

4.2: FINANCIAL ACTIVITY STATEMENT – 31 JULY 2012 VERSION TWO

Responsible Officer : Executive Director Corporate Services (G Adams)

IN BRIEF

- Statement of Financial Activity reporting on the revenue and expenditure of the City of Albany for the reporting period ending 31 July 2012.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

VOTING REQUIREMENT: SIMPLE MAJORITY

THAT the Financial Activity Statement for the period ending 31 July 2012 be RECEIVED.

BACKGROUND

1. The Statement of Financial Activity for the period ending 31 July 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 \$50,000 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 JULY 2012

	Actual Year to Date 31-Jul-12	Current Budget Year to Date 31-Jul-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants & Subsidies	909	8,990	-8,081	X
Fees and Charges	5,609,760	5,647,129	-37,369	X
Contributions, Donations & Reimbursements	53,997	45,838	8,159	√
Interest Earnings	14,785	63,953	-49,168	X
Other Revenue	813	5,415	-4,602	X
	5,680,265	5,771,325	-91,060	
EXPENDITURE				
Employee Costs	1,363,419	1,555,310	-191,891	√
Materials and Contracts	330,835	1,113,045	-782,210	√
Utility Charges	192,270	140,805	51,465	X
Interest Expenses	(21,737)	75,756	-97,493	√
Insurance Expenses	0	60,159	-60,159	√
Other Expenditure	55,791	85,660	-29,869	√
Depreciation	984,012	984,012	0	X
Loss on Sale of Assets	0	22,412	-22,412	√
Less Allocated to Infrastructure	(25,871)	(38,999)	13,128	√
	2,878,719	3,998,160	-1,119,441	
Adjustment for Non-cash Revenue and Expenditure:				
Write Back Non Cash Items	984,012	984,012	0	
Adjust (Profit)/Loss on Asset Disposal	0	22,412	-22,412	
Net Operating Excluding Rates	3,785,558	2,779,589		
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	948,224	293,709	654,515	√
Proceeds from asset disposals	961	145,201	-144,240	X
Proceeds from New Loans	0	0	0	
Self-Supporting Loan Principal Revenue	0	0	0	
Transfers from Reserves (Restricted Assets)	0	462,066	-462,066	X
	949,185	900,976	48,209	
CAPITAL EXPENDITURE				
Capital Expenditure	604,112	1,310,230	-706,118	√
Repayment of Loans	16,200	65,525	-49,325	√
Transfers to Reserves (Restricted Assets)	0	253,650	-253,650	√
	620,312	1,629,405	-1,009,093	
Net Capital	328,872	(728,429)	1,057,301	
Total Net Operating + Capital	4,114,431	2,051,160	2,063,271	
Rates Revenue	27,274,581	27,222,849	51,732	
Restricted Cash Funds - Grants	0	0	0	
Opening Funding Surplus (Deficit)	2,589,920	2,589,920	0	
Closing Funding Surplus (Deficit)	33,978,932	31,863,929	2,115,003	

* √ 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 JULY 2012

	Actual 31-Jul-12
NET CURRENT ASSETS	
Composition of Net Current Asset Position	
CURRENT ASSETS	
Cash - Unrestricted	10,362,732
Cash - Restricted	5,334,856
Receivables	38,052,035
Inventories	2,343,681
Total Current Assets	56,093,304
LESS: CURRENT LIABILITIES	
Payables and Provisions	6,311,333
	49,781,971
Less: Cash - Restricted - Trust	(985,739)
Less: Cash - Restricted - Reserves	(4,349,117)
NET CURRENT ASSET POSITION	44,447,115
NET CURRENT ASSETS PER BALANCE SHEET	48,081,815
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Difference	3,634,700
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Difference Represented by:	
Restricted Cash (Trust)	985,739
Reserve Funds - Financial Assets	182,510
Reserve Funds - Other	4,166,607
Self Supporting Loans (part of Receivables and Other)	0
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	5,334,856
Less:	
Borrowings	770,406
Trust Liabilities	929,750
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Difference	3,634,700
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8. CITY OF ALBANY– STATEMENT OF FINANCIAL POSITION–AS AT 31 JULY 2012

