

4.2.1: FINANCIAL ACTIVITY STATEMENT – 31 JANUARY 2012 VERSION TWO
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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 January 2012.

ITEM 4.2.1: RESPONSIBLE OFFICER RECOMMENDATION

The Financial Activity Statement for the period ending 31 January 2012 be RECEIVED.
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BACKGROUND

1. The Statement of Financial Activity for the period ending 31 January 2012 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:
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6. STATEMENT OF FINANCIAL ACTIVITY – AS AT 31 JANUARY 2012

	Actual Year to Date 31-Jan-12	Current Budget Year to Date 31-Jan-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants, Subsidies and Cont	1,566,190	1,641,007	-74,817	X
Fees and Charges	9,224,514	9,277,794	-53,280	X
Interest Earnings	718,147	448,110	270,037	√
Other Revenue	877,064	334,680	542,384	√
	12,385,915	11,701,591	684,324	
EXPENDITURE				
Employee Costs	9,195,370	9,367,467	-172,097	√
Materials and Contracts	5,665,422	7,808,673	-2,143,251	√
Utility Charges	938,877	866,195	72,682	X
Interest Expenses	503,920	504,419	-499	√
Insurance Expenses	474,235	573,555	-99,320	√
Other Expenditure	828,040	246,870	581,170	X
Depreciation	6,900,259	6,890,968	9,291	X
	24,506,124	26,258,147	-1,752,023	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-6,900,259	-6,890,968	-9,291	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	2,667,257	3,251,152	-583,895	X
Proceeds from asset disposals	86,645	1,777,267	-1,690,622	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	15,271	15,530	-259	X
Transfers from Reserves (Restricted Assets)	4,855,084	4,863,890	-8,806	X
	7,624,256	9,907,839	-2,283,583	
CAPITAL EXPENDITURE				
Capital Expenditure	2,362,094	8,557,365	-6,195,271	√
Repayment of Loans	428,109	428,253	-144	√
Transfers to Reserves (Restricted Assets)	3,834,449	3,795,705	38,744	X
	6,624,653	12,781,323	-6,156,671	
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	25,909,256	31,274,794	n/a	
Amount Raised from Rates	-25,546,732	-25,546,704	-28	

* √ 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 JANUARY 2012

	Actual 31-Jan-12	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	21,260,640	5,767,118
Cash - Restricted	5,315,735	6,634,295
Receivables	6,193,886	2,136,618
Inventories	2,989,737	3,202,824
Total Current Assets	35,759,998	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	4,535,007	6,523,688
	31,224,991	11,217,167
Less: Cash - Restricted - Trust	(1,020,375)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,295,360)	(5,315,995)
NET CURRENT ASSET POSITION	25,909,256	4,582,872
NET CURRENT ASSETS PER BALANCE SHEET	23,539,060	2,819,432
Difference	(2,370,196)	(1,763,440)
Difference Represented by:		
Restricted Cash (Trust)	1,020,375	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,968,350	4,988,985
Self Supporting Loans (part of Receivables and Other)	(15,271)	
	5,300,464	6,634,295
Less:		
Borrowings	6,710,066	7,138,175
Trust Liabilities	960,594	1,259,560
Difference	(2,370,196)	(1,763,440)

**8. CITY OF ALBANY – STATEMENT OF FINANCIAL POSITION
AS AT – 31 JANUARY 2012**

	Actual 31-Jan-12	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	21,260,640	5,767,118
Restricted cash (Trust)	1,020,375	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,968,350	4,988,985
Receivables & Other	6,178,615	2,136,618
Investment Land	2,256,240	2,398,674
Stock on hand	733,497	804,150
	35,744,727	17,740,855
CURRENT LIABILITIES		
Borrowings	6,710,066	7,138,175
Creditors prov - Annual leave & LSL	2,492,713	2,381,578
Trust Liabilities	960,594	1,259,559
Creditors prov & accruals	2,042,294	4,142,110
	12,205,667	14,921,422
NET CURRENT ASSETS	23,539,060	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	71,420,682	71,237,891
Infrastructure Assets	185,755,906	190,555,179
Local Govt House Shares	19,501	19,501
	262,122,213	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	272,569,969	256,466,823
EQUITY		
Accumulated Surplus	248,772,505	231,648,724
Reserves	5,022,830	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	272,569,969	256,466,823

