

4.2: FINANCIAL ACTIVITY STATEMENT – 30 NOVEMBER 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 November 2011.

ITEM 4.2: RESOLUTION

MOVED: COUNCILLOR HOLDEN

SECONDED: COUNCILLOR SUTTON

**The Financial Activity Statement for the period ending 30 November 2011 be RECEIVED.
CARRIED 11-0**

BACKGROUND

1. The Statement of Financial Activity for the period ending 30 November 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 30TH NOVEMBER 2011

	Actual Year to Date 30-Nov-11	Current Budget Year to Date 30-Nov-11	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants, Subsidies and Cont	1,628,138	1,515,354	112,784	√
Fees and Charges	7,958,012	7,882,030	75,982	√
Interest Earnings	469,477	348,650	120,827	√
Other Revenue	422,573	252,565	170,008	√
	10,478,200	9,998,599	479,601	
EXPENDITURE				
Employee Costs	6,766,562	6,639,583	126,979	X
Materials and Contracts	4,009,933	5,646,459	-1,636,526	√
Utility Charges	650,772	603,800	46,972	X
Interest Expenses	53,043	59,961	-6,918	√
Insurance Expenses	460,147	573,555	-113,408	√
Other Expenditure	530,371	239,082	291,289	X
Depreciation	4,920,249	4,922,120	-1,871	√
	17,391,077	18,684,560	-1,293,483	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-4,920,249	-4,922,120	1,871	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	2,339,302	2,464,742	-125,440	X
Proceeds from asset disposals	143,714	939,770	-796,056	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	0	0	0	
Transfers from Reserves (Restricted Assets)	4,855,084	4,861,374	-6,290	X
	7,338,100	8,265,886	-927,786	
CAPITAL EXPENDITURE				
Capital Expenditure	1,267,593	4,191,346	-2,923,753	√
Repayment of Loans	36,890	71,316	-34,426	√
Transfers to Reserves (Restricted Assets)	3,802,078	3,771,253	30,825	X
	5,106,561	8,033,915	-2,927,354	
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	30,239,373	31,274,794	n/a	
Amount Raised from Rates	-25,507,590	-25,517,550	5,656	

* √ 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 – 30TH NOVEMBER 2011

	Actual 30-Nov-11	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	23,909,994	5,767,118
Cash - Restricted	5,311,207	6,634,295
Receivables	8,913,699	2,136,618
Inventories	3,055,694	3,202,824
Total Current Assets	41,190,594	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	5,550,014	6,523,688
	35,640,580	11,217,167
Less: Cash - Restricted - Trust	(1,048,218)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,262,989)	(5,315,995)
NET CURRENT ASSET POSITION	30,329,373	4,582,872
NET CURRENT ASSETS PER BALANCE SHEET	27,550,698	2,819,432
Difference	(2,778,675)	(1,763,440)
Difference Represented by:		
Restricted Cash (Trust)	1,048,218	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,935,979	4,988,985
Self Supporting Loans (part of Receivables and Other)		
	5,311,207	6,634,295
Less:		
Borrowings	7,101,285	7,138,175
Trust Liabilities	988,597	1,259,560
Difference	(2,778,675)	(1,763,440)

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

	Actual 30-Nov-11	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	23,909,994	5,767,118
Restricted cash (Trust)	1,048,218	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,935,979	4,988,985
Receivables & Other	8,913,699	2,136,618
Investment Land	2,331,370	2,398,674
Stock on hand	724,324	804,150
	41,190,593	17,740,855
CURRENT LIABILITIES		
Borrowings	7,101,285	7,138,175
Creditors prov - Annual leave & LSL	2,626,391	2,381,578
Trust Liabilities	988,597	1,259,559
Creditors prov & accruals	2,923,623	4,142,110
	13,639,896	14,921,422
NET CURRENT ASSETS	27,550,698	2,819,432
NON CURRENT ASSETS		
Receivables	46,211	46,211
Pensioners Deferred Rates	370,759	370,759
Investment Land	4,509,155	4,509,155
Property, Plant & Equip	70,925,317	71,237,891
Infrastructure Assets	187,136,779	190,555,179
Local Govt House Shares	19,501	19,501
	263,007,721	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	277,467,114	256,466,823
EQUITY		
Accumulated Surplus	253,702,021	231,648,724
Reserves	4,990,459	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	277,467,114	256,466,823

