

**4.2: FINANCIAL ACTIVITY STATEMENT – 29 FEBRUARY 2012
VERSION TWO.**

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 29 February 2012.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

The Financial Activity Statement for the period ending 29 February 2012 be RECEIVED.

BACKGROUND

1. The Statement of Financial Activity for the period ending 29 February 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:

6. STATEMENT OF FINANCIAL ACTIVITY – AS AT 29 FEBRUARY 2012

	Actual Year to Date 29-Feb-12	Current Budget Year to Date 29-Feb-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants, Subsidies and Cont	2,324,216	2,159,319	164,897	√
Fees and Charges	9,860,690	10,055,664	-194,974	X
Interest Earnings	802,204	492,448	309,756	√
Other Revenue	1,214,134	1,702,869	-488,735	X
	14,201,244	14,410,300	-209,056	
EXPENDITURE				
Employee Costs	10,398,854	10,981,217	-582,363	√
Materials and Contracts	6,609,519	9,179,467	-2,569,948	√
Utility Charges	1,025,231	988,797	36,434	X
Interest Expenses	503,920	504,419	-499	√
Insurance Expenses	576,012	576,516	-504	√
Other Expenditure	1,058,236	1,935,008	-876,772	√
Depreciation	7,789,723	7,875,392	-85,670	√
	27,961,493	32,040,816	-4,079,323	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-7,789,723	-7,875,392	85,670	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	2,671,515	3,479,743	-808,228	X
Proceeds from asset disposals	87,190	1,009,926	-922,736	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	4,865,148	-10,064	X
	7,629,060	9,370,347	-1,741,287	
CAPITAL EXPENDITURE				
Capital Expenditure	2,929,417	10,662,771	-7,733,354	√
Repayment of Loans	428,109	428,253	-144	√
Transfers to Reserves (Restricted Assets)	3,845,947	3,807,931	38,016	X
	7,203,474	14,898,955	-7,695,482	
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	24,667,249	31,274,794	n/a	
Amount Raised from Rates	-25,629,318	-25,561,281	-68,037	

* √ 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 29 FEBRUARY 2012

	Actual 29-Feb-12	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	20,609,249	5,767,118
Cash - Restricted	5,378,147	6,634,295
Receivables	5,138,132	2,136,618
Inventories	2,821,992	3,202,824
Total Current Assets	33,947,520	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	3,902,124	6,523,688
	30,045,396	11,217,167
Less: Cash - Restricted - Trust	(1,071,289)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,306,858)	(5,315,995)
NET CURRENT ASSET POSITION	24,667,249	4,582,872
NET CURRENT ASSETS PER BALANCE SHEET	22,308,631	2,819,432
Difference	(2,358,618)	(1,763,440)
Difference Represented by:		
Restricted Cash (Trust)	1,071,289	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,979,848	4,988,985
Self Supporting Loans (part of Receivables and Other)	(15,271)	
	5,362,876	6,634,295
Less:		
Borrowings	6,710,066	7,138,175
Trust Liabilities	1,011,428	1,259,560
Difference	(2,358,618)	(1,763,440)

8. CITY OF ALBANY– STATEMENT OF FINANCIAL POSITION–AS AT 29 FEBRUARY 2012

	Actual 29-Feb-12	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	20,609,249	5,767,118
Restricted cash (Trust)	1,071,289	1,318,300
Reserve Funds - Financial Assets	327,010	327,010
Reserve Funds - Other	3,979,848	4,988,985
Receivables & Other	5,122,861	2,136,618
Investment Land	2,084,068	2,398,674
Stock on hand	737,924	804,150
	33,932,249	17,740,855
CURRENT LIABILITIES		
Borrowings	6,710,066	7,138,175
Creditors prov - Annual leave & LSL	2,487,008	2,381,578
Trust Liabilities	1,011,428	1,259,559
Creditors prov & accruals	1,415,116	4,142,110
	11,623,618	14,921,422
NET CURRENT ASSETS	22,308,631	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	71,692,218	71,237,891
Infrastructure Assets	185,135,011	190,555,179
Local Govt House Shares	19,501	19,501
	261,772,854	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	270,990,181	256,466,823
EQUITY		
Accumulated Surplus	247,181,219	231,648,724
Reserves	5,034,328	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	270,990,181	256,466,823

**9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE) –
AS AT 29 FEBRUARY 2012**

Nature / Type

	YTD Actual 2011/12	Budget-Total 2011/12	Actual 2010/11
INCOME			
Rates	25,629,318	25,619,665	24,114,001
Grants & Subsidies	2,065,799	2,710,582	3,570,141
Contributions. Reimb & Donations	258,418	349,697	1,215,224
Fees & Charges	9,860,690	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	802,204	697,000	1,184,413
Other Revenue / Income	1,215,652	617,625	860,783
	39,832,403	43,321,818	42,346,378
EXPENDITURE			
Employee Costs	10,398,854	16,948,783	15,295,323
Utilities	1,025,231	1,319,732	1,507,429
Interest Expenses	503,920	1,042,761	1,114,199
Depreciation on non current assets	7,789,723	11,817,938	11,449,614
Contracts & materials	6,609,519	12,973,799	11,290,975
Insurance expenses	576,012	584,845	543,500
Other Expenses	1,058,956	223,994	1,665,462
	27,962,215	44,911,852	42,866,502
Change in net assets from operations	11,870,188	(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	91,411	3,148,907	1,567,374
Profit/Loss on Asset Disposals	(18,345)	(905,815)	142,634
Cash Backing of Reserves	0	718,230	0
Fair value - Investments adjustment			0
	14,523,358	8,141,660	10,370,684

