

4.2: FINANCIAL ACTIVITY STATEMENT – 31 MARCH 2012

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 March 2012.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

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

BACKGROUND

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

6. STATEMENT OF FINANCIAL ACTIVITY – AS AT 31 MARCH 2012

	Actual Year to Date 31-Mar-12	Current Budget Year to Date 31-Mar-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants, Subsidies and Cont	2,380,980	2,547,259	-166,279	X
Fees and Charges	10,348,599	10,990,784	-642,185	X
Interest Earnings	886,932	554,004	332,928	√
Other Revenue	1,361,737	1,916,609	-554,872	X
	14,978,248	16,008,656	-1,030,408	
EXPENDITURE				
Employee Costs	11,589,757	12,261,592	-671,835	√
Materials and Contracts	7,644,256	10,230,178	-2,585,922	√
Utility Charges	1,183,766	1,109,743	74,023	X
Interest Expenses	503,920	504,419	-499	√
Insurance Expenses	582,090	579,273	2,817	X
Other Expenditure	1,193,752	2,125,275	-931,523	√
Depreciation	8,758,385	8,860,999	-102,614	√
	31,455,926	35,671,479	-4,215,553	
Adjustment for Non-cash Revenue and Expenditure:				
Depreciation	-8,758,385	-8,860,999	102,614	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies & Cont	2,940,757	4,122,873	-1,182,116	X
Proceeds from asset disposals	87,190	1,408,785	-1,321,595	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	15,271	15,530	-259	X
Transfers from Reserves (Restricted Assets)	4,865,084	4,873,903	-8,819	X
	7,908,302	10,421,091	-2,512,789	
CAPITAL EXPENDITURE				
Capital Expenditure	3,393,805	12,578,205	-9,184,400	√
Repayment of Loans	428,109	428,253	-144	√
Transfers to Reserves (Restricted Assets)	3,863,363	3,820,171	43,192	X
	7,685,277	16,826,629	-9,141,352	
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	22,712,064	31,274,794	n/a	
Amount Raised from Rates	-25,625,462	-25,575,876	-49,856	

* √ 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 31 MARCH 2012

	Actual 31-Mar-12	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	20,811,253	5,767,118
Cash - Restricted	5,413,007	6,634,295
Receivables	2,551,152	2,136,618
Inventories	2,696,845	3,202,824
Total Current Assets	31,472,257	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	3,347,186	6,523,688
	28,125,071	11,217,167
Less: Cash - Restricted - Trust	(1,071,289)	(1,318,300)
Less: Cash - Restricted - Reserves	(4,341,718)	(5,315,995)
NET CURRENT ASSET POSITION	22,712,064	4,582,872
 NET CURRENT ASSETS PER BALANCE SHEET	 20,388,306	 2,819,432
Difference	(2,323,758)	(1,763,440)
Difference Represented by:		
Restricted Cash (Trust)	1,071,289	1,318,300
Reserve Funds - Financial Assets	182,510	327,010
Reserve Funds - Other	4,159,208	4,988,985
Self Supporting Loans (part of Receivables and Other)	(15,271)	
	5,397,736	6,634,295
Less:		
Borrowings	6,710,066	7,138,175
Trust Liabilities	1,011,428	1,259,560
Difference	(2,323,758)	(1,763,440)

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

	Actual 31-Mar-12	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	20,811,253	5,767,118
Restricted cash (Trust)	1,071,289	1,318,300
Reserve Funds - Financial Assets	182,510	327,010
Reserve Funds - Other	4,159,208	4,988,985
Receivables & Other	2,535,880	2,136,618
Investment Land	1,997,982	2,398,674
Stock on hand	698,864	804,150
	31,456,986	17,740,855
CURRENT LIABILITIES		
Borrowings	6,710,066	7,138,175
Creditors prov - Annual leave & LSL	2,480,547	2,381,578
Trust Liabilities	1,011,428	1,259,559
Creditors prov & accruals	866,639	4,142,110
	11,068,680	14,921,422
NET CURRENT ASSETS	20,388,306	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	71,872,170	71,237,891
Infrastructure Assets	184,450,783	190,555,179
Local Govt House Shares	19,501	19,501
	261,268,579	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	268,565,580	256,466,823
EQUITY		
Accumulated Surplus	244,749,202	231,648,724
Reserves	5,041,744	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	268,565,580	256,466,823

