 2011**

Nature / Type	YTD Actual 2010/11	Budget-Total 2010/11	Actual 2009/10
<b>INCOME</b>			
Rates	24,089,849	25,574,053	21,575,584
Grants & Subsidies	1,938,554	3,196,680	3,424,202
Contributions. Reimb & Donations	334,157	349,738	395,475
Fees & Charges	6,163,266	7,280,601	7,091,836
Service Charges	3,737,951	3,735,000	3,011,136
Interest Earned	671,079	680,000	904,653
Other Revenue / Income	789,343	520,615	399,264
	<b>37,724,199</b>	<b>41,336,687</b>	<b>36,802,149</b>
<b>EXPENDITURE</b>			
Employee Costs	12,136,191	15,240,526	14,308,136
Utilities	1,119,772	1,362,613	1,335,373
Interest Expenses	536,473	1,101,799	1,180,372
Depreciation on non current assets	9,349,720	12,334,000	11,226,465
Contracts & materials	8,396,886	13,274,398	10,516,730
Insurance expenses	543,200	511,098	476,810
Other Expenses	837,565	(273,177)	1,251,142
	<b>32,919,807</b>	<b>43,551,257</b>	<b>40,295,028</b>
<b>Change in net assets from operations</b>	<b>4,804,392</b>	<b>(2,214,570)</b>	<b>(3,492,878)</b>
Grants and Subsidies - non-operating	7,521,051	9,156,877	5,876,907
Contributions Reimbursements and Donations - non-operating	484,380	2,689,416	3,408,787
Profit/Loss on Asset Disposals	196,209	1,541,004	(23,732)
Fair value - Investments adjustment	0	0	(116,275)
Cash Backing of Reserves	0	0	1,651,060
	<b>13,006,032</b>	<b>11,172,727</b>	<b>7,303,869</b>

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## 11. PORTFOLIO VALUATION – MARKET VALUE – AS AT 30 APRIL 2011

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Feb-11	Market Value Mar-11	Market Value Apr-11	Latest Monthly Variation
<b>MUNICIPAL ACCOUNT</b>							
ANZ	2/12/2010	1,500,000	5.85%				
Bankwest	23/12/2010	1,500,000	5.55%				
ANZ	24/12/2010	1,500,000	5.50%				
Bankwest	17/01/2011	1,000,000	5.85%				
Bankwest	27/01/2011	1,000,000	6.00%				
ANZ	28/01/2011	1,000,000	6.00%				
Bendigo	28/03/2011	1,000,000	6.05%	1,000,000			
NAB	4/03/2011	1,500,000	6.07%	1,500,000			
NAB	16/03/2011	1,000,000	6.07%	1,000,000			
CBA	16/02/2011	1,000,000	5.61%				
CBA	18/03/2011	1,000,000	5.70%	1,000,000			
CBA	28/03/2011	1,000,000	5.82%	1,000,000			
CBA	29/03/2011	1,000,000	5.82%	1,000,000			
Bankwest	7/04/2011	1,500,000	6.00%	1,500,000	1,500,000		
Bendigo	7/04/2011	1,000,000	6.00%	1,000,000	1,000,000		
ANZ	20/04/2011	1,000,000	6.20%	1,000,000	1,000,000		
NAB	11/05/2011	1,000,000	6.21%	1,000,000	1,000,000	1,000,000	
CBA	18/04/2011	1,000,000	5.71%		1,000,000		
CBA	26/04/2011	1,000,000	5.70%		1,000,000		
NAB	20/08/2011	1,000,000	6.07%		1,500,000	1,500,000	
Bankwest	7/05/2011	1,500,000	5.50%			1,500,000	

Security		Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Feb-11	Market Value Mar-11	Market Value Apr-11	Latest Monthly Variation
	CBA	18/05/2011	1,000,000	5.68%			1,000,000	
	CBA	27/05/2011	1,000,000	5.70%			1,000,000	
<b>RESERVES ACCOUNT</b>					<b>11,000,000</b>	<b>8,000,000</b>	<b>6,000,000</b>	n/a
Bankwest		24/06/2010	1,500,000	5.25%				
Bendigo		23/11/2010	1,500,000	5.85%				
Bendigo		16/12/2010	1,000,000	5.70%				
ANZ		12/05/2011	500,000	6.20%	500,000	500,000	500,000	
Bendigo		24/05/2011	1,500,000	6.30%	1,500,000	1,500,000	1,500,000	
ANZ		16/03/2011	1,000,000	6.10%	1,000,000	1,000,000	1,000,000	
<b>COMMERCIAL SECURITIES - CDOs (New York Mellon)<sup>1</sup></b>					<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	n/a
Saphire (Endeavour) AAA		4/08/2011	413,160	9.10%	4	4	4	0
Zircon (Merimbula AA)		20/06/2013	502,450	8.87%	155,750	155,750	155,750	0
Zircon (Coolangatta AA) <sup>2</sup>		20/09/2014	1,002,060	9.12%	307,100	307,100	10	-307,090
Beryl (AAAGlogal Bank Note)		20/09/2014	200,376	8.42%	159,380	159,380	159,380	0
			<b>2,118,046</b>		<b>622,234</b>	<b>622,234</b>	<b>315,144</b>	<b>0</b>

