

4.2: FINANCIAL ACTIVITY STATEMENT – 31 JULY 2011

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 31 July 2011.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

The Financial Activity Statement for the period ending 31 July 2011 be RECEIVED.

BACKGROUND

1. The Statement of Financial Activity for the period ending 31 July 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 31 JULY 2011

	Actual Year to Date 31-Jul-11	Current Budget Year to Date 31-Jul-11	Current Budget vs Actual Variance	
REVENUE				
Operating Grants, Subsidies and Cont	38,826	44,358	-5,532	x
Fees and Charges	708,479	948,200	-239,721	x
Interest Earnings	11,784	49,730	-37,946	x
Other Revenue	22,126	55,397	-33,271	✓
	781,215	1,097,685	-316,470	
EXPENDITURE				
Employee Costs	1,266,118	1,184,068	82,050	✓
Materials and Contracts	682,681	1,369,408	-686,727	✓
Utility Charges	75,788	106,837	-31,049	✓
Interest Expenses	12,799	0	12,799	✓
Insurance Expenses	160,134	297,962	-137,828	✓
Other Expenditure	67,694	17,718	49,976	x
Depreciation	938,282	984,424	-46,142	
	3,203,497	3,960,417	-756,920	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-938,282	-984,424	46,142	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	1,157,787	577,374	580,413	✓
Proceeds from asset disposals	60,836	310,626	-249,790	x
Proceeds from New Loans	0	316,540	-316,540	
Self-Supporting Loan Principal Revenue	0	0	0	
Transfers from Reserves (Restricted Assets)	0	198,260	-198,260	
	1,218,623	1,402,800	-184,177	
CAPITAL EXPENDITURE				
Capital Expenditure	181,265	761,883	-580,618	✓
Repayment of Loans	15,144	0	15,144	
Transfers to Reserves (Restricted Assets)	0	180,601	-180,601	
	196,409	942,484	-746,075	
Estimated Surplus B/fwd				
ADD Net Current Assets July 1 B/fwd	7,084,336	7,084,336	n/a	
LESS Net Current Assets Year to Date	6,619,901	5,511,172	n/a	
Amount Raised from Rates	14	-14,577	14,591	

* ✓ 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 31 JULY 2011

	Actual 31-Jul-11	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	3,683,508	6,608,007
Cash - Restricted	6,425,336	6,479,059
Receivables	2,938,800	1,657,213
Inventories	4,355,832	4,361,259
Total Current Assets	17,403,476	19,105,538
LESS: CURRENT LIABILITIES		
Payables and Provisions	4,355,605	5,542,143
	13,047,871	13,563,395
Less: Cash - Restricted - Trust	(1,256,977)	(1,310,700)
Less: Cash - Restricted - Reserves	(5,168,359)	(5,168,359)
NET CURRENT ASSET POSITION	6,622,535	7,084,336
NET CURRENT ASSETS PER BALANCE SHEET	4,719,004	5,165,661
Difference	(1,903,531)	(1,918,675)
Difference Represented by:		
Restricted Cash (Trust)	1,256,977	1,310,700
Reserve Funds - Financial Assets	1,054,480	1,054,480
Reserve Funds - Other	4,113,880	4,113,880
Self Supporting Loans (part of Receivables and Other)	6,425,337	6,479,060
Less:		
Borrowings	7,123,032	7,138,176
Trust Liabilities	1,205,836	1,259,559
Difference	(1,903,531)	(1,918,675)

8. CITY OF ALBANY - BALANCE SHEET – AS AT 31 JULY 2011

	Actual 31-Jul-11	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	3,683,508	6,608,007
Restricted cash (Trust)	1,256,977	1,310,700
Reserve Funds - Financial Assets	1,054,480	1,054,480
Reserve Funds - Other	4,113,880	4,113,880
Receivables & Other	2,938,800	1,657,213
Investment Land	3,523,483	3,523,483
Stock on hand	832,349	837,776
	17,403,476	19,105,538
CURRENT LIABILITIES		
Borrowings	7,123,031	7,138,175
Creditors prov - Annual leave & LSL	2,382,266	2,388,186
Trust Liabilities	1,205,836	1,259,559
Creditors prov & accruals	1,973,339	3,153,957
	12,684,472	13,939,877
NET CURRENT ASSETS	4,719,004	5,165,661
NON CURRENT ASSETS		
Receivables	77,272	77,272
Pensioners Deferred Rates	320,922	320,922
Investment Land	2,220,758	2,220,758
Property, Plant & Equip	81,697,366	81,869,170
Infrastructure Assets	180,289,901	180,952,960
Local Govt House Shares	19,501	19,501
	264,625,721	265,460,583
NON CURRENT LIABILITIES		
Borrowings	12,626,394	12,626,394
Creditors & Provisions	364,845	364,845
	12,991,239	12,991,239
NET ASSETS	256,353,486	257,635,005
EQUITY		
Accumulated Surplus	232,410,492	233,692,011
Reserves	5,168,360	5,168,360
Asset revaluation Reserve	18,774,634	18,774,634
	256,353,486	257,635,005