	Actual 31-Jul-12
CURRENT ASSETS	
Cash - Municipal	10,362,732
Restricted cash (Trust)	985,739
Reserve Funds - Financial Assets	182,510
Reserve Funds - Other	4,166,607
Receivables & Other	38,052,034
Investment Land	1,681,028
Stock on hand	662,653
	56,093,304
CURRENT LIABILITIES	
Borrowings	770,406
Creditors prov - Annual leave & LSL	2,354,112
Trust Liabilities	929,750
Creditors prov & accruals	3,957,221
	8,011,489
NET CURRENT ASSETS	48,081,815
NON CURRENT ASSETS	
Receivables	12,989
Pensioners Deferred Rates	383,302
Investment Land	4,509,155
Property, Plant & Equip	76,387,824
Infrastructure Assets	181,760,049
Local Govt House Shares	19,501
	263,072,819
NON CURRENT LIABILITIES	
Borrowings	16,639,788
Creditors & Provisions	464,911
	17,104,699
NET ASSETS	294,049,935
EQUITY	
Accumulated Surplus	270,226,147
Reserves	5,049,154
Asset revaluation Reserve	18,774,634
	294,049,935

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

NATURE / TYPE	YTD Actual 2012/13	Budget-Total 2012/13
INCOME		
Rates	27,274,581	25,619,665
Grants & Subsidies	909	2,710,582
Contributions. Reimb & Donations	53,997	349,697
Fees & Charges	5,609,760	13,327,249
Service Charges	0	0
Interest Earned	14,785	697,000
Other Revenue / Income	813	617,625
	32,954,846	43,321,818
EXPENDITURE		
Employee Costs	1,337,548	16,948,783
Utilities	192,270	1,319,732
Interest Expenses	(21,737)	1,042,761
Depreciation on non current assets	984,012	11,817,938
Contracts & materials	330,835	12,973,799
Insurance expenses	0	584,845
Other Expenses	55,791	223,994
	2,878,719	44,911,852
Change in net assets from operations	30,076,128	(1,590,034)
Grants and Subsidies - non-operating	911,607	6,770,372
Contributions Reimbursements and Donations - non-operating	36,617	3,148,907
Profit/Loss on Asset Disposals	961	(905,815)
Cash Backing of Reserves	0	718,230
Fair value - Investments adjustment	0	0
	31,025,313	8,141,660

REFER DISCLAIMER

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

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value May-12	Market Value Jun-12	Market Value Jul-12	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	6/06/2012	1,000,000	4.70%	1,000,000			
CBA	6/06/2012	2,000,000	4.70%	2,000,000			
CBA	6/07/2012	2,000,000	4.70%		2,000,000		
CBA	8/08/2012	2,000,000	4.48%			2,000,000	
NAB	3/06/2012	1,000,000	4.25%	1,000,000			
NAB	31/07/2012	1,000,078	4.25%		1,000,078	1,000,078	
NAB	3/06/2012	2,000,000	4.25%	2,000,000			
ANZ	2/06/2012	3,000,000	4.39%	3,000,000			
ANZ	3/07/2012	3,000,000	4.00%		3,000,000		
ANZ	2/08/2012	3,000,000	4.00%			3,000,000	
BENDIGO	5/06/2012	1,000,000	4.70%	1,000,000			
BANKWEST	7/06/2012	2,000,000	4.45%	2,000,000			
BANKWEST	8/07/2012	2,000,000	4.45%		2,000,000		
BANKWEST	7/08/2012	2,000,000	4.20%			2,000,000	
				12,000,000	8,000,078	8,000,078	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 (AAAGlobal Bank Note)	20/09/2014	200,376	8.42%	0	0	0	0
		2,118,046		0	0	0	0

REFER DISCLAIMER

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value May-12	Market Value Jun-12	Market Value Jul-12	Latest Monthly Variation
COMMERCIAL SECURITIES - CDOs – Other**							
Magnolia (Flinders AA)	20/03/2012	171,994	9.32%	0	0	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		68,750	68,750	68,750	0
PORTFOLIO TOTAL				12,068,750	8,068,828	8,068,828	0

**These figures are based on previous valuations. However, at the time of reporting, CDO portfolio was in the process of being revalued.

