

6.1: FINANCIAL ACTIVITY STATEMENT – 30 JUNE 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 30 June 2012.

ITEM 6.1: MOTION

MOVED: COUNCILLOR BOSTOCK
SECONDED: COUNCILLOR SUTTON

THAT this item lay on the table for further consideration by Council.

MOTION WITHDRAWN

Motion withdrawn with the consent of the mover and seconder.

ITEM 6.1: RESPONSIBLE OFFICER RECOMMENDATION**VOTING REQUIREMENT: SIMPLE MAJORITY**

MOVED: COUNCILLOR BOWLES
SECONDED: COUNCILLOR GREGSON

THAT the Financial Activity Statement for the period ending 30 June 2012 be RECEIVED.

CARRIED 11-0

BACKGROUND

1. The Statement of Financial Activity for the period ending 30 June 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.

6. The Financial Activity Statement as at 30 June 2012 presented for the Special Council Briefing 29/08/2012 is unaudited. As such it may be subject to change prior to the presentation of the annual financial report. The financial statements are scheduled to be audited during October 2012, with final audited annual financial report to be accepted as part of the annual report by Council no later than 31 December 2012, as per the requirement of the *Local Government Act 1996, sections 5.53 and 5.54*.

“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.”

7. STATEMENT OF FINANCIAL ACTIVITY – AS AT 30 JUNE 2012

	Actual Year to Date 30-Jun-12	Current Budget Year to Date 30-Jun-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants, Subsidies and Cont	5,509,511	3,542,973	1,966,538	√
Fees and Charges	13,421,334	13,649,090	-227,756	X
Interest Earnings	1,242,052	809,720	432,332	√
Other Revenue	838,078	1,044,617	-206,539	X
	21,010,975	19,046,400	1,964,575	
EXPENDITURE				
Employee Costs	16,765,636	16,819,234	-53,598	√
Materials and Contracts	12,092,981	13,797,648	-1,704,667	√
Utility Charges	1,910,194	1,501,499	408,695	X
Interest Expenses	1,046,166	1,042,761	3,405	X
Insurance Expenses	587,694	588,878	-1,184	√
Other Expenditure	1,778,606	2,438,240	-659,634	√
Depreciation	11,591,183	11,817,938	-226,755	√
Loss on Sale of Assets	18,345	408,917	-390,572	√
Less Allocated to Infrastructure	(1,026,945)	(1,067,094)	40,148	√
Adjustment for	44,763,860	47,348,021	-2,584,161	
Non-cash Revenue and Expenditure:				
Write Back Non Cash Items	11,591,183	11,817,938	-226,755	
Adjust (Profit)/Loss on Asset Disposal	18,345	408,917	-390,572	
Net Operating Excluding Rates	(12,143,357)	(16,074,766)	3,931,409	
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	4,327,626	10,632,498	-6,304,872	X
Proceeds from asset disposals	87,190	1,912,016	-1,824,826	X
Proceeds from New Loans	4,800,000	4,800,000	0	
Self-Supporting Loan Principal Revenue	31,062	31,061	1	√
Transfers from Reserves	2,156,645	4,895,186	-2,738,541	√
	11,402,524	22,270,761	-10,868,238	
CAPITAL EXPENDITURE				
Capital Expenditure	8,989,647	23,696,385	-14,706,738	√
Repayment of Loans	7,138,175	7,138,175	0	√
Transfer to Restricted Cash (Unspent Grants)	2,753,523			
Transfers to Reserves	4,645,176	3,856,894	788,282	X
	23,526,521	34,691,454	-13,918,456	
Net Capital	(12,123,998)	(12,420,693)	296,695	
Total Net Operating + Capital	(24,267,355)	(28,495,459)	4,228,104	
Rates Revenue	25,645,529	25,659,665	-14,136	
Opening Funding Surplus (Deficit)	1,495,642	1,495,642	0	
Closing Funding Surplus (Deficit)	2,873,817	(1,340,151)	4,213,968	

