

4.2: FINANCIAL ACTIVITY STATEMENT – 31 DECEMBER 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 December 2011.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

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

BACKGROUND

1. The Statement of Financial Activity for the period ending 31 December 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.
6. "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:

7. STATEMENT OF FINANCIAL ACTIVITY – AS AT 31 DECEMBER 2011

	Actual Year to Date 31-Dec-11	Current Budget Year to Date 31-Dec-11	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants, Subsidies and Cont	1,543,663	1,622,849	-79,186	√
Fees and Charges	8,428,267	8,637,059	-208,792	√
Interest Earnings	549,222	398,380	150,842	√
Other Revenue	603,807	300,827	302,980	√
	11,124,959	10,959,115	165,844	
EXPENDITURE				
Employee Costs	8,103,216	7,943,567	159,649	X
Materials and Contracts	4,806,979	6,752,355	-1,945,376	√
Utility Charges	788,675	745,585	43,090	X
Interest Expenses	491,640	492,139	-499	√
Insurance Expenses	474,235	573,555	-99,320	√
Other Expenditure	683,465	221,251	462,214	X
Depreciation	5,911,976	5,906,544	5,432	√
	21,260,186	22,634,996	-1,374,810	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-5,911,976	-5,906,544	-5,432	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	2,425,302	2,574,197	-148,895	X
Proceeds from asset disposals	86,645	1,211,808	-1,125,163	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	15,271	15,530	-259	
Transfers from Reserves (Restricted Assets)	4,855,084	4,862,632	-7,548	X
	7,382,302	8,664,167	-1,281,865	
CAPITAL EXPENDITURE				
Capital Expenditure	1,625,943	5,733,352	-4,107,409	√
Repayment of Loans	412,446	412,591	-145	√
Transfers to Reserves (Restricted Assets)	3,814,191	3,783,479	30,712	X
	5,852,581	9,929,422	-4,076,841	
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	27,429,868	31,274,794	n/a	
Amount Raised from Rates	-25,540,527	-25,532,127	-8,400	

* √ Is higher than expected revenue or lower than expected expenditure

* X is lower than expected revenue and higher than expected Expenditure

8. CITY OF ALBANY - NET CURRENT ASSETS – 31 DECEMBER 2011

	Actual 31-Dec-11	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	20,447,440	5,767,118
Cash - Restricted	5,310,748	6,634,295
Receivables	8,370,140	2,136,618
Inventories	2,979,369	3,202,824
Total Current Assets	37,107,697	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	4,367,081	6,523,688
	32,740,616	11,217,167
Less: Cash - Restricted - Trust	(1,035,646)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,275,102)	(5,315,995)
NET CURRENT ASSET POSITION	27,429,868	4,582,872
NET CURRENT ASSETS PER BALANCE SHEET	25,023,511	2,819,432
Difference	(2,406,356)	(1,763,440)
Difference Represented by:		
Restricted Cash (Trust)	1,035,646	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,948,092	4,988,985
Self Supporting Loans (part of Receivables and Other)	(15,271)	
	5,295,477	6,634,295
Less:		
Borrowings	6,725,729	7,138,175
Trust Liabilities	976,104	1,259,560
Difference	(2,406,356)	(1,763,440)

**9. CITY OF ALBANY - STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011**

	Actual 31-Dec-11	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	20,447,440	5,767,118
Restricted cash (Trust)	1,035,646	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,948,092	4,988,985
Receivables & Other	8,354,869	2,136,618
Investment Land	2,256,240	2,398,674
Stock on hand	723,129	804,150
	37,092,426	17,740,855
CURRENT LIABILITIES		
Borrowings	6,725,729	7,138,175
Creditors prov - Annual leave & LSL	2,624,674	2,381,578
Trust Liabilities	976,104	1,259,559
Creditors prov & accruals	1,742,407	4,142,110
	12,068,914	14,921,422
NET CURRENT ASSETS	25,023,511	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	70,983,948	71,237,891
Infrastructure Assets	186,444,771	190,555,179
Local Govt House Shares	19,501	19,501
	262,374,344	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	274,306,551	256,466,823
EQUITY		
Accumulated Surplus	250,529,345	231,648,724
Reserves	5,002,572	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	274,306,551	256,466,823

10. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE)
31ST DECEMBER 2011

Nature / Type	YTD Actual 2011/12	Budget-Total 2011/12	Actual 2010/11
INCOME			
Rates	25,540,527	25,619,665	24,114,001
Grants & Subsidies	1,336,707	2,710,582	3,570,141
Contributions. Reimb & Donations	206,956	349,697	1,215,224
Fees & Charges	8,428,267	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	549,222	697,000	1,184,413
Other Revenue / Income	605,085	617,625	860,783
	36,667,085	43,321,818	42,346,378
EXPENDITURE			
Employee Costs	8,103,216	16,948,783	15,295,323
Utilities	788,675	1,319,732	1,507,429
Interest Expenses	491,640	1,042,761	1,114,199
Depreciation on non current assets	5,911,976	11,817,938	11,449,614
Contracts & materials	4,806,979	12,973,799	11,290,975
Insurance expenses	474,235	584,845	543,500
Other Expenses	684,265	223,994	1,665,462
	21,260,986	44,911,852	42,866,502
Change in net assets from operations	15,406,099	(1,590,034)	(520,124)
Grants and Subsidies - non-operating	2,363,447	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	8,327	(905,815)	142,634
Cash Backing of Reserves	0	718,230	0
Fair value - Investments adjustment			0
	17,839,728	8,141,660	10,370,684