**9. CITY OF ALBANY – STATEMENT OF COMPREHENSIVE INCOME
(BY NATURE OR TYPE) - AS AT – 31 JANUARY 2012**

Nature / Type	YTD Actual 2011/12	Budget-Total 2011/12	Actual 2010/11
INCOME			
Rates	25,546,732	25,619,665	24,114,001
Grants & Subsidies	1,315,635	2,710,582	3,570,141
Contributions. Reimb & Donations	250,555	349,697	1,215,224
Fees & Charges	9,224,514	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	718,147	697,000	1,184,413
Other Revenue / Income	878,582	617,625	860,783
	37,934,487	43,321,818	42,346,378
EXPENDITURE			
Employee Costs	9,195,370	16,948,783	15,295,323
Utilities	938,877	1,319,732	1,507,429
Interest Expenses	503,920	1,042,761	1,114,199
Depreciation on non current assets	6,900,259	11,817,938	11,449,614
Contracts & materials	5,665,422	12,973,799	11,290,975
Insurance expenses	474,235	584,845	543,500
Other Expenses	828,840	223,994	1,665,462
	24,506,924	44,911,852	42,866,502
Change in net assets from operations	13,427,562	(1,590,034)	(520,124)
Grants and Subsidies - non-operating	2,580,104	6,770,372	9,180,800
Contributions Reimbursements and Donations - non-operating	87,153	3,148,907	1,567,374
Profit/Loss on Asset Disposals	8,327	(905,815)	142,634
Cash Backing of Reserves	0	718,230	0
Fair value - Investments adjustment			0
	16,103,146	8,141,660	10,370,684

10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 31 JANUARY 2012

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Nov-11	Market Value Dec-11	Market Value Jan-12	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	4/11/2011	2,000,000	5.70%				
CBA	4/12/2011	1,000,000	5.66%	1,000,000			
CBA	6/01/2012	2,000,000	5.57%	2,000,000	2,000,000		
CBA	3/02/2012	1,000,000	5.48%		1,000,000	1,000,000	
CBA	5/02/2012	2,000,000	5.40%			2,000,000	
NAB	4/12/2011	2,000,000	5.53%	2,000,000			
NAB	3/01/2012	1,000,000	5.70%	1,000,000	1,000,000		
NAB	2/05/2012	1,000,000	6.10%			1,000,000	
NAB	2/04/2012	2,000,000	5.92%		2,000,000	2,000,000	
ANZ	4/01/2012	3,000,000	5.80%	3,000,000	3,000,000		
ANZ	2/04/2012	3,000,000	5.50%			3,000,000	
BENDIGO	4/11/2011	1,000,000	5.50%				
BENDIGO	6/01/2012	1,000,000	5.50%	1,000,000	1,000,000		
BENDIGO	3/02/2012	1,000,000	5.25%			1,000,000	
BANKWEST	4/01/2012	2,000,000	5.80%	2,000,000	2,000,000		
BANKWEST	5/03/2012	2,000,000	5.50%			2,000,000	
				12,000,000	12,000,000	12,000,000	n/a
RESERVES ACCOUNT							
No funds currently invested				0	0	0	
				0	0	0	n/a

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Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value	Market Value	Market Value	Latest Monthly Variation
				Nov-11	Dec-11	Jan-12	
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
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	0	0	0
		1,324,656		305,230	213,250	213,250	0
PORTFOLIO TOTAL				12,305,230	12,213,250	12,213,250	0

11. FINANCIAL RATIOS - AS AT 31 JANUARY 2012

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-10	30-Jun-11	31-Jan-12	Benchmark
Liquidity Ratios					
	Current Ratio ¹	117.4%	81.3%	270.6%	>100%
	Untied Cash to trade creditors Ratio ²	51.2%	273.6%	2565.7%	>100%
Financial Position Ratio					
	Debt Ratio ³	11.3%	9.8%	8.5%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	7.5%	9.0%	2.5%	<10%
	Gross Debt to Revenue Ratio ⁵	56.9%	46.7%	51.1%	<60%
	Gross Debt to Economically Realisable Assets ⁶	25.9%	22.6%	18.3%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	63.3%	46.0%	67.4%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	5.4%	3.3%	17.6%	<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 government's 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 IMPLICATIONS12. *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 January 2012 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 JANUARY 2012

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)	(1,166,200)	0	(1,166,200)	100%	×	Amendment to accounting treatment of land sale proceeds, to be processed in Q2 review.
182820. CEO - SALARIES	448,409	653,740	358,956	236,640	122,316	34%	✓	Effected by corporate restructure, to be processed in Q2 review.
DIRECTOR COMMUNITY								
137930. A/PORT-LANDING FEES	(1,274,464)	(1,274,464)	(688,206)	(805,859)	117,653	17%	✓	Additional charges introduced this financial year for ILS training fees
138540. A/PORT-LAND & BUILDING	3,030,351	3,030,351	530,151	20,794	509,357	96%	✓	Only 10% of budget is likely to be spent in 11/12 due to RADS funding the remaining budget to be carried forward to the 12/13 financial year.
168530. Recreation Development Income	(5,000)	(5,000)	(2,500)	(216,000)	213,500	8540%	✓	Department of Sport and Recreation subsidy – Sport 4 All - Kid Sport Programme.
DIRECTOR CORPORATE								
101320. CORP SVC-SALARIES	223,187	227,072	132,454	247,918	(115,464)	-87%	×	Paying ED and Acting ED.
103430. MAJOR PLANT-P/LOSS SALE OF ASSETS	1,267,411	1,267,410	506,964	39,189	467,776	92%	✓	Timing of plant replacement
106030. INTEREST ON INVESTMENTS	(450,000)	(450,000)	(262,395)	(473,898)	211,503	81%	✓	Interest rates higher than budgeted for. Q2 amendment made.
106640. INFORMATION TECHNOLOGY	272,860	272,860	189,929	18,682	171,247	90%	✓	Expenditure will increase over the next quarter.