9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE)
30TH NOVEMBER 2011

Nature / Type	YTD Actual 2011/12	Budget-Total 2011/12	Actual 2010/11
INCOME			
Rates	25,507,590	25,619,665	24,114,001
Grants & Subsidies	1,430,026	2,710,582	3,570,141
Contributions. Reimb & Donations	198,112	349,697	1,215,224
Fees & Charges	7,958,012	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	469,477	697,000	1,184,413
Other Revenue / Income	423,851	617,625	860,783
	35,987,391	43,321,818	42,346,378
EXPENDITURE			
Employee Costs	6,766,562	16,948,783	15,295,323
Utilities	650,772	1,319,732	1,507,429
Interest Expenses	53,043	1,042,761	1,114,199
Depreciation on non current assets	4,920,249	11,817,938	11,449,614
Contracts & materials	4,009,933	12,973,799	11,290,975
Insurance expenses	460,147	584,845	543,500
Other Expenses	531,091	223,994	1,665,462
	17,391,797	44,911,852	42,866,502
Change in net assets from operations	18,595,593	(1,590,034)	(520,124)
Grants and Subsidies - non-operating	2,277,447	6,770,372	9,180,800
Contributions Reimbursements and Donations - non-operating	61,855	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
	21,000,291	8,141,660	10,370,684

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

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value	Market Value	Market Value	Latest Monthly Variation
				Sep-11	Oct-11	Nov-11	
MUNICIPAL ACCOUNT							
CBA	4/11/2011	2,000,000	5.70%	0	2,000,000		
CBA	4/12/2011	1,000,000	5.66%	0	1,000,000	1,000,000	
CBA	6/01/2012	2,000,000	5.57%	0	0	2,000,000	
NAB	4/12/2011	2,000,000	5.53%	0	2,000,000	2,000,000	
NAB	3/01/2012	1,000,000	5.70%	0	1,000,000	1,000,000	
ANZ	4/01/2012	3,000,000	5.80%	0	3,000,000	3,000,000	
BENDIGO	4/11/2011	1,000,000	5.50%	0	1,000,000		
BENDIGO	6/01/2012	1,000,000	5.50%	0	0	1,000,000	
BANKWEST	5/01/2012	2,000,000	5.80%	0	2,000,000	2,000,000	
				0	12,000,000	12,000,000	n/a
RESERVES ACCOUNT							
No funds currently invested							
				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 Sep-11	Market Value Oct-11	Market Value Nov-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%	91,980	91,980	91,980	0
		1,324,656		305,230	305,230	305,230	0
PORTFOLIO TOTAL				305,230	12,305,230	12,305,230	0

** 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 NOVEMBER 2011

CITY OF ALBANY FINANCIAL RATIOS	30-Jun-10	30-Jun-11	30-Nov-11	Benchmark
Liquidity Ratios				
Current Ratio ¹	117.4%	81.3%	283.6%	>100%
Untied Cash to trade creditors Ratio ²	51.2%	273.6%	1368.3%	>100%
Financial Position Ratio				
Debt Ratio ³	11.3%	9.8%	8.8%	<100%
Debt Ratios				
Debt Service Ratio ⁴	7.5%	9.1%	0.2%	<10%
Gross Debt to Revenue Ratio ⁵	56.9%	47.0%	54.9%	<60%
Gross Debt to Economically Realisable Assets ⁶	25.9%	22.6%	17.8%	<30%
Coverage Ratio				
Rate Coverage Ratio ⁷	63.3%	46.2%	70.8%	>33%
Effectiveness Ratio				
Outstanding Rates Ratio ⁸	5.4%	3.3%	30.8%	<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 government 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 30 November 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 NOVEMBER 2011