* √ 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 30 JUNE 2012

	Actual 30-Jun-12	Actual 30-Jun-11
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	10,207,312	5,767,118
Cash - Restricted	8,944,063	6,634,295
Receivables	3,019,761	2,136,618
Inventories	2,321,478	3,202,824
Total Current Assets	24,492,614	17,740,855
LESS: CURRENT LIABILITIES		
Payables and Provisions	6,954,103	6,523,688
	17,538,511	11,217,167
Less: Cash - Restricted - Trust	(1,005,353)	(1,318,300)
Less: Cash - Restricted - Reserves	(7,938,710)	(5,315,995)
NET CURRENT ASSET POSITION	8,594,448	4,582,872
NET CURRENT ASSETS PER BALANCE SHEET	15,771,481	2,819,432
Difference	7,177,033	(1,763,440)
Difference Represented by:		
Restricted Cash (Trust)	1,005,353	1,318,300
Reserve Funds - Financial Assets	182,510	327,010
Reserve Funds - Other	7,756,201	4,988,985
Self Supporting Loans (part of Receivables and Other)	(31,062)	
	8,913,002	6,634,295
Less:		
Borrowings	786,606	7,138,175
Trust Liabilities	949,363	1,259,560
Difference	7,177,033	(1,763,440)

8. CITY OF ALBANY– STATEMENT OF FINANCIAL POSITION–AS AT 30 JUNE 2012

	Actual 30-Jun-12	Actual 30-Jun-11
CURRENT ASSETS		
Cash - Municipal	10,207,312	5,767,118
Restricted cash (Trust)	1,005,353	1,318,300
Reserve Funds - Financial Assets	182,510	327,010
Reserve Funds - Other	7,756,201	4,988,985
Receivables & Other	2,988,699	2,136,618
Investment Land	1,681,028	2,398,674
Stock on hand	640,450	804,150
	24,461,552	17,740,855
CURRENT LIABILITIES		
Borrowings	786,606	7,138,175
Creditors prov - Annual leave & LSL	2,528,230	2,381,578
Trust Liabilities	949,363	1,259,559
Creditors prov & accruals	4,425,872	4,142,110
	8,690,071	14,921,422
NET CURRENT ASSETS	15,771,481	2,819,432
NON CURRENT ASSETS		
Receivables	46,211	46,211
Pensioners Deferred Rates	383,302	370,759
Investment Land	4,509,155	4,509,155
Property, Plant & Equip	76,637,725	71,237,891
Infrastructure Assets	182,448,273	190,555,179
Local Govt House Shares	19,501	19,501
	264,044,167	266,738,695
NON CURRENT LIABILITIES		
Borrowings	16,639,788	12,626,394
Creditors & Provisions	465,710	464,911
	17,105,498	13,091,305
NET ASSETS	262,710,150	256,466,823
EQUITY		
Accumulated Surplus	235,286,706	231,648,724
Reserves	8,648,810	6,043,465
Asset revaluation Reserve	18,774,634	18,774,634
	262,710,150	256,466,823