11. PORTFOLIO VALUATION – MARKET VALUE – AS AT 31 DECEMBER 2011

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Oct-11	Market Value Nov-11	Market Value Dec-11	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	4/11/2011	2,000,000	5.70%	2,000,000			
CBA	4/12/2011	1,000,000	5.66%	1,000,000	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	
NAB	4/12/2011	2,000,000	5.53%	2,000,000	2,000,000		
NAB	3/01/2012	1,000,000	5.70%	1,000,000	1,000,000	1,000,000	
NAB	2/04/2012	2,000,000	5.92%			2,000,000	
ANZ	4/01/2012	3,000,000	5.80%	3,000,000	3,000,000	3,000,000	
BENDIGO	4/11/2011	1,000,000	5.50%	1,000,000			
BENDIGO	6/01/2012	1,000,000	5.50%		1,000,000	1,000,000	
BANKWEST	5/01/2012	2,000,000	5.80%	2,000,000	2,000,000	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		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

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

12. FINANCIAL RATIOS - AS AT 31 DECEMBER 2011

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-10	30-Jun-11	31-Dec-11	Benchmark
Liquidity Ratios					
	Current Ratio ¹	117.4%	81.3%	286.5%	>100%
	Untied Cash to trade creditors Ratio ²	51.2%	273.6%	3674.2%	>100%
Financial Position Ratio					
	Debt Ratio ³	11.3%	9.8%	8.4%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	7.5%	9.1%	2.5%	<10%
	Gross Debt to Revenue Ratio ⁵	56.9%	47.0%	52.9%	<60%
	Gross Debt to Economically Realisable Assets ⁶	25.9%	22.6%	18.1%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	63.3%	46.2%	69.6%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	5.4%	3.3%	28.6%	<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 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 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 December 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 DECEMBER 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)	(999,600)	0	999,600	-100%	×	Amendment to accounting treatment of land sale proceeds, to be processed in Q2 review.
DIRECTOR CORPORATE								
101320. CORP SVC-SALARIES	223,187	227,072	113,532	305,212	(191,680)	-169%	×	Paying ED and Acting ED. \$79,000 to be transferred to provisions.
103430. MAJOR PLANT- P/LOSS SALE OF ASSETS	1,267,411	1,267,410	253,482	39,189	214,293	85%	✓	Timing of plant replacement.
106030. INTEREST ON INVESTMENTS	(450,000)	(450,000)	(224,910)	(327,872)	102,962	46%	✓	Interest rates higher than budgeted for. Q2 amendment made.
106640. INFORMATION TECHNOLOGY	272,860	272,860	182,582	17,982	164,600	90%	✓	Expenditure will increase over the next quarter.
125430. SALE LAND P/LOSS	2,496,899	2,496,899	1,247,946	0	1,247,946	100%	✓	Amendment to accounting treatment of land sale proceeds, to be processed in Q2 review.
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	122,448	10,425	112,023	91%	✓	Two projects to be moved to Planning and Development Services, will be adjusted in Q3 review.

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
110920. CITY ASSETS PROJECTS	254,450	254,450	127,182	(16,467)	143,649	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	694,518	546,691	147,827	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)	(716,380)	(529,660)	(186,720)	-26%	✗	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 2 months.
132220. ROAD MAINTENANCE	3,925,000	3,925,000	1,961,706	1,666,444	295,262	15%	✓	Road maintenance program is increasing in activity, now that management restructure is almost complete. Should align closer to budget over the next quarter.
134850. ASSET FUNDING - REGIONAL ROAD GROUP	(894,607)	(910,734)	(455,364)	(340,293)	(115,071)	-25%	✗	Timing issue. Funding received in January.
138070. Waste Minimisation Contract	2,363,896	2,363,896	1,181,460	1,070,729	110,731	9%	✓	Subject to 10/11 end of year accrual adjustments. Timing issue.
141750. Major Plant Proceeds	(735,000)	(735,000)	(210,210)	(23,563)	(186,647)	-89%	✗	Timing of plant replacement.
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.
144920. CITY ASSETS-SALARIES	582,146	547,761	273,876	170,657	103,219	38%	✓	Effected by corporate restructure, to be adjusted In Q3 review.

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
147320. FUEL & OIL	687,186	687,186	343,452	233,427	110,025	32%	✓	Fuel price and usage not as high as budgeted for. Usage likely to increase in the next quarter.
147920. PLANT-ALLOCATE TO W/SERV.	(2,932,540)	(2,932,540)	(1,465,674)	(1,298,863)	(166,811)	-11%	✗	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. Activity has been below budget, but should increase over the next quarter.
149840. ASSET UPGRADE-REGIONAL RD	2,496,259	2,357,385	897,204	91,814	805,390	90%	✓	The major projects for 11/12 are to commence in the summer.
149940. ASSET PRESERVATION	3,195,730	3,234,730	1,476,279	218,786	1,257,493	85%	✓	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	642,327	265,807	376,520	59%	✓	The majority of projects are waiting for the summer for construction.
151640. PATHWAY CONSTRUCTION	1,498,497	1,506,997	753,084	334,774	418,310	56%	✓	Some projects are yet to commence, activity will increase in next quarter.
151840. PARKS & RESERVES	106,721	253,150	126,522	18,239	108,283	86%	✓	The projects are due to commence in the next quarter.
152140. WASTE/TIPS PROJECTS	1,930,010	1,930,010	490,224	41,628	448,597	92%	✓	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	500,988	124,275	376,813	75%	✓	Timing issue only.
Total DIRECTOR WORKS & SERVICES	14,434,018	14,525,361	6,743,642	2,473,457	4,270,285	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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