

4.2: FINANCIAL ACTIVITY STATEMENT – 31 AUGUST 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 August 2012.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION

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

BACKGROUND

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

CEO:

RESPONSIBLE OFFICER:

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

	Actual Year to Date 31-Aug-12	Current Budget Year to Date 31-Aug-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants & Subsidies	23,023	37,980	-14,957	X
Fees and Charges	6,269,082	6,234,152	34,930	√
Contributions, Donations & Reimbursements	75,835	119,176	-43,341	X
Interest Earnings	87,847	88,102	-255	X
Other Revenue	2,000	10,830	-8,830	X
	6,457,786	6,490,240	-32,454	
EXPENDITURE				
Employee Costs	2,594,982	3,116,138	-521,156	√
Materials and Contracts	1,256,340	2,082,876	-826,536	√
Utility Charges	171,354	199,229	-27,875	√
Interest Expenses	(21,737)	8,138	-29,875	√
Insurance Expenses	0	120,318	-120,318	√
Other Expenditure	106,123	117,857	-11,734	√
Depreciation	1,968,024	1,968,024	0	√
Loss on Sale of Assets	0	44,824	-44,824	√
Less Allocated to Infrastructure	(57,953)	(77,998)	20,045	√
	6,017,133	7,579,406	-1,562,273	
Adjustment for Non-cash Revenue and Expenditure:				
Write Back Non Cash Items	1,968,024	1,968,024	0	
Adjust (Profit)/Loss on Asset Disposal	0	44,824	-44,824	
Net Operating Excluding Rates	2,408,678	923,682		
CAPITAL REVENUE				
Non-Operating Grants, Subsidies and Cont	1,397,922	1,081,322	316,600	√
Proceeds from asset disposals	4,956	334	4,622	√
Transfers from Reserves (Restricted Assets)	0	0	0	√
	1,402,878	1,081,656	321,222	
CAPITAL EXPENDITURE				
Capital Expenditure	457,334	1,207,006	-749,672	√
Repayment of Loans	16,200	32,492	-16,292	√
Transfers to Reserves (Restricted Assets)	9,665	83,843	-74,178	√
	483,199	1,323,341	-840,142	
Net Capital	919,679	(241,685)	1,161,364	
Total Net Operating + Capital	3,328,357	681,997	2,646,360	
Rates Revenue	27,150,693	27,093,676	57,017	
Restricted Cash Funds - Grants	0	0	0	
Opening Funding Surplus (Deficit)	2,589,920	2,589,920	0	
Closing Funding Surplus (Deficit)	33,068,970	30,365,593	2,703,377	

* √ 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 AUGUST 2012

	Actual 31-Aug-12	Actual 30-Jun-12
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	13,742,205	10,207,312
Cash - Restricted	8,962,134	8,944,063
Receivables	28,202,332	3,081,904
Inventories	2,346,820	2,321,477
Total Current Assets	53,253,491	24,554,756
LESS: CURRENT LIABILITIES		
Payables and Provisions	5,205,826	6,996,311
	48,047,665	17,558,445
Less: Cash - Restricted - Trust	(1,003,696)	(1,005,353)
Less: Cash - Restricted - Reserves	(7,958,438)	(7,938,710)
NET CURRENT ASSET POSITION	39,085,531	8,614,382
NET CURRENT ASSETS PER BALANCE SHEET	46,329,552	15,791,415
Difference	7,244,021	7,177,033
Difference Represented by:		
Restricted Cash (Trust)	1,003,696	1,005,353
Reserve Funds - Financial Assets	182,510	182,510
Reserve Funds - Other	7,775,928	7,756,201
Self Supporting Loans (part of Receivables and Other)	-	(31,062)
	8,962,134	8,913,002
Less:		
Borrowings	770,406	786,606
Trust Liabilities	947,707	949,363
Difference	7,244,021	7,177,033

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

	Actual 31-Aug-12	Actual 30-Jun-12
CURRENT ASSETS		
Cash - Municipal	13,742,205	10,207,312
Restricted cash (Trust)	1,003,696	1,005,353
Reserve Funds - Financial Assets	182,510	182,510
Reserve Funds - Other	7,775,928	7,756,201
Receivables & Other	28,202,332	3,050,842
Investment Land	1,681,028	1,681,028
Stock on hand	665,791	640,450
	53,253,490	24,523,695
CURRENT LIABILITIES		
Borrowings	770,406	786,606
Creditors prov - Annual leave & LSL	2,435,034	2,562,504
Trust Liabilities	947,707	949,363
Creditors prov & accruals	2,770,791	4,433,807
	6,923,938	8,732,281
NET CURRENT ASSETS	46,329,552	15,791,415
NON CURRENT ASSETS		
Receivables	12,989	46,211
Pensioners Deferred Rates	383,302	383,302
Investment Land	4,509,155	4,509,155
Property, Plant & Equip	78,095,895	78,230,138
Infrastructure Assets	181,071,825	182,448,273
Local Govt House Shares	19,501	19,501
	264,092,667	265,636,580
NON CURRENT LIABILITIES		
Borrowings	16,639,788	16,639,788
Creditors & Provisions	465,710	465,710
	17,105,498	17,105,498
NET ASSETS	293,316,721	264,322,496
EQUITY		
Accumulated Surplus	265,883,612	236,899,052
Reserves	8,658,475	8,648,810
Asset revaluation Reserve	18,774,634	18,774,634
	293,316,721	264,322,496