**9. STATEMENT OF COMPREHENSIVE INCOME (BY NATURE OR TYPE)
AS AT 30 JUNE 2012**

Nature / Type	YTD Actual 2011/12	Budget- Total 2011/12	Actual 2010/11
INCOME			
Rates	25,643,895	25,619,665	24,114,001
Grants & Subsidies	4,887,130	2,710,582	3,570,141
Contributions. Reimb & Donations	622,381	349,697	1,215,224
Fees & Charges	13,421,334	13,327,249	7,660,720
Service Charges	322	0	3,741,095
Interest Earned	1,242,052	697,000	1,184,413
Other Revenue / Income	839,596	617,625	860,783
	46,656,710	43,321,818	42,346,378
EXPENDITURE			
Employee Costs	15,738,690	16,948,783	15,295,323
Utilities	1,910,194	1,319,732	1,507,429
Interest Expenses	1,046,166	1,042,761	1,114,199
Depreciation on non-current assets	11,591,183	11,817,938	11,449,614
Contracts & materials	12,092,981	12,973,799	11,290,975
Insurance expenses	587,694	584,845	543,500
Other Expenses	1,783,198	223,994	1,665,462
	44,750,107	44,911,852	42,866,502
Change in net assets from operations	1,906,603	(1,590,034)	(520,124)
Grants and Subsidies - non-operating	3,896,195	6,770,372	9,180,800
Contributions Reimbursements and Donations - non-operating	431,430	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
	6,243,328	8,141,660	10,370,684

REFER DISCLAIMER

10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 30 JUNE 2012

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Apr-12	Market Value May-12	Market Value Jun-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%				
CBA	5/02/2012	2,000,000	5.40%				
CBA	4/03/2012	1,000,000	5.23%				
CBA	4/03/2012	2,000,000	5.23%				
CBA	5/04/2012	1,000,000	5.28%				
CBA	5/04/2012	2,000,000	5.28%				
CBA	7/05/2012	1,000,000	5.19%	1,000,000			
CBA	7/05/2012	2,000,000	5.19%	2,000,000			
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	
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			
NAB	3/06/2012	1,000,000	4.25%		1,000,000		
NAB	31/07/2012	1,000,078	4.25%			1,000,078	
NAB	2/04/2012	2,000,000	5.92%				
NAB	4/05/2012	2,000,000	4.74%	2,000,000			
NAB	3/06/2012	2,000,000	4.25%		2,000,000		
ANZ	4/01/2012	3,000,000	5.80%				
ANZ	2/04/2012	3,000,000	5.50%				

REFER DISCLAIMER

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Apr-12	Market Value May-12	Market Value Jun-12	Latest Monthly Variation
ANZ	3/05/2012	3,000,000	4.80%	3,000,000			
ANZ	2/06/2012	3,000,000	4.39%		3,000,000		
ANZ	3/07/2012	3,000,000	4.00%			3,000,000	
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%				
BENDIGO	5/03/2012	1,000,000	5.00%				
BENDIGO	5/04/2012	1,000,000	5.00%				
BENDIGO	5/05/2012	1,000,000	4.90%	1,000,000			
BENDIGO	5/06/2012	1,000,000	4.70%		1,000,000		
BANKWEST	4/01/2012	2,000,000	5.80%				
BANKWEST	5/03/2012	2,000,000	5.50%				
BANKWEST	7/05/2012	2,000,000	5.60%	2,000,000			
BANKWEST	7/06/2012	2,000,000	4.45%		2,000,000		
BANKWEST	8/07/2012	2,000,000	4.45%			2,000,000	
				12,000,000	12,000,000	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 Apr-12	Market Value May-12	Market Value Jun-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	12,068,750	8,068,828	0

11. FINANCIAL RATIOS - AS AT 30 JUNE 2012

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-10	30-Jun-11	30-Jun-12	Benchmark
Liquidity Ratios					
	Current Ratio ¹	117.4%	81.3%	200.5%	>100%
	Untied Cash to trade creditors Ratio ²	51.2%	273.6%	427.4%	>100%
Financial Position Ratio					
	Debt Ratio ³	11.3%	9.8%	8.9%	<100%
Debt Ratios					
	Debt Service Ratio ⁴	7.5%	9.0%	7.2%	<10%
	Gross Debt to Revenue Ratio ⁵	56.9%	46.7%	29.0%	<60%
	Gross Debt to Economically Realisable Assets ⁶	25.9%	22.6%	13.4%	<30%
Coverage Ratio					
	Rate Coverage Ratio ⁷	63.3%	46.0%	55.1%	>33%
Effectiveness Ratio					
	Outstanding Rates Ratio ⁸	5.4%	3.3%	3.0%	<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.