10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 29 FEBRUARY 2012

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Dec-11	Market Value Jan-12	Market Value Feb-12	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	4/11/2011	2,000,000	5.70%				
CBA	4/12/2011	1,000,000	5.66%				
CBA	6/01/2012	2,000,000	5.57%	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		
CBA	4/03/2012	1,000,000	5.23%			1,000,000	
CBA	4/03/2012	2,000,000	5.23%			2,000,000	
NAB	4/12/2011	2,000,000	5.53%				
NAB	3/01/2012	1,000,000	5.70%	1,000,000			
NAB	2/05/2012	1,000,000	6.10%		1,000,000	1,000,000	
NAB	2/04/2012	2,000,000	5.92%	2,000,000	2,000,000	2,000,000	
ANZ	4/01/2012	3,000,000	5.80%	3,000,000			
ANZ	2/04/2012	3,000,000	5.50%		3,000,000	3,000,000	
BENDIGO	4/11/2011	1,000,000	5.50%				
BENDIGO	6/01/2012	1,000,000	5.50%	1,000,000			
BENDIGO	3/02/2012	1,000,000	5.25%		1,000,000		
BENDIGO	5/03/2012	1,000,000	5.00%			1,000,000	
BANKWEST	4/01/2012	2,000,000	5.80%	2,000,000			
BANKWEST	5/03/2012	2,000,000	5.50%		2,000,000	2,000,000	
				12,000,000	12,000,000	12,000,000	n/a

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest	Market Value	Market Value	Market Value	Latest Monthly Variation
RESERVES ACCOUNT No funds currently invested				0	0	0	
COMMERCIAL SECURITIES - CDOs (New York Mellon)				0	0	0	n/a
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%	0	0	0	0
		1,324,656		213,250	213,250	213,250	0
PORTFOLIO TOTAL				12,213,250	12,213,250	12,213,250	0

11. FINANCIAL RATIOS - AS AT 29 FEBRUARY 2012

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-10	30-Jun-11	29-Feb-12	Benchmark
Liquidity Ratios					
	Current Ratio ¹	117.4%	81.3%	269.1%	>100%
	Untied Cash to trade creditors Ratio ²	51.2%	273.6%	2533.1%	>100%
Financial Position Ratio					
	Debt Ratio ³	11.3%	9.8%	8.4%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	7.5%	9.0%	2.3%	<10%
	Gross Debt to Revenue Ratio ⁵	56.9%	46.7%	48.7%	<60%
	Gross Debt to Economically Realisable Assets ⁶	25.9%	22.6%	18.5%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	63.3%	46.0%	64.4%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	5.4%	3.3%	15.5%	<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. 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 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 29 February 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 29 FEBRUARY 2012

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
CHIEF EXECUTIVE OFFICER								
182820. CEO - SALARIES	448,409	618,740	412,488	268,953	143,535	35%	✓	Major Projects salary line added during corporate restructure. Costs to date have been allocated to Works & Services. Not all positions have been filled. Subject to Q3 review.
DIRECTOR COMMUNITY								
137930. A/PORT-LANDING FEES	(1,274,464)	(1,274,464)	(802,907)	(910,801)	107,894	13%	✓	Additional charges introduced this financial year for ILS training fees.
DIRECTOR CORPORATE								
103430. MAJOR PLANT-P/LOSS SALE OF ASSETS	1,267,411	1,267,410	760,447	39,189	721,258	95%	✓	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
106030. INTEREST ON INVESTMENTS	(450,000)	(475,966)	(317,304)	(525,164)	207,860	66%	✓	Higher than anticipated interest rates. Adjustments to be made Q3.
106640. INFORMATION TECHNOLOGY	272,860	277,860	231,187	21,602	209,585	91%	✓	Timing difference, expenditure is expected to be in line with budget at financial year end.
148230. PASSENGER VEHICLES-P/LOSS SALE OF ASSET	1,053,522	1,053,522	526,762	65,873	460,889	87%	✓	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
185030. Proceeds Investment Land	0	(2,000,000)	(1,333,328)	(358,636)	(974,692)	-73%	✗	Cull Road development continues to be offered for sale.

