

<b>4.2: FINANCIAL ACTIVITY STATEMENT – 31<sup>st</sup> OCTOBER 2011 VERSION 2</b>
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**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 October 2011.

<b>ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION</b>
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<b>The Financial Activity Statement for the period ending 31 October 2011 be RECEIVED.</b>
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**BACKGROUND**

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

<b>CEO:</b>	<b>RESPONSIBLE OFFICER:</b>
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## 6. STATEMENT OF FINANCIAL ACTIVITY – AS AT 31 OCTOBER 2011

	Actual Year to Date 31-Oct-11	Current Budget Year to Date 31-Oct-11	Current Budget vs Actual Variance	
<b>REVENUE</b>				*
Operating Grants, Subsidies and Cont	853,994	764,575	89,419	
Fees and Charges	7,368,982	7,292,503	76,479	√
Interest Earnings	396,009	298,920	97,089	√
Other Revenue	379,774	229,892	149,882	√
	<b>8,998,759</b>	<b>8,585,890</b>	<b>412,869</b>	
<b>EXPENDITURE</b>				
Employee Costs	5,097,319	6,115,827	-1,018,508	√
Materials and Contracts	3,060,512	4,468,505	-1,407,993	√
Utility Charges	532,603	425,098	107,505	X
Interest Expenses	-1,857	-1,209	-648	√
Insurance Expenses	488,730	573,555	-84,825	√
Other Expenditure	449,818	213,988	235,830	X
Depreciation	3,957,872	3,937,696	20,176	X
	<b>13,584,997</b>	<b>15,733,460</b>	<b>-2,148,463</b>	
<b>Adjustment for Non-cash Revenue and Expenditure:</b>				
Depreciation	<b>-3,957,872</b>	<b>-3,937,696</b>	<b>-20,176</b>	
<b>CAPITAL REVENUE</b>				
Non-Operating Grants, Subsidies and Cont	1,985,447	2,519,074	-533,627	X
Proceeds from asset disposals	143,714	1,347,719	-1,204,005	X
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	
	<b>6,984,245</b>	<b>8,721,877</b>	<b>-1,737,632</b>	
<b>CAPITAL EXPENDITURE</b>				
Capital Expenditure	811,687	4,445,229	-3,633,542	√
Repayment of Loans	36,890	36,890	-0	
Transfers to Reserves (Restricted Assets)	3,788,653	3,762,885	25,768	
	<b>4,637,230</b>	<b>8,245,004</b>	<b>-3,607,774</b>	
Estimated Surplus B/fwd				
ADD Net Current Assets July 1 B/fwd	<b>4,582,872</b>	<b>4,582,872</b>	n/a	
LESS Net Current Assets Year to Date	<b>31,798,838</b>	<b>31,274,794</b>	n/a	
Amount Raised from Rates	<b>-25,497,317</b>	<b>-25,502,973</b>	<b>5,656</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 – 31 OCTOBER 2011

	Actual 31-Oct-11	Actual 30-Jun-11
<b>NET CURRENT ASSETS</b>		
Composition of Net Current Asset Position		
<b>CURRENT ASSETS</b>		
Cash - Unrestricted	22,635,715	5,767,118
Cash - Restricted	5,299,575	6,634,295
Receivables	11,053,784	2,136,618
Inventories	3,064,099	3,202,824
<b>Total Current Assets</b>	<b>42,053,173</b>	<b>17,740,855</b>
<b>LESS: CURRENT LIABILITIES</b>		
Payables and Provisions	4,954,760	6,523,688
	<b>37,098,413</b>	<b>11,217,167</b>
Less: Cash - Restricted - Trust	(1,050,011)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,249,564)	(5,315,995)
<b>NET CURRENT ASSET POSITION</b>	<b>31,798,838</b>	<b>4,582,872</b>
<b>NET CURRENT ASSETS PER BALANCE SHEET</b>	29,007,457	2,819,433
<b>Difference</b>	<b>(2,791,381)</b>	<b>(1,763,439)</b>
<b>Difference Represented by:</b>		
Restricted Cash (Trust)	1,050,011	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,922,554	4,988,985
Self Supporting Loans (part of Receivables and Other)		
	<b>5,299,575</b>	<b>6,634,295</b>
<b>Less:</b>		
Borrowings	7,101,286	7,138,175
Trust Liabilities	989,670	1,259,559
<b>Difference</b>	<b>(2,791,381)</b>	<b>(1,763,439)</b>

