

4.2: FINANCIAL ACTIVITY STATEMENT – 31 AUGUST 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 August 2011.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

MOVED: COUNCILLOR WELLINGTON

SECONDED: COUNCILLOR MATLA

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

CARRIED 10-0

BACKGROUND

1. The Statement of Financial Activity for the period ending 31 August 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.”

6. STATEMENT OF FINANCIAL ACTIVITY – AS AT 31 AUGUST 2011

	Actual Year to Date 31-Aug-11	Current Budget Year to Date 31-Aug-11	Current Budget vs Actual Variance	
REVENUE				
Operating Grants, Subsidies and Cont	759,843	681,662	78,181	√
Fees and Charges	6,044,350	2,079,519	3,964,831	√
Interest Earnings	123,006	149,460	-26,454	X
Other Revenue	158,427	107,958	50,469	√
	7,085,626	3,018,599	4,067,027	
EXPENDITURE				
Employee Costs	2,251,906	2,502,763	-250,857	√
Materials and Contracts	1,418,700	2,375,405	-956,705	√
Utility Charges	199,931	212,924	-12,993	√
Interest Expenses	-29,140	-28,492	-648	√
Insurance Expenses	315,982	407,711	-91,729	√
Other Expenditure	278,232	218,530	59,702	X
Depreciation	1,895,727	1,968,848	-73,121	√
	6,331,338	7,657,689	-1,326,351	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-1,895,727	-1,968,848	73,121	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	873,562	694,748	178,814	√
Proceeds from asset disposals	141,541	621,252	-479,711	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	0	0	0	
Transfers from Reserves (Restricted Assets)	4,855,084	2,871,520	1,983,564	
	5,870,187	4,187,520	1,682,667	
CAPITAL EXPENDITURE				
Capital Expenditure	246,412	1,472,647	-1,226,235	√
Repayment of Loans	15,144	15,144	0	
Transfers to Reserves (Restricted Assets)	3,721,855	2,049,349	1,672,506	
	3,983,411	3,537,140	446,271	
Estimated Surplus B/fwd				
ADD Net Current Assets July 1 B/fwd	6,916,392	6,916,392	n/a	
LESS Net Current Assets Year to Date	37,150,614	30,510,349	n/a	
Amount Raised from Rates	-25,697,431	-25,613,819	-83,612	

* √ 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 AUGUST 2011

	Actual 31-Aug-11	Draft 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	7,711,982	6,635,802
Cash - Restricted	5,162,335	6,493,081
Receivables	30,650,219	1,997,562
Inventories	4,308,533	4,327,632
Total Current Assets	47,833,069	19,454,077
LESS: CURRENT LIABILITIES		
Payables and Provisions	5,520,120	6,044,604
	42,312,949	13,409,473
Less: Cash - Restricted - Trust	(1,113,183)	(1,310,700)
Less: Cash - Restricted - Reserves	(4,049,152)	(5,182,381)
NET CURRENT ASSET POSITION	37,150,614	6,916,392
NET CURRENT ASSETS PER BALANCE SHEET	34,127,876	5,011,739
Difference	(3,022,738)	(1,904,653)
Difference Represented by:		
Restricted Cash (Trust)	1,113,183	1,310,700
Reserve Funds - Financial Assets	1,054,480	1,054,480
Reserve Funds - Other	2,994,672	4,127,901
Self Supporting Loans (part of Receivables and Other)	5,162,335	6,493,081
Less:		
Borrowings	7,123,031	7,138,175
Trust Liabilities	1,062,042	1,259,559
Difference	(3,022,738)	(1,904,653)

