

4.2: FINANCIAL ACTIVITY STATEMENT – 30TH SEPTEMBER 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 30 September 2011.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

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

BACKGROUND

1. The Statement of Financial Activity for the period ending 30 September 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 SEPTEMBER 2011

	Actual Year to Date 30-Sep-11	Current Budget Year to Date 30-Sep-11	Current Budget vs Actual Variance
REVENUE			
Operating Grants, Subsidies and Cont	781,093	749,916	31,177
Fees and Charges	6,621,833	6,636,785	-14,952
Interest Earnings	246,189	249,190	-3,001
Other Revenue	183,825	184,879	-1,328
	7,832,941	7,820,770	12,171
EXPENDITURE			
Employee Costs	3,825,461	4,095,391	-269,930
Materials and Contracts	2,284,046	3,467,155	-1,183,109
Utility Charges	368,091	319,011	49,080
Interest Expenses	-29,140	-28,492	-648
Insurance Expenses	315,982	422,233	-106,251
Other Expenditure	343,604	192,235	151,369
Depreciation	2,962,968	2,953,272	9,696
	10,071,012	11,420,805	-1,349,793
Adjustment for Non-cash Revenue and Expenditure:			
Depreciation	-2,962,968	-2,953,272	-9,696
CAPITAL REVENUE			
Non-Operating Grants, Subsidies and Cont	1,985,447	2,069,135	-83,688
Proceeds from asset disposals	141,541	931,933	-790,392
Proceeds from New Loans	0	0	0
Self-Supporting Loan Principal Revenue	0	0	0
Transfers from Reserves (Restricted Assets)	4,855,084	4,855,084	0
	6,982,072	7,856,152	-874,080
CAPITAL EXPENDITURE			
Capital Expenditure	482,651	2,239,496	-1,756,846
Repayment of Loans	15,144	15,144	-0
Transfers to Reserves (Restricted Assets)	3,745,008	3,751,223	-6,215
	4,242,802	6,005,863	-1,763,061
Estimated Surplus B/fwd			
ADD Net Current Assets July 1 B/fwd	4,582,872	4,582,872	n/a
LESS Net Current Assets Year to Date	33,512,257	31,274,794	n/a
Amount Raised from Rates	-25,465,219	-25,488,396	23,177

* √ 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 - 30 SEPTEMBER 2011

	Actual 30-Sep-11	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	21,125,051	5,767,118
Cash - Restricted	5,356,443	6,634,295
Receivables	14,071,947	2,136,618
Inventories	3,177,078	3,202,824
Total Current Assets	43,730,519	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	4,861,819	6,523,688
Less: Cash - Restricted - Trust	(1,150,524)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,205,919)	(5,315,995)
NET CURRENT ASSET POSITION	33,512,257	4,582,872
 NET CURRENT ASSETS PER BALANCE SHEET	 30,655,487	 2,819,433
Difference	(2,856,770)	(1,763,439)
Difference Represented by:		
Restricted Cash (Trust)	1,150,524	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,878,909	4,988,985
Self Supporting Loans (part of Receivables and Other)		
	5,356,443	6,634,295
Less:		
Borrowings	7,123,031	7,138,175
Trust Liabilities	1,090,182	1,259,559
Difference	(2,856,770)	(1,763,439)

**8. CITY OF ALBANY - STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011**

	Actual 30-Sep-11	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	21,125,051	5,767,118
Restricted cash (Trust)	1,150,524	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,878,909	4,988,985
Receivables & Other	14,071,947	2,136,618
Investment Land	2,398,674	2,398,674
Stock on hand	778,405	804,151
	43,730,519	17,740,856
CURRENT LIABILITIES		
Borrowings	7,123,031	7,138,175
Creditors prov - Annual leave & LSL	2,657,164	2,381,578
Trust Liabilities	1,090,182	1,259,559
Creditors prov & accruals	2,204,655	4,142,110
	13,075,032	14,921,422
NET CURRENT ASSETS	30,655,487	2,819,433
NON CURRENT ASSETS		
Receivables	46,211	46,211
Pensioners Deferred Rates	370,759	370,759
Investment Land	2,220,758	2,220,758
Property, Plant & Equip	73,024,231	73,526,288
Infrastructure Assets	188,499,074	190,555,179
Local Govt House Shares	19,501	19,501
	264,180,534	266,738,695
NON CURRENT LIABILITIES		
Borrowings	12,626,394	12,626,394
Creditors & Provisions	464,911	464,911
	13,091,305	13,091,305
NET ASSETS	281,744,714	256,466,823
EQUITY		
Accumulated Surplus	258,036,691	231,648,724
Reserves	4,933,389	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	281,744,714	256,466,823

9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE)**30 SEPTEMBER 2011**

INCOME	YTD Actual 2011/12	Budget- Total 2011/12	Actual 2010/11
Rates	25,465,219	25,619,665	24,114,001
Grants & Subsidies	675,896	2,710,582	3,570,141
Contributions. Reimb & Donations	105,198	349,697	1,215,224
Fees & Charges	6,621,833	13,327,249	7,660,720
Service Charges	274	0	3,741,095
Interest Earned	246,189	697,000	1,184,413
Other Revenue / Income	185,151	617,625	578,062
	33,299,760	43,321,818	42,063,656
EXPENDITURE			
Employee Costs	3,825,461	16,948,783	15,295,323
Utilities	368,091	1,319,732	1,507,429
Interest Expenses	(29,140)	1,042,761	1,114,199
Depreciation on non current assets	2,962,968	11,817,938	11,449,614
Contracts & materials	2,284,046	12,973,799	11,290,975
Insurance expenses	315,982	584,845	543,500
Other Expenses	343,604	223,994	1,382,740
	10,071,012	44,911,852	42,583,780
Change in net assets from operations	23,228,747	(1,590,034)	(520,124)
Grants and Subsidies - non-operating	1,985,447	6,770,372	9,180,800
Contributions Reimbursements and Donations - non-operating	0	3,148,907	1,567,374
Profit/Loss on Asset Disposals	63,697	(905,815)	142,634
Cash Backing of Reserves	0	718,230	0
Fair value - Investments adjustment			0
	25,277,891	8,141,660	10,370,684