**9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE) –
AS AT 31 MARCH 2012**

Nature / Type	YTD Actual 2011/12	Budget-Total 2011/12	Actual 2010/11
INCOME			
Rates	25,625,462	25,619,665	24,114,001
Grants & Subsidies	2,091,149	2,710,582	3,570,141
Contributions. Reimb & Donations	289,831	349,697	1,215,224
Fees & Charges	10,348,599	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	886,932	697,000	1,184,413
Other Revenue / Income	1,363,255	617,625	860,783
	40,605,550	43,321,818	42,346,378
EXPENDITURE			
Employee Costs	11,589,757	16,948,783	15,295,323
Utilities	1,183,766	1,319,732	1,507,429
Interest Expenses	503,920	1,042,761	1,114,199
Depreciation on non current assets	8,758,385	11,817,938	11,449,614
Contracts & materials	7,644,257	12,973,799	11,290,975
Insurance expenses	582,090	584,845	543,500
Other Expenses	1,194,472	223,994	1,665,462
	31,456,647	44,911,852	42,866,502
Change in net assets from operations	9,148,903	(1,590,034)	(520,124)
Grants and Subsidies - non-operating	2,847,104	6,770,372	9,180,800
Contributions Reimbursements and Donations - non-operating	93,653	3,148,907	1,567,374
Profit/Loss on Asset Disposals	(18,345)	(905,815)	142,634
Cash Backing of Reserves	27,444	718,230	0
Fair value - Investments adjustment			0
	12,098,759	8,141,660	10,370,684

9. PORTFOLIO VALUATION – MARKET VALUE – AS AT 31 MARCH 2012

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jan-12	Market Value Feb-12	Market Value Mar-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%				
CBA	3/02/2012	1,000,000	5.48%	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		
CBA	5/04/2012	1,000,000	5.28%			1,000,000	
CBA	5/04/2012	2,000,000	5.28%			2,000,000	
NAB	4/12/2011	2,000,000	5.53%				
NAB	3/01/2012	1,000,000	5.70%				
NAB	2/05/2012	1,000,000	6.10%	1,000,000	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%				
ANZ	2/04/2012	3,000,000	5.50%	3,000,000	3,000,000	3,000,000	
BENDIGO	4/11/2011	1,000,000	5.50%				
BENDIGO	6/01/2012	1,000,000	5.50%				
BENDIGO	3/02/2012	1,000,000	5.25%	1,000,000			
BENDIGO	5/03/2012	1,000,000	5.00%		1,000,000		
BENDIGO	5/04/2012	1,000,000	5.00%			1,000,000	
BANKWEST	4/01/2012	2,000,000	5.80%				
BANKWEST	5/03/2012	2,000,000	5.50%	2,000,000	2,000,000		
BANKWEST	7/05/2012	2,000,000	5.60%			2,000,000	
Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jan-12	Market Value Feb-12	Market Value Mar-12	Latest Monthly Variation

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				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
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 (AAAGlogal 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	0	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	68,750	0
PORTFOLIO TOTAL				12,213,250	12,213,250	12,068,750	0

* Note that this CDO matured on 20 March 2012, and the full face value of the Investment (\$170,000) has been returned to the City

10. FINANCIAL RATIOS - AS AT 31 MARCH 2012

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-10	30-Jun-11	31-Mar-12	Benchmark
Liquidity Ratios					
	Current Ratio ¹	117.4%	81.3%	259.0%	>100%
	Untied Cash to trade creditors Ratio ²	51.2%	273.6%	9091.4%	>100%
Financial Position Ratio					
	Debt Ratio ³	11.3%	9.8%	8.3%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	7.5%	9.0%	2.3%	<10%
	Gross Debt to Revenue Ratio ⁵	56.9%	46.7%	47.7%	<60%
	Gross Debt to Economically Realisable Assets ⁶	25.9%	22.6%	19.0%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	63.3%	46.0%	63.2%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	5.4%	3.3%	6.8%	<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 will decline during April as a large amount of capital works projects are completed, invoiced and paid for.
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 31 March 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 MARCH 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	464,049	301,156	162,893	35%	✓	Major Projects salary line added during corporate restructure. Costs to date have been allocated to Works and Services, and not all positions have been filled. Subject to Q3 review.
DIRECTOR CORPORATE								
106030. INTEREST ON INVESTMENTS	(450,000)	(475,966)	(356,967)	(591,143)	234,176	66%	✓	Higher than anticipated interest rates. Adjustments to be made Q3
106640. INFORMATION TECHNOLOGY	272,860	277,860	238,959	23,487	215,472	90%	✓	Timing difference, expenditure is expected to be in line with budget at financial year end.
185030. PROCEEDS INVESTMENT LAND	0	(2,000,000)	(1,499,994)	(454,091)	(1,045,903)	-70%	✗	Cull Rd development continues to be offered for sale.
185270. CARRYING VALUE INVESTMENT LAND SOLD	0	2,446,899	1,835,172	400,692	1,434,480	78%	✓	Cull Rd development continues to be offered for sale.