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Feb-11	Market Value Mar-11	Market Value Apr-11	Latest Monthly Variation
<b>COMMERCIAL SECURITIES - CDOs - Other</b>							
Magnolia (Flinders AA)	20/03/2012	171,994	9.32%	144,500	144,500	144,500	0
Start (Blue Gum AA-)	22/06/2013	276,708	8.77%	0	0	0	0
Corsair (Kakadu AA)	20/03/2014	273,710	8.37%	68,750	68,750	68,750	0
Helium (C=Scarborough AA)	23/06/2014	602,244	8.77%	123,000	123,000	123,000	0
		<b>1,324,656</b>		<b>336,250</b>	<b>336,250</b>	<b>336,250</b>	<b>0</b>
<b>PORTFOLIO TOTAL</b>		<b>3,442,702</b>		<b>14,958,484</b>	<b>11,958,484</b>	<b>9,651,394</b>	<b>0</b>

## Notes:

1. These CDO's have been the subject of a Court Ruling in the United States Bankruptcy Court (as advised in a memorandum from the Executive Director Corporate and Community Services). The ruling has the potential to significantly impact the valuations for these CDOs. However, until the US Court and the English Court have worked together to reconcile their opposing rulings, it is unlikely that the City will receive any revised valuations.
2. The City has been advised that there has been a change in the pricing process for securities in early termination. These securities no longer have a price source and therefore cannot be used using last known prices or bids. The City has asked for further explanation of the change in pricing process.



**12. FINANCIAL RATIOS - AS AT 30 APRIL 2011**

<b>CITY OF ALBANY FINANCIAL RATIOS</b>	<b>30-Jun-09</b>	<b>30-Jun-10</b>	<b>30-Apr-11</b>	<b>Benchmark</b>
<b>Liquidity Ratios</b>				
Current Ratio <sup>1</sup>	73.7%	117.2%	423.2%	>100%
Untied Cash to trade creditors Ratio <sup>2</sup>	19.7%	51.2%	1560.8%	>100%
<b>Financial Position Ratio</b>				
Debt Ratio <sup>3</sup>	11.2%	11.3%	9.0%	<100%
<b>Debt Ratios</b>				
Debt Service Ratio <sup>4</sup>	11.1%	6.2%	5.7%	<10%
Gross Debt to Revenue Ratio <sup>5</sup>	63.2%	56.9%	53.7%	<60%
Gross Debt to Economically Realisable Assets <sup>6</sup>	26.2%	23.7%	19.8%	<30%
<b>Coverage Ratio</b>				
Rate Coverage Ratio <sup>7</sup>	58.5%	110.4%	68.2%	>33%
<b>Effectiveness Ratio</b>				
Outstanding Rates Ratio <sup>8</sup>	3.7%	3.1%	4.9%	<5%

1. This ratio focuses on the liquidity position of a local government.
2. This ratio provides an indication of whether a local government has sufficient unrestricted cash to pay its trade creditors.
3. The ratio is a measure of total liabilities to total assets or alternatively the number of times total liabilities are covered by the total assets of a local government. The lower the ratio of total liabilities to total assets, the stronger is the financial position of the local government.
4. This ratio measures a local government's ability to service debt (principal and interest) out of its available operating revenue.
5. This ratio measures a local government's ability to service debt in any given year out of total revenue.
6. This ratio provides a measure of whether a local government has sufficient realisable assets to cover its total borrowings.
7. The Coverage Ratio measures the local governments dependence on rate revenue to fund its operations. The higher the ratio, the less dependent a local government is on grants and external sources to fund its operations.
8. The Effectiveness Ratio measures the effectiveness of a local governments with the collection of its rates. It would be expected to be above 5% at this time of the year but reduce to below the benchmark at 30 June.