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125430. SALE LAND P/LOSS	2,496,899	2,496,899	1,455,937	0	1,455,937	100%	✓	Amendment to accounting treatment of land sale proceeds, to be processed in Q2 review.
148230. PASSENGER VEHICLES - PROFIT/LOSS SALE OF ASSET	1,053,522	1,053,522	263,381	38,655	224,726	85%	✓	Timing of plant replacement.
185030. Proceeds Investment Land	0	0	0	(161,364)	161,364	100%	✓	Amendment to accounting treatment of land sale proceeds, to be processed in Q2 review.
185270. Carrying Value Investment Land Sold	0	0	0	142,433	(142,433)	-100%	✗	Amendment to accounting treatment of land sale proceeds, to be processed in Q2 review.
DIRECTOR WORKS & SERVICES								
110270. CITY DESIGN - PROJECTS	245,000	245,000	142,856	10,732	132,124	92%	✓	Two projects to be moved to Planning and Development Services, to be adjusted in Q3 review.
110920. CITY ASSETS PROJECTS	254,450	254,450	135,879	(16,467)	152,346	112%	✓	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	810,271	643,517	166,754	21%	✓	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.
119530. REFUSE-INC HANRAHAN ROAD	(1,720,000)	(1,720,000)	(859,656)	(644,466)	(215,190)	-25%	✗	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. Income has remained consistent with the forecast amount in last two months.

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132220. ROAD MAINTENANCE	3,925,000	3,925,000	2,288,657	1,920,992	367,665	16%	✓	Road maintenance program is increasing in activity, now that management restructure is almost complete. Should align closer to budget over the next quarter.
135440. Passenger Vehicles Purchase	777,101	777,101	194,275	84,296	109,979	57%	✓	Timing of plant replacement
135540. Commercial Vehicles (Utes) Purchase	1,100,000	1,100,000	275,000	0	275,000	100%	✓	Timing of plant replacement
135640. Major Plant Purchase	1,065,000	1,065,000	266,250	66,400	199,850	75%	✓	Timing of plant replacement
138070. Waste Minimisation Contract	2,363,896	2,363,896	1,378,370	1,239,607	138,763	10%	✓	Subject to 10/11 end of year accrual adjustments. Timing issue.
141150. Road Funding - Other	(868,000)	(907,000)	(453,500)	(172,000)	(281,500)	-62%	×	Timing difference, between budgeted grant receipt, and actual receipt of grant.
141170. WORKS PROJECTS - SALARIES	397,064	146,851	85,659	190,593	(104,934)	-123%	×	Effected by corporate restructure, to be adjusted in Q3 review.
141250. Road Funding - TIRES	(400,000)	(400,000)	(400,000)	(160,000)	(240,000)	-60%	×	Timing difference, between budgeted grant receipt, and actual receipt of grant.
141650. Commercial Vehicles Proceeds	(550,000)	(550,000)	(137,500)	0	(137,500)	-100%	×	Timing of plant replacement
141750. Major Plant Proceeds	(735,000)	(735,000)	(315,315)	(23,563)	(291,752)	-93%	×	Timing of plant replacement
144450. State Black Spot Funding	(123,714)	(123,714)	0	(158,049)	158,049	100%	✓	Timing difference, between budgeted grant receipt, and actual receipt of grant.
144920. CITY ASSETS-SALARIES	582,146	547,761	319,522	191,991	127,531	40%	✓	Effected by corporate restructure, to be adjusted in Q3 review.
147320. FUEL & OIL	687,186	687,186	400,694	277,996	122,698	31%	✓	Fuel price and usage not as high as budgeted for. Usage likely to increase in the next quarter
147620. REPAIR-WAGES	191,140	191,140	111,447	7,647	103,800	93%	✓	Coding reallocation for machinery repairs to be adjusted.

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147920. PLANT-ALLOCATE TO W/SERV.	(2,932,540)	(2,932,540)	(1,709,953)	(1,507,113)	(202,840)	-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.
149840. ASSET UPGRADE-REGIONAL RD	2,496,259	2,357,385	1,211,002	109,934	1,101,068	91%	✓	The major projects for 11/12 are to commence in the summer
149940. ASSET PRESERVATION	3,195,730	3,234,730	1,864,253	303,477	1,560,776	84%	✓	Activity will increase in the next quarter, some projects are pending award of tenders.
150140. DRAINAGE CONSTRUCTION	1,175,070	1,250,070	771,031	283,997	487,034	63%	✓	The majority of projects are waiting for the summer for construction
151640. PATHWAY CONSTRUCTION	1,498,497	1,506,997	878,598	426,028	452,570	52%	✓	Some projects are yet to commence, activity will increase in next quarter
151840. PARKS & RESERVES	106,721	253,150	147,609	26,743	120,866	82%	✓	The projects are due to commence in the next quarter.
152140. WASTE/TIPS PROJECTS	1,930,010	1,930,010	834,478	43,676	790,802	95%	✓	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.
Total DIRECTOR WORKS & SERVICES	16,050,716	15,857,173	8,239,927	3,145,969	5,093,958			

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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