11. FINANCIAL RATIOS - AS AT 31 JULY 2012

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-11	30-Jun-12	31-Jul-12	Benchmark
Liquidity Ratios					
	Current Ratio ¹	81.3%	285.0%	716.8%	>100%
	Untied Cash to trade creditors Ratio ²	273.6%	578.1%	917.6%	>100%
Financial Position Ratio					
	Debt Ratio ³	9.8%	8.6%	7.9%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	9.0%	17.5%	0.0%	<10%
	Gross Debt to Revenue Ratio ⁵	46.7%	29.0%	40.7%	<60%
	Gross Debt to Economically Realisable Assets ⁶	22.6%	13.6%	10.2%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	46.0%	55.0%	82.9%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	3.3%	3.0%	128.1%	<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.
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. This is very high at the moment as rates have just been billed, but no payments received at the time of the report.

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 July 2012 has been incurred in accordance with the 2012/13 proposed budget parameters. Details of any budget variation in excess of \$50,000 (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 \$50,000 AS REPORTED IN THE STATEMENT OF FINANCIAL ACTIVITY - AS AT 31 JULY 2012

Comments / Reason for Variance

OPERATING REVENUE (EXCLUDING RATES)

OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

Under Variance threshold

FEES AND CHARGES

Under Variance threshold

CONTRIBUTIONS, DONATIONS & REIMBURSEMENTS

Under Variance threshold

INTEREST EARNINGS

Under Variance threshold

OTHER REVENUE

Under Variance threshold

OPERATING EXPENSES

EMPLOYEE COSTS

Employee costs under budget year-to-date, due to year end accrual of wages to 11/12 year.

MATERIAL AND CONTRACTS

No billing received for a number of service contracts for July, the biggest being the waste contract.

UTILITY CHARGES

Street lighting backbill invoiced received. Year-end journal adjustment yet to be made to accrue costs back to 11/12 year.

INTEREST EXPENSES

Variance due to year end adjustments interest accrual to 11/12.

INSURANCE EXPENSES

Budget timing issue. No invoice received to date for insurance costs.

OTHER EXPENDITURE

Under Variance threshold

DEPRECIATION (NON CURRENT ASSETS)

Under Variance threshold

LOSS ON ASSET DISPOSAL

Under Variance threshold

Less Allocated to Infrastructure

Under Variance threshold

CAPITAL REVENUE**GRANTS, SUBSIDIES AND CONTRIBUTIONS**

Timing issue. Some road funding grants receipted to July, however budget timing was for receipt in August.

PROCEEDS FROM DISPOSAL OF ASSETS

Minimal disposal of assets taken place in this year. Only sundry minor plant has been replaced.

PROCEEDS FROM NEW LOANS

Under Variance threshold

SELF-SUPPORTING LOAN PRINCIPAL

Under Variance threshold

TRANSFER FROM RESERVES (RESTRICTED ASSETS)

No transfer to or from reserves to municipal funds done for this year.

CAPITAL EXPENSES**CAPITAL EXPENDITURE**

Timing issue. Minimal capital projects commenced in July,

REPAYMENT OF LOANS

Under Variance threshold

TRANSFER TO RESERVES (RESTRICTED ASSETS)

No transfer to or from reserves to municipal funds done for this year.

OTHER ITEMS**RATE REVENUE**

Actual rates billed higher than budgeted rates income. This is due to the timing difference between budget preparation of rates income (April) and actual billing (end of July). During that time period, some properties will change in the rates that are billed, for example, once a house is completed construction, the rates category changes, resulting in an increase in revenue.

OPENING FUNDING SURPLUS (DEFICIT)

Under Variance threshold

POLICY IMPLICATIONS

14. The City's 2012/13 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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