**8. CITY OF ALBANY – STATEMENT OF FINANCIAL POSITION – AS AT
31 AUGUST 2011**

	Actual 31-Aug-11	Draft 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	7,711,982	6,635,802
Restricted cash (Trust)	1,113,183	1,310,700
Reserve Funds - Financial Assets	1,054,480	1,054,480
Reserve Funds - Other	2,994,672	4,127,901
Receivables & Other	30,650,219	1,997,562
Investment Land	3,523,483	3,523,483
Stock on hand	785,051	804,150
	47,833,069	19,454,078
CURRENT LIABILITIES		
Borrowings	7,123,031	7,138,175
Creditors prov - Annual leave & LSL	2,305,700	2,381,578
Trust Liabilities	1,062,042	1,259,559
Creditors prov & accruals	3,214,420	3,663,026
	13,705,193	14,442,338
NET CURRENT ASSETS	34,127,876	5,011,739
NON CURRENT ASSETS		
Receivables	77,272	77,272
Pensioners Deferred Rates	370,759	370,759
Investment Land	2,220,758	2,220,758
Property, Plant & Equip	81,408,029	81,799,478
Infrastructure Assets	179,617,251	180,952,960
Local Govt House Shares	19,501	19,501
	263,713,570	265,440,728
NON CURRENT LIABILITIES		
Borrowings	12,626,394	12,626,394
Creditors & Provisions	464,911	464,911
	13,091,305	13,091,305
NET ASSETS	284,750,141	257,361,163
EQUITY		
Accumulated Surplus	261,940,376	233,418,169
Reserves	4,035,131	5,168,360
Asset revaluation Reserve	18,774,634	18,774,634
	284,750,141	257,361,163

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

	YTD Actual 2011/12	Budget-Total 2011/12	Draft 2010/11
INCOME			
Rates	25,697,431	25,619,665	24,114,001
Grants & Subsidies	675,896	2,710,582	3,476,115
Contributions. Reimb & Donations	83,948	349,697	1,195,224
Fees & Charges	6,044,350	13,327,249	7,654,237
Service Charges	206	0	3,741,095
Interest Earned	123,006	697,000	1,003,752
Other Revenue / Income	158,221	617,625	860,474
	32,783,056	43,321,818	42,044,898
EXPENDITURE			
Employee Costs	2,251,906	16,948,783	15,327,595
Utilities	199,931	1,319,732	1,518,243
Interest Expenses	(29,140)	1,042,761	1,114,199
Depreciation on non current assets	1,895,727	11,817,938	11,302,261
Contracts & materials	1,418,700	12,973,799	11,268,273
Insurance expenses	315,982	584,845	543,500
Other Expenses	278,232	223,994	1,071,629
	6,331,338	44,911,852	42,145,700
Change in net assets from operations	26,451,719	(1,590,034)	(100,801)
Grants and Subsidies - non-operating	873,562	6,770,372	9,180,800
Contributions Reimbursements and Donations - non-operating	0	3,148,907	1,071,312
Profit/Loss on Asset Disposals	63,697	(905,815)	386,244
Cash Backing of Reserves	0	718,230	0
Fair value - Investments adjustment			0
	27,388,978	8,141,660	10,537,555

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

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jun-11	Market Value Jul-11	Market Value Aug-11	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	27/07/2011	1,000,000	5.79%	1,000,000			
Bankwest	8/07/2011	1,500,000	5.45%	1,500,000			
NAB	20/08/2011	1,544,652	4.00%	1,544,652	1,544,642	0	
				4,044,652	1,544,642	0	n/a
RESERVES ACCOUNT							
No funds currently invested				0	0	0	
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%	10	10	10	0
Beryl (AAAGlogal Bank Note)	20/09/2014	200,376	8.42%	159,380	159,380	159,380	0
		2,118,046		315,144	315,144	315,144	0
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	113,760	113,760	0
		1,324,656		336,250	327,010	327,010	0
PORTFOLIO TOTAL				4,696,046	2,186,796	642,154	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 31 AUGUST 2011