AGENDA ITEM 4.2 REFERS

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
DIRECTOR DEVELOPMENT SERVICES								
136220. DEV MGT PROJECTS	70,000	150,000	112,480	5,779	106,701	95%	✓	Town Planning Scheme, Transport Model, Yakamia Structure Plan and the South Lockyer Structure Plan will be carried forward to the 2012/2013 financial year.
DIRECTOR WORKS & SERVICES								
100040. ROAD SAFETY	232,488	371,308	278,430	122,111	156,319	56%	✓	Timing issue. Total costs for the year are expected to be in line with budget.
108830. SALE OF SCRAP METAL	(200,000)	(200,000)	(149,960)	(24,386)	(125,574)	-84%	✗	Contractor has commenced pickup. Approximately \$100,000 worth of steel has been collected but funds not yet received – timing issue.
110270. CITY DESIGN - PROJECTS	245,000	245,000	183,697	9,537	174,160	95%	✓	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.
110920. CITY ASSETS PROJECTS	254,450	254,450	190,785	(13,151)	203,936	107%	✓	Unspent funds to be transferred to Strategic Projects-Drainage Asset Manage Plan. Subject to Q3 adjustment for restructure to Office of CEO.
118520. REFUSE-TIP MAINTENANCE	1,389,700	1,389,700	1,041,915	825,599	216,316	21%	✓	Savings made due to cancellation of Cleanaway MOU. Reduction in staff overtime with changes to staff rostering.
119530. REFUSE-INC HANRAHAN ROAD	(1,720,000)	(1,720,000)	(1,146,380)	(873,033)	(273,347)	-24%	✗	Reduced amount of waste received at landfill sites. Increase competition in the marketplace for receiving industrial waste.
Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments

AGENDA ITEM 4.2 REFERS

132220. ROAD MAINTENANCE	3,925,000	3,925,000	2,942,952	2,600,750	342,202	12%	✓	Expenses are currently below budget. Annual costs expected to be in line with budget.
134850. ASSET FUNDING - REGIONAL ROAD GROUP	(894,607)	(910,734)	(683,046)	(510,293)	(172,753)	-25%	✗	Balance of funding received once jobs completed. Related jobs expected to be finished before end of financial year.
135440. PASSENGER VEHICLES PURCHASE	777,101	777,101	582,825	84,296	498,529	86%	✓	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	825,000	0	825,000	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	798,750	120,150	678,600	85%	✓	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
138070. WASTE MINIMISATION CONTRACT	2,363,896	2,363,896	1,772,427	1,639,721	132,706	7%	✓	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)	(680,250)	(172,000)	(508,250)	-75%	✗	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.

AGENDA ITEM 4.2 REFERS

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
141550. PASSENGER VEHICLE PROCEEDS	(625,017)	(625,017)	(468,762)	(60,909)	(407,853)	-87%	×	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
141650. COMMERCIAL VEHICLES PROCEEDS	(550,000)	(550,000)	(412,500)	0	(412,500)	-100%	×	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
141750. MAJOR PLANT PROCEEDS	(735,000)	(735,000)	(525,525)	(23,563)	(501,962)	-96%	×	Timing of plant replacement. Preparation of tender documents for vehicle replacement currently being undertaken.
144920. CITY ASSETS-SALARIES	582,146	485,261	363,942	186,926	177,016	49%	✓	Works & Services restructure - salaries being reallocated
147320. FUEL & OIL	687,186	687,186	515,247	375,114	140,133	27%	✓	Fuel price and usage not as high as budgeted. Usage likely to increase in the next quarter
147920. PLANT-ALLOCATE TO W/SERV.	(2,932,540)	(2,932,540)	(2,198,804)	(1,996,264)	(202,540)	-9%	×	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.

AGENDA ITEM 4.2 REFERS

Account	Original Budget	Current Budget	YTD Budgets	YTD Actuals	YTD Variance	YTD Percentage Variance	Variance Ticks	Comments
149840. ASSET UPGRADE-REGIONAL RD	2,496,259	2,154,815	1,639,227	138,078	1,501,149	92%	✓	Year to date expenses are below budget. 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	2,266,115	460,502	1,805,613	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.
150140. DRAINAGE CONSTRUCTION	1,175,070	2,386,259	1,871,363	394,670	1,476,693	79%	✓	Year to date expenses are below budget. This is only a timing difference, and annual costs are expected to be in line with budget.
151640. PATHWAY CONSTRUCTION	1,498,497	1,577,997	1,183,054	670,118	512,936	43%	✓	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	189,791	53,815	135,976	72%	✓	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	1,376,817	66,291	1,310,526	95%	✓	Most of the leachgate 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.
Total DIRECTOR WORKS & SERVICES	14,099,090	14,734,573	11,357,110	3,914,079	7,443,031			

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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