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

	<b>Actual 31-Oct-11</b>	<b>Actual 30-Jun-11</b>
<b>CURRENT ASSETS</b>		
Cash - Municipal	22,635,715	5,767,118
Restricted cash (Trust)	1,050,011	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,922,554	4,988,985
Receivables & Other	11,053,784	2,136,618
Investment Land	2,331,370	2,398,674
Stock on hand	732,729	804,151
	<b>42,053,172</b>	<b>17,740,856</b>
<b>CURRENT LIABILITIES</b>		
Borrowings	7,101,285	7,138,175
Creditors prov - Annual leave & LSL	2,652,593	2,381,578
Trust Liabilities	989,669	1,259,559
Creditors prov & accruals	2,302,167	4,142,110
	<b>13,045,714</b>	<b>14,921,422</b>
<b>NET CURRENT ASSETS</b>	<b>29,007,457</b>	<b>2,819,433</b>
<b>NON CURRENT ASSETS</b>		
Receivables	46,211	46,211
Pensioners Deferred Rates	370,759	370,759
Investment Land	4,509,155	4,509,155
Property, Plant & Equip	70,761,945	71,237,891
Infrastructure Assets	187,806,622	190,555,179
Local Govt House Shares	19,501	19,501
	<b>263,514,192</b>	<b>266,738,695</b>
<b>NON CURRENT LIABILITIES</b>		
Borrowings	12,626,394	12,626,394
Creditors & Provisions	464,911	464,911
	<b>13,091,305</b>	<b>13,091,305</b>
<b>NET ASSETS</b>	<b>279,430,345</b>	<b>256,466,823</b>
<b>EQUITY</b>		
Accumulated Surplus	255,678,673	231,648,724
Reserves	4,977,038	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	<b>279,430,345</b>	<b>256,466,823</b>

**9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE)  
31 OCTOBER 2011**

<b>INCOME</b>	<b>YTD Actual 2011/12</b>	<b>Budget-Total 2011/12</b>	<b>Actual 2010/11</b>
Rates	25,497,317	25,619,665	24,114,001
Grants & Subsidies	682,237	2,710,582	3,570,141
Contributions. Reimb & Donations	171,757	349,697	1,215,224
Fees & Charges	7,368,982	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	396,009	697,000	1,184,413
Other Revenue / Income	381,052	617,625	860,783
	<b>34,497,676</b>	<b>43,321,818</b>	<b>42,346,378</b>
<b>EXPENDITURE</b>			
Employee Costs	5,097,319	16,948,783	15,295,323
Utilities	532,603	1,319,732	1,507,429
Interest Expenses	(1,857)	1,042,761	1,114,199
Depreciation on non current assets	3,957,872	11,817,938	11,449,614
Contracts & materials	3,060,512	12,973,799	11,290,975
Insurance expenses	488,730	584,845	543,500
Other Expenses	449,818	223,994	1,665,462
	<b>13,584,997</b>	<b>44,911,852</b>	<b>42,866,502</b>
<b>Change in net assets from operations</b>	<b>20,912,679</b>	<b>(1,590,034)</b>	<b>(520,124)</b>
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	65,396	(905,815)	142,634
Cash Backing of Reserves	0	718,230	0
Fair value - Investments adjustment			0
	<b>22,963,522</b>	<b>8,141,660</b>	<b>10,370,684</b>

## 10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 31 OCTOBER 2011

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value	Market Value	Market Value	Latest Monthly Variation
				Aug-11	Sep-11	Oct-11	
<b>MUNICIPAL ACCOUNT</b>							
CBA	4/11/2011	2,000,000	5.70%	0	0	2,000,000	
CBA	4/12/2011	1,000,000	5.66%	0	0	1,000,000	
NAB	4/12/2011	2,000,000	5.53%	0	0	2,000,000	
NAB	3/01/2012	1,000,000	5.70%	0	0	1,000,000	
ANZ	4/01/2012	3,000,000	5.80%	0	0	3,000,000	
BENDIGO	4/11/2011	1,000,000	5.50%	0	0	1,000,000	
BANKWEST	5/01/2012	2,000,000	5.80%	0	0	2,000,000	
				<b>0</b>	<b>0</b>	<b>12,000,000</b>	n/a
<b>RESERVES ACCOUNT</b>							
No funds currently invested							
				<b>0</b>	<b>0</b>	<b>0</b>	n/a
<b>COMMERCIAL SECURITIES - CDOs (New York Mellon)**</b>							
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
		<b>2,118,046</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Aug-11	Market Value Sep-11	Market Value Oct-11	Latest Monthly Variation
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	91,980	91,980	0
		<b>1,324,656</b>		<b>327,010</b>	<b>305,230</b>	<b>305,230</b>	<b>0</b>
<b>PORTFOLIO TOTAL</b>				<b>327,010</b>	<b>305,230</b>	<b>12,305,230</b>	<b>0</b>