9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE) – AS AT 31 JULY 2011

Nature / Type	YTD Actual 2011/12	Budget-Total 2011/12 (Proposed)	Actual 2010/11
INCOME			
Rates	(14)	25,619,665	24,114,001
Grants & Subsidies	23,971	2,710,582	3,476,115
Contributions. Reimb & Donations	14,855	349,697	1,189,433
Fees & Charges	708,479	13,327,249	7,539,548
Service Charges	0	0	3,741,095
Interest Earned	11,784	697,000	989,731
Other Revenue / Income	22,126	617,625	857,954
	781,200	43,321,818	41,907,876
EXPENDITURE			
Employee Costs	1,266,118	16,948,783	15,022,953
Utilities	75,788	1,319,732	1,481,161
Interest Expenses	12,799	1,042,761	1,072,260
Depreciation on non current assets	938,282	11,817,938	11,302,261
Contracts & materials	682,681	12,973,799	11,385,496
Insurance expenses	160,134	584,845	543,500
Other Expenses	67,694	223,994	845,589
	3,203,497	44,911,852	41,653,220
Change in net assets from operations	(2,422,297)	(1,590,034)	254,656
Grants and Subsidies - non-operating	1,157,787	6,770,372	9,099,184
Contributions Reimbursements and Donations - non-operating	0	3,148,907	1,101,747
Profit/Loss on Asset Disposals	(17,008)	(905,815)	355,809
Cash Backing of Reserves		718,230	
Fair value - Investments adjustment	0	0	0
	(1,281,518)	8,141,660	10,811,396

10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 31 JULY 2011

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value May - 11	Market Value Jun - 11	Market Value Jun – 11	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	27/07/2011	1,000,000	5.79%	1,000,000	1,000,000		
Bankwest	8/07/2011	1,500,000	5.45%	1,500,000	1,500,000		
NAB	11/05/2011	1,000,000	6.21%	1,000,000			
NAB	20/08/2011	1,544,652	4.00%	1,544,652	1,544,652	1,544,642	
				5,044,652	4,044,652	1,544,642	n/a
RESERVES ACCOUNT							
No funds currently invested				0	0	0	
				0	0	0	n/a
COMMERCIAL SECURITIES - CDOs (New York Mellon)**							
Saphir (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)	20/09/2014	1,002,060	9.12%	307,100	10	10	0
Beryl (AAAGlobal Bank Note)	20/09/2014	200,376	8.42%	159,380	159,380	159,380	0
		2,118,046		622,234	315,144	315,144	0

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value May - 11	Market Value Jun - 11	Market Value Jun – 11	Latest Monthly Variation
COMMERCIAL SECURITIES - CDOs - Other							
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	113,760	-9,240
		1,324,656		336,250	336,250	327,010	(9,240)
PORTFOLIO TOTAL				6,003,136	4,696,046	2,186,796	-9,240

Notes

** 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.

11. FINANCIAL RATIOS - AS AT 31 JULY 2011

	30 Jun 10	30 Jun 11	31 Jul 11	Benchmark
Liquidity Ratios				
Current Ratio ¹	73.7%	227.0%	95.6%	>100%
Untied Cash to trade creditors Ratio ²	19.7%	319.9%	325.6%	>100%
Financial Position Ratio				
Debt Ratio ³	11.2%	9.5%	9.1%	<100%
Debt Ratios				
Debt Service Ratio ⁴	11.1%	5.2%	3.6%	<10%
Gross Debt to Revenue Ratio ⁵	As rates have not yet been issued, this ratio is unable to be measured for this month.			
Gross Debt to Economically Realisable Assets ⁶	26.2%	19.3%	21.2%	<30%
Coverage Ratio				
Rate Coverage Ratio ⁷	As rates have not yet been issued, this ratio is unable to be measured for this month.			
Effectiveness Ratio				
Outstanding Rates Ratio ⁸	As rates have not yet been issued, this ratio is unable to be measured for this month.			

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 31 July 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 31 JULY 2011

Account	Original Budget	Current Budget	YTD Budget	YTD Actual	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
<u>DIRECTOR WORKS & SERVICES</u>								
119030. REFUSE-REMOVAL CHARGES	(3,822,356)	(3,822,356)	(318,402)	0	318,402	-100%	x	Charges levied with rates. Rates have not yet been billed, once rates have been billed, income will be to budget.
138070. Waste Minimisation Contract	2,363,896	2,363,896	196,910	2,053	(194,857)	100%	✓	Subject to end of year accrual adjustments. Timing issue.
144450. State Black Spot Funding	(123,714)	(123,714)	0	(111,392)	(111,392)	100%	✓	Timing issue. Income budgeted for later in the year, already received.
Total DIRECTOR WORKS & SERVICES	(1,582,174)	(1,582,174)	(121,492)	(109,339)	12,153			

OFFICE OF THE CEO

132650. Subdivision Land Sales	(2,000,000)	(2,000,000)	(166,600)	0	166,600	-100%	x	No land sales settled during July. Negotiations ongoing.
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DIRECTOR COMMUNITY SERVICES

137930. A/PORT-LANDING FEES	(1,274,464)	(1,274,464)	0	(121,808)	(121,808)	100%	✓	Subject to end of year accrual adjustments. Timing issue.
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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.

File Number (Name of Ward)	FM.FIR.2 - All Wards
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