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 30 June 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 30 JUNE 2012

Comments / Reason for Variance

OPERATING REVENUE (EXCLUDING RATES)

OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

General purpose and road grant for the 2012/13 year received in late June.

FEES AND CHARGES

Receipts from a number of business units are under budget (AVC, Forts, Planning Fees), bringing the overall variance over the threshold. Largest variance is landfill receipts (\$440,000). This is due to less waste being received at landfill sites, with some categories of waste reducing by 75% compared to 2010/11

INTEREST EARNINGS

Interest earnings on investment of surplus funds exceeded budget due to favourable interest rates, and higher balances held in investments due to capital project delay. Through the year interest rate was generally over 5%.

OTHER REVENUE

Lands sales from Cull Rd development under budget (\$190,000).

OPERATING EXPENSES

EMPLOYEE COSTS

Under Variance threshold

MATERIAL AND CONTRACTS

The variation on material and contracts covers a large number of business units, with many individual variations being under \$15,000. The significant variations are in development - transport model study carried forward to 2012/13 (\$80,000), drainage asset management plan also carried forward to 2012/13 (\$150,000), landfill operations (\$440,000), legal fees (\$180,000), city designs projects (\$300,000), Emu Point operational costs (\$47,000), and maintenance on developed reserves and playgrounds (\$150,000).

UTILITY CHARGES

Increase in street lighting tariff and electricity tariff for all business units. ALAC Gas consumption increased due to boiler malfunction, since repaired. ALAC has also installed pool blankets which in future will reduce costs of heating water for pool. The City has reviewed a number of the utility contracts, and has changed some suppliers for more favourable rates.

INTEREST EXPENSES

Under Variance threshold

INSURANCE EXPENSES

Under Variance threshold

OTHER EXPENDITURE

Balance of Kidsport grant carried forward to 2012/13 (\$180,000), allocation of costs for expected sales from the Cull Rd development not expensed (\$170,000). Remainder of variance is spread over all other business units, with most individual variations under \$20,000.

DEPRECIATION (NON CURRENT ASSETS)

Depreciation charge is under budget as many anticipated capital projects not completed, and therefore not depreciated. At time of reporting, asset register not yet up to date during the year end process.

LOSS ON ASSET DISPOSAL

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

LESS ALLOCATED TO INFRASTRUCTURE

Under Variance threshold

CAPITAL REVENUE**GRANTS, SUBSIDIES AND CONTRIBUTIONS**

Due to the delay in a number of large capital projects, related grant receipts have also been delayed. Airport upgrade (\$1.125M), grant for North Rd/Sanford Rd drainage project (\$868,000), Road funding - various projects (\$1.4M), and contribution of subdivision assets (\$3M).

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

Many of the capital projects that have been delayed where partly funded from capital reserves. Unused reserve funding has been left in the reserve account, and the reserve balance carried forward to 2012/13 to fund the carried forward project.

CAPITAL EXPENSES**CAPITAL EXPENDITURE**

A number of significant capital projects delayed until 2012/13. Upgrade to the airport (\$2.5M), leachate landfill project at Hanrahan Rd site (\$1.6M), construction of North Rd/Sanford Rd intersection drainage infrastructure, plus other smaller projects (\$1.5M), a number of road and path upgrades (\$2.8M). Purchase/upgrade of plant and equipment, including IT infrastructure, motor vehicle fleet, heavy machinery and various small plant (\$3M) carried forward to 2012/13 budget. Subdivision asset contribution (\$3M), which is a year end reconciliation process, is yet to be finalised.

REPAYMENT OF LOANS

Under Variance threshold

TRANSFER TO RESERVES

Allocation of surplus from airport operations to reserve increased to fund scheduled capital projects.

OTHER ITEMS**RATE REVENUE**

Under Variance threshold

OPENING FUNDING SURPLUS (DEFICIT)

Under Variance threshold

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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