10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 30 SEPTEMBER 2011

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jul-11	Market Value Aug-11	Market Value Sep-11	Latest Monthly Variation
MUNICIPAL ACCOUNT							
NAB	20/08/2011	1,544,652	4.00%	1,544,642	0	0	
				1,544,642	0	0	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%	0	0	0	0
Zircon (Merimbula AA)	20/06/2013	502,450	8.87%	0	0	0	0
Zircon (Coolangatta AA)	20/09/2014	1,002,060	9.12%	0	0	0	0
Beryl (AAAGlobal Bank Note)	20/09/2014	200,376	8.42%	0	0	0	0
		2,118,046		0	0	0	0

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value	Market Value	Market Value	Latest Monthly Variation
				Jul-11	Aug-11	Sep-11	
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%	113,760	113,760	91,980	0
		1,324,656		327,010	327,010	305,230	0
PORTFOLIO TOTAL				1,871,652	327,010	305,230	0

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 30 SEPTEMBER 2011

	30-Jun-10	30-Jun-11	30-Sep-11	Benchmark
Liquidity Ratios				
Current Ratio ¹	73.7%	81.3%	320.2%	>100%
Untied Cash to trade creditors Ratio ²	19.7%	273.6%	5135.4%	>100%
Financial Position Ratio				
Debt Ratio ³	11.2%	9.8%	8.5%	<100%
Debt Ratios				
Debt Service Ratio ⁴	11.1%	9.1%	0.0%	<10%
Gross Debt to Revenue Ratio ⁵	63.2%	47.0%	59.3%	<60%
Gross Debt to Economically Realisable Assets ⁶	26.2%	22.6%	17.5%	<30%
Coverage Ratio				
Rate Coverage Ratio ⁷	58.5%	46.2%	76.1%	>33%
Effectiveness Ratio				
Outstanding Rates Ratio ⁸	3.7%	3.3%	44.7%	<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, as rates have only just been issued, but reduce steadily over the next few months, 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 August 2011 has been incurred in accordance with the 2011/12 proposed 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 SEPTEMBER 2011

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
<u>OFFICE OF THE CEO</u>								
132650. Subdivision Land Sales	(2,000,000)	(2,000,000)	(499,800)	(80,705)	(419,095)	-84%	×	Cull Rd development continues to be offered for sale. Only 1 sale to date in 2011 - 12
<u>DIRECTOR CORPORATE</u>								
148230. Passenger Vehicles-P/Loss Sale Of Asset	1,053,522	1,053,522	263,274	38,655	224,619	85%	✓	2 passenger vehicles disposed YTD
<u>DIRECTOR WORKS & SERVICES</u>								
134850. ASSET FUNDING - REGIONAL ROAD GROUP	(894,607)	(894,607)	(447,303)	(340,293)	(107,010)	-24%	×	Timing issue with budget to receipts of grants. Budget should align with actual over next few months
135440. Passenger Vehicles Purchase	777,101	777,101	194,196	45,455	148,741	77%	✓	2 passenger vehicles traded-in so far.
135540. Commercial Vehicles (Utes) Purchase	1,100,000	1,100,000	549,890	0	549,890	100%	✓	No new ute purchases have been made.
138070. Waste Minimisation Contract	2,363,896	2,363,896	590,730	368,224	222,506	38%	✓	Subject to 10/11 EOY accrual adjustments Timing issue.
141550. Passenger Vehicle Proceeds	(625,017)	(625,017)	(156,189)	(37,273)	(118,916)	-76%	×	Only 2 passenger vehicles traded-in so far.
141650. Commercial Vehicles Proceeds	(550,000)	(550,000)	(274,945)	0	(274,945)	-100%	×	No commercial vehicles sold or traded-in.
144450. State Black Spot Funding	(123,714)	(123,714)	0	(111,392)	111,392	100%	✓	Balance of 10/11 funding (\$93 000) not received until 11/12.
146520. WO-WORKERS COMP INSURANCE	50,000	50,000	25,000	(126,443)	151,443	606%	✓	Prior years premium adjustment accrual. Invoice yet to be received.

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
149940. ASSET PRESERVATION	3,195,730	3,195,730	183,357	24,398	158,959	87%	✓	No major projects yet commenced for 11/12.
150140. DRAINAGE CONSTRUCTION	1,175,070	1,175,070	237,465	35,355	202,110	85%	✓	Major projects budgeted for 11/12 yet to commence.
151640. PATHWAY CONSTRUCTION	1,498,497	1,498,497	374,415	180,087	194,328	52%	✓	Waiting for final funding approval. No major projects commenced.
167640. Peace Park	990,214	990,214	247,452	5,319	242,133	98%	✓	Funding has been received, project costs will align to budget timing as construction work increase.
Total DIRECTOR WORKS & SERVICES	8,957,170	8,957,170	1,524,068	43,437	1,480,631	97%		

POLICY IMPLICATIONS

14. The City's 2011/12 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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