CITY OF ALBANY FINANCIAL RATIOS		30 Jun 10	30 Jun 11	31 Aug 11	Benchmark
Liquidity Ratios					
	Current Ratio ¹	73.7%	223.9%	346.4%	>100%
	Untied Cash to trade creditors Ratio ²	19.7%	320.3%	539.1%	>100%
Financial Position Ratio					
	Debt Ratio ³	11.2%	9.5%	8.5%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	11.1%	5.2%	0.0%	<10%
	Gross Debt to Revenue Ratio ⁵	63.2%	47.4%	60.3%	<60%
	Gross Debt to Economically Realisable Assets ⁶	26.2%	19.3%	16.0%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	58.5%	102.6%	78.3%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	3.7%	2.7%	110.5%	<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. The ratio is below expected 30 June levels due to small debt repayments year to date.
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 it's 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 31 AUGUST 2011

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
OFFICE OF THE CEO								
132650. Subdivision Land Sales	(2,000,000)	(2,000,000)	(333,200)	(80,705)	(252,495)	-76%	x	Cull Rd development continues to be offered for sale. Only one sale completed in 2011-12.
Total OFFICE OF THE CEO	(2,000,000)	(2,000,000)	(333,200)	(80,705)	(252,495)	-76%		
DIRECTOR CORPORATE								
103430. Major Plant-P/Loss Sale of Assets	1,267,411	1,267,411	211,150	39,189	171,961	81%	✓	Timing - only one plant item disposed of year to date. Cull Rd development continues to be offered for sale. Only one sale completed in 2011-12.
125430. Sale Land P/Loss	2,496,899	2,496,899	415,984	0	415,984	100%	✓	
148230. Passenger Vehicles-P/Loss Sale of Asset	1,053,522	1,053,522	175,516	38,655	136,861	78%	✓	
Total DIRECTOR CORPORATE	4,817,832	4,817,832	802,650	77,844	724,806	931%		
DIRECTOR WORKS & SERVICES								
134850. Asset Funding - Regional Road Group	(894,607)	(894,607)	0	(340,293)	340,293	100%	✓	Timing - income is budgeted for October.

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
135540. Commercial Vehicles (Utes) Purchase	1,100,000	1,100,000	366,668	0	366,668	100%	✓	Timing - no new ute purchases have been made.
138070. Waste Minimisation Contract	2,363,896	2,363,896	393,826	168,022	225,804	57%	✓	Subject to 10/11 end of year accrual adjustments. Timing issue.
141350. Path Funding - Grants	(1,079,467)	(1,079,467)	(179,840)	0	(179,840)	-100%	✗	Waiting for funding approval and disbursement.
141650. Commercial Vehicles Proceeds	(550,000)	(550,000)	(183,334)	0	(183,334)	-100%	✗	Timing - no commercial vehicles sold as yet.
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. Subject to end of year accrual adjustments, and no major projects yet commenced for 11/12.
149940. Asset Preservation	3,195,730	3,195,730	122,240	(11,178)	133,418	109%	✓	
150140. Drainage Construction	1,175,070	1,175,070	124,320	21,528	102,792	83%	✓	Few of the major projects budgeted for 11/12 have commenced.
151640. Pathway Construction	1,498,497	1,498,497	249,650	121,592	128,058	51%	✓	Waiting for final funding approval. No major projects commenced.
167640. Peace Park	990,214	990,214	164,970	3,784	161,186	98%	✓	As funding is received, project costs will align to budget timing.
Total DIRECTOR WORKS & SERVICES	7,675,619	7,675,619	1,058,500	(147,937)	1,206,437	397%		

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.

16. POTENTIAL VARIANCES IN EXCESS OF \$100,000 AS AT 31 AUGUST 2011

Issue	Comments
<ul style="list-style-type: none"> • Guest Town Royal Show - Expenses • Beaufort Rd Drainage Rectification 	<p>The scope, size and cost of the guest town project has grown. During the 1st quarter review, funds will need to be reallocated to allow for this increase.</p> <p>Unbudgeted drainage rectification works to commence. Funds will be redirected and allocated in the 1st quarter budget review.</p>

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