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
CHIEF EXECUTIVE OFFICER								
132650. Subdivision Land Sales	(2,000,000)	(2,000,000)	(833,000)	(80,705)	(752,295)	-90%	×	Cull Rd development continues to be offered for sale. Only two sales completed in 2011-12, with more under negotiation.
DIRECTOR CORPORATE								
125430. Sale Land P/Loss	2,496,899	2,496,899	1,039,955	0	1,039,955	100%	✓	Cull Rd development continues to be offered for sale. Only two sales completed in 2011-12, with more under negotiation.
DIRECTOR WORKS & SERVICES								
110920. CITY ASSETS PROJECTS	254,450	254,450	118,485	(15,929)	134,414	113%	✓	Drainage Asset Management Plan transferred to Planning & Development Services delayed start of \$150k project. \$50k Electrical Testing contract soon to be awarded but will come under budget. \$26K Signage Policy review unallocated as yet.
118520. REFUSE-TIP MAINTENANCE	1,389,700	1,389,700	578,765	471,507	107,258	19%	✓	Operational budgets for Hanrahan Rd and Bakers Junction are on target. However the budget for Regional Waste Site Investigation is currently unspent and is causing the disparity in the overall figure.

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
119530. REFUSE-INC HANRAHAN ROAD	(1,720,000)	(1,720,000)	(573,104)	(415,537)	(157,567)	-27%	×	Tonnage across the weighbridge is down on last year by approx. 5000 tonnes, receiving less industrial waste as local competitor is now taking waste from building sites. Income has remained consistent with the forecast amount in last two months.
132220. ROAD MAINTENANCE	3,925,000	3,925,000	1,634,755	1,367,090	267,665	16%	✓	Road maintenance program is increasing in activity, now that management restructure is almost complete. Should align closer to budget over the next quarter.
138070. Waste Minimisation Contract	2,363,896	2,363,896	984,550	874,690	109,860	11%	✓	Subject to 10/11 end of year accrual adjustments. Timing issue.
144450. State Black Spot Funding	(123,714)	(123,714)	0	(111,392)	111,392	100%	✓	Timing difference, between budgeted grant receipt, and actual receipt of grant.
146520. WO-WORKERS COMP INSURANCE	50,000	14,944	6,225	(103,393)	109,618	1761%	✓	Prior years premium adjustment refund in excess of current year premium paid.
147920. PLANT-ALLOCATE TO W/SERV.	(2,932,540)	(2,932,540)	(1,221,395)	(1,086,236)	(135,159)	-11%	×	This is an internal "billing" of plant & machinery used for various jobs around the City. As work is performed by Works & Services, plant use is billed to the job. As can be seen in 132220 Road Maintenance and 149940 Asset Preservation, e.g., maintenance activity has been below budget, but should increase over the next quarter.
149840. ASSET UPGRADE-REGIONAL RD	2,496,259	2,357,385	700,906	82,882	618,024	88%	✓	The major projects for 11/12 are to commence in the summer
149940. ASSET PRESERVATION	3,195,730	3,234,730	1,003,885	184,977	818,908	82%	✓	Activity will increase in the next quarter, some projects are pending award of tenders at December OCM
150140. DRAINAGE CONSTRUCTION	1,175,070	1,250,070	427,623	167,208	260,415	61%	✓	The majority of projects are waiting for the summer for construction
151640. PATHWAY CONSTRUCTION	1,498,497	1,506,997	627,570	289,597	337,973	54%	✓	Some projects are yet to commence, activity will increase in next quarter

REFER DISCLAIMER

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	358,470	41,628	316,843	88%	✓	Leachgate project yet to commence. Project is likely to be carried over to 12/13. Clay capping also unlikely to occur this financial year due to revised landform modelling.
167640. Peace Park	990,214	1,002,014	417,490	119,275	298,215	71%	✓	Costs align with the construction phase of this project and have accounted for variations that have come up.
Total DIRECTOR WORKS & SERVICES	14,492,572	14,452,942	5,064,225	1,866,368	3,197,857	63%		

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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