

4.2: FINANCIAL ACTIVITY STATEMENT – 30 SEPTEMBER 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 September 2012.

ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION**VOTING REQUIREMENT: SIMPLE MAJORITY**

The Financial Activity Statement for the period ending 30 September 2012 be RECEIVED.

BACKGROUND

1. The Statement of Financial Activity for the period ending 30 September 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 30 SEPTEMBER 2012

	Actual Year to Date 30-Sep-12	Current Budget Year to Date 30-Sep-12	Current Budget vs Actual Variance	
REVENUE				*
Operating Grants & Subsidies	456,020	476,970	-20,950	X
Fees and Charges	7,114,716	7,076,537	38,179	√
Contributions, Donations & Reimbursements.	177,483	131,264	46,219	√
Interest Earnings	248,657	157,544	91,113	√
Other Revenue	286,016	276,245	9,771	√
	8,282,892	8,118,560	164,332	
EXPENDITURE				
Employee Costs	3,835,910	4,660,315	-824,405	√
Materials and Contracts	1,898,855	3,078,332	-1,179,477	√
Utility Charges	391,109	356,339	34,770	X
Interest Expenses	(21,737)	12,207	-33,944	√
Insurance Expenses	104,139	180,477	-76,338	√
Other Expenditure	474,734	516,996	-42,262	√
Depreciation	2,952,036	2,952,036	0	√
Loss on Sale of Assets	0	0	0	√
Less Allocated to Infrastructure	(95,663)	(114,448)	18,785	√
	9,539,383	11,642,254	-2,102,871	
Adjustment for Non-cash Revenue and Expenditure				
Write Back Non Cash Items	2,952,036	2,952,036	0	
Adjust (Profit)/Loss on Asset Disposal	0	0	0	
	1,695,545	(571,658)		
Net Operating Excluding Rates				
CAPITAL REVENUE				
Non-Operating Grants, Subsidies & Cont	1,405,657	1,382,254	23,403	√
Proceeds from asset disposals	4,956	435,776	-430,820	X
Transfers from Reserves (Restricted Assets)	0	0	0	
	1,410,613	1,818,030	-407,417	
CAPITAL EXPENDITURE				
Capital Expenditure	997,834	3,897,652	-2,899,818	√
Repayment of Loans	16,200	48,738	-32,538	√
Transfers to Reserves (Restricted Assets)	20,087	112,680	-92,593	√
	1,034,122	4,059,070	-3,024,948	
Net Capital	376,491	(2,241,040)	2,617,531	
Total Net Operating + Capital	2,072,036	(2,812,698)	4,884,734	
Rates Revenue	26,980,446	26,964,503	15,943	
Restricted Cash Funds - Grants	0	0	0	
Opening Funding Surplus (Deficit)	2,982,441	2,982,441	0	
Closing Funding Surplus (Deficit)	32,034,923	27,134,246	4,900,677	

* √ 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 SEPTEMBER 2012

	Actual 30-Sept-12	Actual 30-Jun-12
NET CURRENT ASSETS		
Composition of Net Current Asset Position		
CURRENT ASSETS		
Cash - Unrestricted	26,266,813	9,898,720
Cash - Restricted	9,097,054	9,138,916
Receivables	13,555,209	3,141,767
Inventories	1,799,487	2,114,523
Total Current Assets	50,718,563	24,293,926
LESS: CURRENT LIABILITIES		
Payables and Provisions	4,470,755	7,015,614
	46,247,808	17,278,312
Less: Cash - Restricted - Trust	(948,673)	(1,020,686)
Less: Cash - Restricted - Reserves	(8,148,381)	(8,118,231)
NET CURRENT ASSET POSITION	37,150,754	8,139,395
NET CURRENT ASSETS PER BALANCE SHEET	44,600,051	15,511,281
Difference	7,449,297	7,371,886
Difference Represented by:		
Restricted Cash (Trust)	948,673	1,020,686
Reserve Funds - Financial Assets	68,771	68,771
Reserve Funds - Other	8,079,610	8,049,460
Self Supporting Loans (part of Receivables and Other)	0	(31,062)
	9,097,054	9,107,855
Less:		
Borrowings	770,406	786,606
Trust Liabilities	877,351	949,363
Difference	7,449,297	7,371,886