\*\* 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 OCTOBER 2011

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-10	30-Jun-11	31-Oct-11	Benchmark
<b>Liquidity Ratios</b>					
	Current Ratio <sup>1</sup>	117.4%	81.3%	304.9%	>100%
	Untied Cash to trade creditors Ratio <sup>2</sup>	51.2%	273.6%	4486.2%	>100%
<b>Financial Position Ratio</b>					
	Debt Ratio <sup>3</sup>	11.3%	9.8%	8.6%	<100%
<b>Debt Ratios</b>					
	Debt Service Ratio <sup>4</sup>	7.5%	9.0%	0.1%	<10%
	Gross Debt to Revenue Ratio <sup>5</sup>	56.9%	46.7%	57.2%	<60%
	Gross Debt to Economically Realisable Assets <sup>6</sup>	25.9%	22.6%	17.7%	<30%
<b>Coverage Ratio</b>					
	Rate Coverage Ratio <sup>7</sup>	63.3%	46.0%	73.6%	>33%
<b>Effectiveness Ratio</b>					
	Outstanding Rates Ratio <sup>8</sup>	5.4%	3.3%	39.6%	<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. The ratio is high at present as the due date for rates has just passed. The ratio will reduce steadily in the coming months.
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 it includes rates which are being paid by instalments, this will reduce steadily to be 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 October 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 OCTOBER 2011

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
<b>CHIEF EXECUTIVE OFFICER</b>								
132650. Subdivision Land Sales	(2,000,000)	(2,000,000)	(666,400)	(166,160)	(585,695)	-88%	×	Cull Rd development continues to be offered for sale. Only two sales completed in 2011-12
133170. GUEST TOWN ROYAL SHOW	0	0	0	110,884	(110,884)	-100%	×	Subject to Q1 budget review amendment – inability to attract sufficient sponsorship.
<b>DIRECTOR COMMUNITY</b>								
106370. COMM SVC - SALARIES	518,090	518,090	179,362	58,312	121,050	67%	✓	Subject to Q1 budget review, under Corporate restructure.
<b>DIRECTOR CORPORATE</b>								
125430. SALE LAND P/LOSS	2,496,899	2,496,899	831,964	142,433	831,964	100%	✓	Cull Rd development continues to be offered for sale. Only two sales completed in 2011-12
184020. FINANCE-SALARIES	652,847	652,847	226,012	113,906	112,106	50%	✓	Subject to Q1 budget review, under Corporate restructure.
<b>DIRECTOR WORKS &amp; SERVICES</b>								
119530. REFUSE-INC HANRAHAN ROAD	(1,720,000)	(1,720,000)	(429,828)	(309,515)	(120,313)	-28%	×	Tonnage across the weighbridge is down on last year by approximately 5000 tonnes, receiving less industrial waste as local competitor is now taking waste from building sites.
132220. ROAD MAINTENANCE	3,925,000	3,925,000	1,307,804	1,076,586	231,218	18%	✓	Road maintenance program is increasing in activity, now that management restructure is almost complete. Should align closer to budget over the next quarter.

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
134850. ASSET FUNDING - REGIONAL ROAD GROUP	(894,607)	(894,607)	(447,303)	(340,293)	(107,010)	-24%	×	Timing difference, between budgeted grant receipt, and actual receipt of grant.
138070. Waste Minimisation Contract	2,363,896	2,363,896	787,640	537,745	249,895	32%	✓	Subject to 10/11 end of year accrual adjustments. Timing issue.
141050. Road Funding - Roads to Recovery	(844,968)	(844,968)	(422,484)	0	(422,484)	-100%	×	Timing difference, between budgeted grant receipt, and actual receipt of grant.
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	(103,393)	128,393	514%	✓	Prior years premium adjustment invoices yet to be processed.
147920. PLANT-ALLOCATE TO W/SERV.	(2,932,540)	(2,932,540)	(977,116)	(857,338)	(119,778)	-12%	×	This is an internal "billing" of plant and machinery used on various jobs around the City. As work is performed by Works and Services, plant use is billed to the job. As can be seen in 132220 Road Maintenance and 149940 Asset Preservation, for example, maintenance activity has been below budget , but should increase over the next quarter.
149940. ASSET PRESERVATION	3,195,730	3,195,730	427,702	100,316	327,386	77%	✓	Road maintenance program is increasing in activity, now that management restructure is almost complete. Should align closer to budget over the next quarter.
150140. DRAINAGE CONSTRUCTION	1,175,070	1,175,070	273,919	100,749	173,170	63%	✓	Some of the major projects budgeted for 11/12 are yet to commence. Activity should increase over the next quarter.
151640. PATHWAY CONSTRUCTION	1,498,497	1,498,497	499,220	236,447	262,773	53%	✓	Some projects budgeted for 11/12 yet to commence.

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
152140. WASTE/TIPS PROJECTS	1,930,010	1,930,010	226,716	9,491	217,225	96%	✓	Timing issue. A number of major projects relating to waste management have not yet commenced,. This includes Hanrahan Rd leachgate, South Stirlings waste site and capping of landfill.
167640. Peace Park	990,214	990,214	329,936	42,107	287,829	87%	✓	Funding has been received, project costs will align to budget timing as construction work increases.
<b>Total DIRECTOR WORKS &amp; SERVICES</b>	<b>8,612,588</b>	<b>8,612,588</b>	<b>1,601,206</b>	<b>381,509</b>	<b>1,219,697</b>	<b>76%</b>		

### 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.

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