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
185270. Carrying Value Investment Land Sold DIRECTOR WORKS & SERVICES	0	2,446,899	1,631,264	314,606	1,316,658	81%	✓	Cull Road development continues to be offered for sale.
100040. ROAD SAFETY	232,488	371,308	247,488	114,043	133,445	54%	✓	Total costs for the year are expected to be in line with budget. Contractor has commenced pickup. Approximately \$100,000 worth of steel has been collected but funds not received due to timing issue.
108830. SALE OF SCRAP METAL	(200,000)	(200,000)	(133,280)	(24,386)	(108,894)	-82%	✗	Unspent funds to be transferred to Strategic Projects - District Water Management Strategy & Development Contribution Plan. Subject to Q3 adjustment for restructure to Office of CEO.
110270. CITY DESIGN - PROJECTS	245,000	245,000	163,264	10,732	152,532	93%	✓	Unspent funds to be transferred to Strategic Projects - Drainage Asset Manage Plan. Subject to Q3 adjustment for restructure to Office of CEO.
110920. CITY ASSETS PROJECTS	254,450	254,450	182,076	(13,754)	195,830	108%	✓	Savings made due to cancellation of Cleanaway MOU. Reduction in staff overtime with changes to staff rostering.
118520. REFUSE-TIP MAINTENANCE	1,389,700	1,389,700	926,024	743,677	182,347	20%	✓	Reduced amount of waste received at landfill sites. Increase competition in the marketplace for receiving industrial waste.
119530. REFUSE-INC HANRAHAN ROAD	(1,720,000)	(1,720,000)	(1,002,932)	(754,122)	(248,810)	-25%	✗	Expenses are currently below budget. Annual costs expected to be in line with budget.
132220. ROAD MAINTENANCE	3,925,000	3,925,000	2,615,608	2,173,288	442,320	17%	✓	

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
135440. Passenger Vehicles Purchase	777,101	777,101	388,550	84,296	304,254	78%	✓	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
135540. Commercial Vehicles (Utes) Purchase	1,100,000	1,100,000	550,000	0	550,000	100%	✓	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
135640. Major Plant Purchase	1,065,000	1,065,000	532,500	66,400	466,100	88%	✓	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
138070. Waste Minimisation Contract	2,363,896	2,363,896	1,575,280	1,428,741	146,539	9%	✓	Year-to-date expenses are below budget. This is only a timing difference and annual costs are expected to be in line with budget.
141150. Road Funding - Other	(868,000)	(907,000)	(453,500)	(172,000)	(281,500)	-62%	✗	Balance of funding received once jobs completed. Related jobs expected to be finished before end of financial year.
141250. Road Funding - TIRES	(400,000)	(400,000)	(400,000)	(160,000)	(240,000)	-60%	✗	Balance of funding received once jobs completed. Related jobs expected to be finished before end of financial year.
141550. Passenger Vehicle Proceeds	(625,017)	(625,017)	(312,508)	(60,909)	(251,599)	-81%	✗	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
141650. Commercial Vehicles Proceeds	(550,000)	(550,000)	(275,000)	0	(275,000)	-100%	✗	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
141750. Major Plant Proceeds	(735,000)	(735,000)	(420,420)	(23,563)	(396,857)	-94%	✗	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
144920. CITY ASSETS-SALARIES	582,146	485,261	323,504	186,926	136,578	42%	✓	Works & Services restructure - salaries being re-allocated.
147320. FUEL & OIL	687,186	687,186	457,936	327,921	130,015	28%	✓	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)	(1,954,232)	(1,741,678)	(212,554)	-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. As can be seen in 132220 Road Maintenance and 149940 Asset Preservation, for example, maintenance activity has been below budget, but should be in line with budget by financial year end. Year to date expenses are below budget.
149840. ASSET UPGRADE-REGIONAL RD	2,496,259	2,154,815	1,446,854	118,614	1,328,240	92%	✓	This is only a timing difference, and annual costs are expected to be in line with budget.
149940. ASSET PRESERVATION	3,195,730	2,943,730	1,988,434	345,380	1,643,054	83%	✓	Year to date expenses are below budget. This is only a timing difference, and annual costs are expected to be in line with budget.
150140. DRAINAGE CONSTRUCTION	1,175,070	2,386,259	1,667,644	331,307	1,336,337	80%	✓	Year to date expenses are below budget. This is only a timing difference, and annual costs are expected to be in line with budget.

REFER DISCLAIMER

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
151640. PATHWAY CONSTRUCTION	1,498,497	1,577,997	1,051,488	553,221	498,267	47%	✓	Year to date expenses are below budget. This is only a timing difference, and annual costs are expected to be in line with budget.
151840. PARKS & RESERVES	106,721	253,150	168,696	32,518	136,178	81%	✓	Emu Point Erosion project will be costed to Major Projects (\$70,000) in Q3 review for restructure to Office of CEO. Timing difference-all other projects will be completed before end of financial year.
152140. WASTE/TIPS PROJECTS	1,930,010	1,735,011	1,048,788	66,667	982,121	94%	✓	Most of the leachate project works delayed to next financial year. Weighbridge shelter to be constructed 6-8 weeks. Some design work and minor capping/drainage work to occur before May.

POLICY IMPLICATIONS

- 14. The City's 2010/11 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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