

## **4.2: FINANCIAL ACTIVITY STATEMENT – 31 JULY 2012**

**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: RESOLUTION**

#### **VOTING REQUIREMENT: SIMPLE MAJORITY**

**MOVED: COUNCILLOR GREGSON**

**SECONDED: COUNCILLOR DOWLING**

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

**CARRIED 12-0**

### **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	
<b>REVENUE</b>				*
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
	<b>5,680,265</b>	<b>5,771,325</b>	<b>-91,060</b>	
<b>EXPENDITURE</b>				
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	√
	<b>2,878,719</b>	<b>3,998,160</b>	<b>-1,119,441</b>	
<b>Adjustment for Non-cash Revenue and Expenditure:</b>				
Write Back Non Cash Items	984,012	984,012	0	
Adjust (Profit)/Loss on Asset Disposal	0	22,412	-22,412	
<b>Net Operating Excluding Rates</b>	<b>3,785,558</b>	<b>2,779,589</b>		
<b>CAPITAL REVENUE</b>				
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
	<b>949,185</b>	<b>900,976</b>	<b>48,209</b>	
<b>CAPITAL EXPENDITURE</b>				
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	√
	<b>620,312</b>	<b>1,629,405</b>	<b>-1,009,093</b>	
<b>Net Capital</b>	<b>328,872</b>	<b>(728,429)</b>	1,057,301	
<b>Total Net Operating + Capital</b>	<b>4,114,431</b>	<b>2,051,160</b>	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	
<b>Closing Funding Surplus (Deficit)</b>	<b>33,978,932</b>	<b>31,863,929</b>	<b>2,115,003</b>	

\* √ 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**

	<b>Actual 31-Jul-12</b>
<b>NET CURRENT ASSETS</b>	
Composition of Net Current Asset Position	
<b>CURRENT ASSETS</b>	
Cash - Unrestricted	10,362,732
Cash - Restricted	5,334,856
Receivables	38,052,035
Inventories	2,343,681
<b>Total Current Assets</b>	<b>56,093,304</b>
<b>LESS: CURRENT LIABILITIES</b>	
Payables and Provisions	6,311,333
	<b>49,781,971</b>
Less: Cash - Restricted - Trust	(985,739)
Less: Cash - Restricted - Reserves	(4,349,117)
<b>NET CURRENT ASSET POSITION</b>	<b>44,447,115</b>
<b>NET CURRENT ASSETS PER BALANCE SHEET</b>	48,081,815
	<hr/>
<b>Difference</b>	<b>3,634,700</b>
	<hr/> <hr/>
<b>Difference Represented by:</b>	
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
	<hr/>
	<b>5,334,856</b>
<b>Less:</b>	
Borrowings	770,406
Trust Liabilities	929,750
	<hr/>
<b>Difference</b>	<b>3,634,700</b>
	<hr/> <hr/>

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

	<b>Actual 31-Jul-12</b>
<b>CURRENT ASSETS</b>	
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
	<b>56,093,304</b>
<b>CURRENT LIABILITIES</b>	
Borrowings	770,406
Creditors prov - Annual leave & LSL	2,354,112
Trust Liabilities	929,750
Creditors prov & accruals	3,957,221
	<b>8,011,489</b>
<b>NET CURRENT ASSETS</b>	<b>48,081,815</b>
<b>NON CURRENT ASSETS</b>	
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
	<b>263,072,819</b>
<b>NON CURRENT LIABILITIES</b>	
Borrowings	16,639,788
Creditors & Provisions	464,911
	<b>17,104,699</b>
<b>NET ASSETS</b>	<b>294,049,935</b>
<b>EQUITY</b>	
Accumulated Surplus	270,226,147
Reserves	5,049,154
Asset revaluation Reserve	18,774,634
	<b>294,049,935</b>

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

NATURE / TYPE	YTD Actual 2012/13	Budget-Total 2012/13
<b>INCOME</b>		
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
	<b>32,954,846</b>	<b>43,321,818</b>
<b>EXPENDITURE</b>		
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
	<b>2,878,719</b>	<b>44,911,852</b>
<b>Change in net assets from operations</b>	<b>30,076,128</b>	<b>(1,590,034)</b>
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
	<b>31,025,313</b>	<b>8,141,660</b>

## 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
<b>MUNICIPAL ACCOUNT</b>							
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	
				<b>12,000,000</b>	<b>8,000,078</b>	<b>8,000,078</b>	n/a
<b>RESERVES ACCOUNT</b>							
No funds currently invested							
				0	0	0	
				<b>0</b>	<b>0</b>	<b>0</b>	n/a
<b>COMMERCIAL SECURITIES - CDOs (New York Mellon)**</b>							
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
		<b>2,118,046</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*\*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
<b>COMMERCIAL SECURITIES - CDOs – Other**</b>							
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
		<b>1,324,656</b>		<b>68,750</b>	<b>68,750</b>	<b>68,750</b>	<b>0</b>
<b>PORTFOLIO TOTAL</b>				<b>12,068,750</b>	<b>8,068,828</b>	<b>8,068,828</b>	<b>0</b>

\*\*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
<b>Liquidity Ratios</b>					
	Current Ratio <sup>1</sup>	81.3%	285.0%	716.8%	>100%
	Untied Cash to trade creditors Ratio <sup>2</sup>	273.6%	578.1%	917.6%	>100%
<b>Financial Position Ratio</b>					
	Debt Ratio <sup>3</sup>	9.8%	8.6%	7.9%	<100%
<b>Debt Ratios</b>					
	Debt Service Ratio <sup>4</sup>	9.0%	17.5%	0.0%	<10%
	Gross Debt to Revenue Ratio <sup>5</sup>	46.7%	29.0%	40.7%	<60%
	Gross Debt to Economically Realisable Assets <sup>6</sup>	22.6%	13.6%	10.2%	<30%
<b>Coverage Ratio</b>					
	Rate Coverage Ratio <sup>7</sup>	46.0%	55.0%	82.9%	>33%
<b>Effectiveness Ratio</b>					
	Outstanding Rates Ratio <sup>8</sup>	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.

<b>File Number (Name of Ward)</b> FM.FIR.2 - All Wards
--