8. CITY OF ALBANY-STATEMENT OF FINANCIAL POSITION-AS AT 30 SEPTEMBER 2012

	Actual 30-Sept-12	Actual 30-Jun-12
CURRENT ASSETS		
Cash - Municipal	26,266,813	9,898,720
Restricted cash (Trust)	948,673	1,020,686
Reserve Funds - Financial Assets	68,771	68,771
Reserve Funds - Other	8,079,610	8,049,460
Receivables & Other	13,555,209	3,110,705
Investment Land	1,286,719	1,554,927
Stock on hand	512,768	559,596
	50,718,562	24,262,864
CURRENT LIABILITIES		
Borrowings	770,406	786,606
Creditors prov - Annual leave & LSL	2,362,991	2,562,504
Trust Liabilities	877,351	949,363
Creditors prov & accruals	2,107,764	4,453,110
	6,118,511	8,751,583
NET CURRENT ASSETS	44,600,051	15,511,281
NON CURRENT ASSETS		
Receivables	12,989	12,989
Pensioners Deferred Rates	383,302	383,302
Investment Land	4,714,702	4,714,702
Property, Plant & Equip	71,906,470	71,796,000
Infrastructure Assets	186,587,704	188,652,376
Local Govt House Shares	19,501	19,501
	263,624,668	265,578,870
NON CURRENT LIABILITIES		
Borrowings	16,639,788	16,639,788
Creditors & Provisions	465,710	465,710
	17,105,498	17,105,498
NET ASSETS	291,119,221	263,984,653
EQUITY		
Accumulated Surplus	263,317,504	236,203,024
Reserves	9,027,083	9,006,995
Asset revaluation Reserve	18,774,634	18,774,634
	291,119,221	263,984,653

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

Nature / Type

	YTD Actual 2012/13	Budget-Total 2012/13	Actual 2011/12
INCOME			
Rates	26,980,446	27,107,022	25,642,948
Grants & Subsidies	456,020	2,732,950	4,887,130
Contributions. Reimb & Donations	177,483	373,610	665,327
Fees & Charges	7,114,716	14,432,869	13,302,006
Interest Earned	248,657	825,368	1,376,091
Other Revenue / Income	286,016	115,000	841,988
	35,263,338	45,586,819	46,715,488
EXPENDITURE			
Employee Costs	3,740,247	18,293,908	15,804,295
Utilities	391,109	1,729,483	1,910,194
Interest Expenses	(21,737)	909,431	1,046,166
Depreciation on non current assets	2,952,036	11,812,900	11,640,078
Contracts & materials	1,898,855	14,259,030	12,176,186
Insurance expenses	104,139	722,187	587,694
Other Expenses	474,734	1,721,311	2,055,494
	9,539,383	49,448,250	45,220,109
Change in net assets from operations	25,723,955	(3,861,431)	1,495,379
Grants and Subsidies - non-operating	1,326,037	6,994,797	3,957,734
Contributions Reimbursements and Donations - non-operating	79,620	2,500,000	2,169,357
Profit/Loss on Asset Disposals	4,956	(269,049)	(18,345)
Cash Backing of Reserves	0	0	(86,295)
Fair value - Investments adjustment			0
	27,134,568	5,364,317	7,517,830