**STATUTORY IMPLICATIONS**

12. Section 34 of the Local Government (Financial Management) Regulations 1996 provides:
- I. *A local government is to prepare each month a statement of financial activity reporting on the source and application of funds, as set out in the annual budget under regulation 22 (1)(d), for that month in the following detail –*
    - a) *annual budget estimates, taking into account any expenditure incurred for an additional purpose under section 6.8(1)(b) or (c);*
    - b) *budget estimates to the end of the month to which the statement relates;*
    - c) *actual amounts of expenditure, revenue and income to the end of the month to which the statement relate*
    - d) *material variances between the comparable amounts referred to in paragraphs (b) and (c); and*
    - e) *the net current assets at the end of the month to which the statement relates.*
  - II. *Each statement of financial activity is to be accompanied by documents containing –*
    - a) *an explanation of the composition of the net current assets of the month to which the statement relates, less committed assets and restricted assets;*
    - b) *an explanation of each of the material variances referred to in sub regulation (1)(d); and*
    - c) *such other supporting information as is considered relevant by the local government.*
  - III. *The information in a statement of financial activity may be shown –*
    - a) *according to nature and type classification;*
    - b) *by program; or*
    - c) *by business unit*
  - IV. *A statement of financial activity, and the accompanying documents referred to in sub regulation (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; and*
    - b) *recorded in the minutes of the meeting at which it is presented.*

**FINANCIAL IMPLICATIONS** Expenditure for the period ending 28 February 2011 has been incurred in accordance with the 2010/11 current budget parameters. Details of any budget variation in excess of \$100,000 (year to date) follow. There are no other known events which may result in a material non recoverable financial loss or financial loss arising from an uninsured event.

### 13. VARIANCES TO BUDGET IN EXCESS OF \$100,000 - AS AT 30 APRIL 2011

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD % Variance	Variance Ticks	
<b>Grand Total</b>	<b>3,140,773</b>	<b>2,359,545</b>	<b>3,159,537</b>	<b>(130,398)</b>	<b>3,549,198</b>	<b>112%</b>		
106640. INFORMATION TECHNOLOGY	537,833	532,333	442,564	166,841	275,723	62%	✓	Generator purchase delayed due to QLD floods. Software audit, and subsequent purchase, still being undertaken. Purchase of some hardware to go to tender, unlikely to be completed in this year. Server upgrade to go ahead this year.
<b>Total DIRECTOR CORPORATE &amp; COMMUNITY</b>	<b>537,833</b>	<b>532,333</b>	<b>442,564</b>	<b>166,841</b>	<b>275,723</b>	<b>62%</b>	✓	
<b>DIRECTOR WORKS &amp; SERVICES</b>								
ROAD FUNDING	(876,167)	(2,995,670)	(2,482,167)	(2,352,534)	129,633	-1%	×	Balance of funding received once jobs completed. Related jobs expected to be finished before end of financial year.
MAJOR PLANT PURCHASE	1,790,000	1,790,000	1,790,000	1,437,348	352,652	20%	✓	New roller on ordered, invoice received in May. This accounts for \$186 000 of the variance. Annual costs are expected to be in line with budget.
PLANT-ALLOCATE TO W/SERV.	(3,135,832)	(3,135,832)	(2,612,766)	(2,347,393)	(265,374)	-10%	×	Any under-recoveries in relation to Plant Charge-out are addressed in June. Additional charge-outs may be required to align with costs to be recovered. Plant

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD % Variance	Variance Ticks	
								cost recoveries for the year to date are lower than budgeted due to some Council plant being unavailable for use due to machine breakdowns.
WO-LESS ALLOC.W/SERVICES	(2,735,417)	(2,735,417)	(2,279,146)	(2,039,233)	(239,913)	-11%	×	Any under-recoveries in relation to Works Labour Charge-out are addressed in June. Additional charge-outs may be required to align with costs to be recovered.
ASSET UPGRADE-REGIONAL RD	1,936,497	2,195,502	1,984,575	1,562,986	421,589	21%	✓	Year to date expenditure is below budget. This is a timing difference, and annual costs are expected to be in line with budget. A number of large jobs are under way, with some invoices received, but the bulk of the job to be finished .
ASSET PRESERVATION	3,344,638	5,222,774	4,899,082	2,874,545	2,024,534	41%	✓	Year to date expenditure is below budget. This is a timing difference, and annual costs are expected to be in line with budget. A number of large jobs are under way, with some invoices received, but the bulk of the job to be finished .
DRAINAGE CONSTRUCTION	1,834,247	822,795	760,205	373,197	387,008	51%	✓	Delays on a particular project, by Western Power. Centennial Park Project is over 2 years, and some expenditure expected this year, however most will be carried into the next financial year.
WASTE/TIPS PROJECTS	444,974	663,060	657,190	193,844	463,346	71%	✓	Leachgate Management Project delayed awaiting DEC approval, and carried over to next year; South Stirling delayed awaiting SWALSC approval
<b>Total DIRECTOR WORKS &amp; SERVICES</b>	<b>2,602,940</b>	<b>1,827,212</b>	<b>2,716,973</b>	<b>(297,239)</b>	<b>3,273,475</b>	111%	✓	

**POLICY IMPLICATIONS**

- 14. The City's 2010/11 Annual Budget provides a set of parameters that guides the City's financial practices.
- 15. The Investment of Surplus Funds Policy stipulates that the status and performance of the investment portfolio is to be reported monthly to Council.

<b>File Number (Name of Ward)</b>	FM.FIR.2 - All Wards
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