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

Nature / Type	YTD Actual 2012/13	Budget-Total 2012/13	Actual 2011/12
INCOME			
Rates	27,150,693	27,107,022	25,643,895
Grants & Subsidies	23,023	2,732,950	4,887,130
Contributions, Reimb & Donations	75,835	373,610	622,381
Fees & Charges	6,269,082	14,432,869	13,421,334
Service Charges	0	0	322
Interest Earned	87,847	825,368	1,242,052
Other Revenue / Income	2,000	115,000	839,596
	33,608,480	45,586,819	46,656,710
EXPENDITURE			
Employee Costs	2,537,029	18,293,908	15,789,715
Utilities	171,354	1,729,483	1,910,194
Interest Expenses	(21,737)	909,431	1,046,166
Depreciation on noncurrent assets	1,968,024	11,812,900	11,591,183
Contracts & materials	1,256,340	14,259,030	12,200,593
Insurance expenses	0	722,187	587,694
Other Expenses	106,123	1,721,311	1,811,679
	6,017,133	49,448,250	44,937,226
Change in net assets from operations	27,591,347	(3,861,431)	1,719,484
Grants and Subsidies - non-operating	1,326,037	9,494,797	3,957,734
Contributions Reimbursements and Donations - non-operating	71,885	0	2,169,357
Profit/Loss on Asset Disposals	4,956	(269,049)	(18,345)
Cash Backing of Reserves	0	0	27,444
Fair value - Investments adjustment	0	0	0
	28,994,225	5,364,317	7,855,674

REFER DISCLAIMER

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

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jun-12	Market Value Jul-12	Market Value Aug-12	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	6/07/2012	2,000,000	4.70%	2,000,000			
CBA	8/08/2012	2,000,000	4.48%		2,000,000		
CBA	7/09/2012	2,000,000	4.50%			2,000,000	
NAB	31/07/2012	1,000,078	4.25%	1,000,078	1,000,078		
NAB	29/09/2012	1,000,078	3.15%			1,000,078	
ANZ	3/07/2012	3,000,000	4.00%	3,000,000			
ANZ	2/08/2012	3,000,000	4.00%		3,000,000		
ANZ	3/09/2012	1,000,000	4.00%			1,000,000	
BANKWEST	8/07/2012	2,000,000	4.45%	2,000,000			
BANKWEST	7/08/2012	2,000,000	4.20%		2,000,000		
BANKWEST	6/09/2012	2,000,000	4.20%			2,000,000	
				8,000,078	8,000,078	6,000,078	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 Jun-12	Market Value Jul-12	Market Value Aug-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				8,068,828	8,068,828	6,068,828	0

11. FINANCIAL RATIOS - AS AT 31 AUGUST 2012

CITY OF ALBANY FINANCIAL RATIOS	30-Jun-11	30-Jun-12	31-Aug-12	Benchmark
Liquidity Ratios				
Current Ratio ¹	81.3%	200.2%	741.1%	>100%
Untied Cash to trade creditors Ratio ²	273.6%	427.4%	1443.0%	>100%
Financial Position Ratio				
Debt Ratio ³	9.8%	8.9%	7.6%	<100%
Debt Ratios				
Debt Service Ratio ⁴	9.0%	7.2%	0.0%	<10%
Gross Debt to Revenue Ratio ⁵	46.7%	30.2%	39.9%	<60%
Gross Debt to Economically Realisable Assets ⁶	22.6%	13.2%	10.3%	<30%
Coverage Ratio				
Rate Coverage Ratio ⁷	46.0%	57.3%	80.6%	>33%
Effectiveness Ratio				
Outstanding Rates Ratio ⁸	3.3%	3.0%	93.2%	<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 and the due date is not until 12th September 2012.

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 August 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 –

NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY AS AT 31 AUGUST 2012

Comments/Reason for Variance

OPERATING REVENUE (EXCLUDING RATES)

OPERATING GRANTS & SUBSIDIES

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. Some manager/supervisor positions not yet filled (currently at recruitment stage) in Community Services, and Works and Services. Employee provisions for long service leave and annual leave not yet processed for period to date. Once this is processed, the variation will reduce. This will be done at the end of each quarter.

MATERIAL AND CONTRACTS

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

UTILITY CHARGES

Under Variance threshold.

INTEREST EXPENSES

Under Variance threshold.

INSURANCE EXPENSES

Budget timing issue. First instalment invoice received, but not yet allocated. Allocation across all business units will be done in September.

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**NON-OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS**

Timing issue. Some road funding grants receipted to July, however budget timing was for receipts as allocated August to December.

PROCEEDS FROM DISPOSAL OF ASSETS

Under Variance threshold.

PROCEEDS FROM NEW LOANS

Under Variance threshold.

SELF-SUPPORTING LOAN PRINCIPAL

Under Variance threshold.

TRANSFER FROM RESERVES (RESTRICTED ASSETS)

Under Variance threshold.

CAPITAL EXPENSES**CAPITAL EXPENDITURE**

Timing issue. Minimal capital projects commenced in July.

REPAYMENT OF LOANS

Under Variance threshold.

TRANSFER TO RESERVES (RESTRICTED ASSETS)

Only minor 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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