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

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jul-12	Market Value Aug-12	Market Value Sept-12	Latest Monthly Variation
MUNICIPAL ACCOUNT							
CBA	6/07/2012	2,000,000	4.70%				
CBA	8/08/2012	2,000,000	4.48%	2,000,000			
CBA	7/09/2012	2,000,000	4.50%		2,000,000		
CBA	8/10/2012	2,000,000	4.48%			2,000,000	
NAB	31/07/2012	1,000,078	4.25%	1,000,078			
NAB	29/09/2012	1,000,078	3.15%		1,000,078		
NAB	30/10/2012	1,000,078	4.05%			1,000,078	
ANZ	3/07/2012	3,000,000	4.00%				
ANZ	2/08/2012	3,000,000	4.00%	3,000,000			
ANZ	3/09/2012	1,000,000	4.00%		1,000,000		
ANZ	5/10/2012	1,000,000	3.79%			1,000,000	
ANZ**	On call	4,000,000	BBSW+1.75%			4,000,000	
BANKWEST	8/07/2012	2,000,000	4.45%				
BANKWEST	7/08/2012	2,000,000	4.20%	2,000,000			
BANKWEST	6/09/2012	2,000,000	4.20%		2,000,000		
BANKWEST	21/11/2012	2,000,000	4.70%			2,000,000	
				8,000,078	6,000,078	10,000,078	n/a
RESERVES ACCOUNT							
No funds currently invested							
				0	0	0	
				0	0	0	n/a

REFER DISCLAIMER

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Jul-12	Market Value Aug-12	Market Value Sept-12	Latest Monthly Variation
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
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	6,068,828	10,068,828	0

**The BBSW (bank bill swap rate) is the wholesale interbank rate within Australia and is published by the Australian Financial Markets Association (AFMA). It is the borrowing rate among the country's top market makers, and is widely used as the benchmark interest rate for financial instruments.

11. FINANCIAL RATIOS - AS AT 30 SEPTEMBER 2012

CITY OF ALBANY FINANCIAL RATIOS	30-Jun-11	30-Jun-12	30-Sept-12	Benchmark
Liquidity Ratios				
Current Ratio ¹	81.3%	193.8%	794.1%	>100%
Untied Cash to trade creditors Ratio ²	273.6%	418.3%	9554.9%	>100%
Financial Position Ratio				
Debt Ratio ³	9.8%	8.9%	7.4%	<100%
Debt Ratios				
Debt Service Ratio ⁴	9.0%	7.2%	0.0%	<10%
Gross Debt to Revenue Ratio ⁵	46.7%	30.2%	38.1%	<60%
Gross Debt to Economically Realisable Assets ⁶	22.6%	14.1%	11.0%	<30%
Coverage Ratio				
Rate Coverage Ratio ⁷	46.0%	57.3%	76.1%	>33%
Effectiveness Ratio				
Outstanding Rates Ratio ⁸	3.3%	3.0%	43.2%	<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 ratio will reduce during the course of the year as rate instalments amounts are paid.

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 September 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 AT 30 SEPTEMBER 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

Interest earnings on rate instalment payments exceed budget, but similar to last year. Budget estimates for this item are very conservative, due to the uncertainty during budget preparation regarding the interest rate chargeable under amended Local Government regulations being proposed at the time.

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, with some positions only recently filled, 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.

MATERIAL AND CONTRACTS

Timing in receipt of waste contract invoice (received early October). Road and other infrastructure maintenance under budget year to date, due to wet weather in the first quarter of the year.

UTILITY CHARGES

Under Variance threshold

INTEREST EXPENSES

Under Variance threshold

INSURANCE EXPENSES

First instalment invoice received and allocated. Second instalment due late October/early November.

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 & CONTRIBUTIONS**

Under Variance threshold

PROCEEDS FROM DISPOSAL OF ASSETS

Minimal assets sold or replaced year-to-date.

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 so far, many infrastructure projects are weather dependent. Once dry weather has started, roads and drainage projects can commence on a bigger scale. Purchase of plant and equipment also under budget year-to-date (\$750 000).

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**

Under Variance threshold

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
-----------------------------------	----------------------