

**4.2: FINANCIAL ACTIVITY STATEMENT – 31 OCTOBER 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 October 2012.

**ITEM 4.2: RESPONSIBLE OFFICER RECOMMENDATION**

**VOTING REQUIREMENT: SIMPLE MAJORITY**

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

**BACKGROUND**

1. The Statement of Financial Activity for the period ending 31 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 31 OCTOBER 2012

	Actual Year to Date 31-Oct-12	Current Budget Year to Date 31-Oct-12	Current Budget vs Actual Variance	*
<b>REVENUE</b>				
Operating Grants & Subsidies	454,340	483,014	-28,673	X
Fees and Charges	8,034,141	7,907,742	126,399	√
Contributions, Donations & Reimbursements	255,694	211,047	44,647	√
Interest Earnings	354,793	241,497	113,296	√
Other Revenue	4,061	21,660	-17,599	X
	<b>9,103,029</b>	<b>8,864,960</b>	<b>238,070</b>	
<b>EXPENDITURE</b>				
Employee Costs	6,175,644	6,243,453	-67,809	√
Materials and Contracts	3,303,406	4,186,915	-883,509	√
Utility Charges	463,276	504,181	-40,905	√
Interest Expenses	4,257	16,276	-12,019	√
Insurance Expenses	222,619	240,636	-18,017	√
Other Expenditure	288,431	327,951	-39,519	√
Depreciation	3,936,048	3,936,048	0	√
Loss on Sale of Assets	0	0	0	√
Less Allocated to Infrastructure	(286,420)	(223,420)	-63,000	X
	<b>14,107,262</b>	<b>15,232,040</b>	<b>-1,124,778</b>	
<b>Adjustment for Non-cash Revenue and Expenditure:</b>				
Write Back Non Cash Items	3,936,048	3,936,048	0	
Adjust (Profit)/Loss on Asset Disposal	-	-	0	
<b>Net Operating Excluding Rates</b>	<b>(1,068,184)</b>	<b>(2,431,032)</b>		
<b>CAPITAL REVENUE</b>				
Non-Operating Grants, Subsidies and Cont	2,546,566	2,457,472	89,094	√
Proceeds from asset disposals	477,233	695,943	-218,710	X
Transfers from Reserves (Restricted Assets)	0	0	0	
	<b>3,023,799</b>	<b>3,153,415</b>	<b>-129,616</b>	
<b>CAPITAL EXPENDITURE</b>				
Capital Expenditure	1,492,009	4,263,027	-2,771,019	√
Repayment of Loans	39,235	64,984	-25,749	√
Transfers to Reserves (Restricted Assets)	44,130	141,517	-97,387	√
	<b>1,575,374</b>	<b>4,469,528</b>	<b>-2,894,155</b>	
<b>Net Capital</b>	<b>1,448,426</b>	<b>(1,316,113)</b>	2,764,539	
<b>Total Net Operating + Capital</b>	<b>380,242</b>	<b>(3,747,145)</b>	4,127,387	
Rates Revenue	27,003,511	26,980,330	23,181	
Restricted Cash Funds - Grants	0	0	0	
Opening Funding Surplus (Deficit)	2,982,441	2,973,800	8,641	
<b>Closing Funding Surplus (Deficit)</b>	<b>30,366,194</b>	<b>26,206,985</b>	<b>4,159,209</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 OCTOBER 2012

	Actual 31-Oct-12	Actual 30-Jun-12
<b>NET CURRENT ASSETS</b>		
Composition of Net Current Asset Position		
<b>CURRENT ASSETS</b>		
Cash - Unrestricted	26,459,640	9,898,720
Cash - Restricted	9,113,031	9,138,916
Receivables	12,462,217	3,141,767
Inventories	1,652,388	2,114,523
<b>Total Current Assets</b>	<b>49,687,276</b>	<b>24,293,926</b>
<b>LESS: CURRENT LIABILITIES</b>		
Payables and Provisions	5,523,307	7,015,614
	<b>44,163,969</b>	<b>17,278,312</b>
Less: Cash - Restricted - Trust	(940,614)	(1,020,686)
Less: Cash - Restricted - Reserves	(8,172,418)	(8,118,231)
<b>NET CURRENT ASSET POSITION</b>	<b>35,050,937</b>	<b>8,139,395</b>
<b>NET CURRENT ASSETS PER BALANCE SHEET</b>	42,584,638	15,511,281
<b>Difference</b>	<b>7,533,701</b>	<b>7,371,886</b>
<b>Difference Represented by:</b>		
Restricted Cash (Trust)	940,614	1,020,686
Reserve Funds - Financial Assets	68,771	68,771
Reserve Funds - Other	8,103,647	8,049,460
Self Supporting Loans (part of Receivables and Other)	0	(31,062)
	<b>9,113,032</b>	<b>9,107,855</b>
<b>Less:</b>		
Borrowings	747,370	786,606
Trust Liabilities	831,961	949,363
<b>Difference</b>	<b>7,533,701</b>	<b>7,371,886</b>

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

	Actual 31-Oct-12	Actual 30-Jun-12
<b>CURRENT ASSETS</b>		
Cash - Municipal	26,459,640	9,898,720
Restricted cash (Trust)	940,614	1,020,686
Reserve Funds - Financial Assets	68,771	68,771
Reserve Funds - Other	8,103,647	8,049,460
Receivables & Other	12,462,217	3,110,705
Investment Land	1,161,166	1,554,927
Stock on hand	491,222	559,596
	<b>49,687,277</b>	<b>24,262,864</b>
<b>CURRENT LIABILITIES</b>		
Borrowings	747,371	786,606
Creditors prov - Annual leave & LSL	2,526,411	2,562,504
Trust Liabilities	831,961	949,363
Creditors prov & accruals	2,996,896	4,453,110
	<b>7,102,639</b>	<b>8,751,583</b>
<b>NET CURRENT ASSETS</b>	<b>42,584,638</b>	<b>15,511,281</b>
<b>NON CURRENT ASSETS</b>		
Receivables	12,989	12,989
Pensioners Deferred Rates	383,302	383,302
Investment Land	4,714,702	4,714,702
Property, Plant & Equip	72,104,856	71,796,000
Infrastructure Assets	185,899,480	188,652,376
Local Govt House Shares	19,501	19,501
	<b>263,134,830</b>	<b>265,578,870</b>
<b>NON CURRENT LIABILITIES</b>		
Borrowings	16,639,788	16,639,788
Creditors & Provisions	465,710	465,710
	<b>17,105,498</b>	<b>17,105,498</b>
<b>NET ASSETS</b>	<b>288,613,970</b>	<b>263,984,653</b>
<b>EQUITY</b>		
Accumulated Surplus	260,788,211	236,203,024
Reserves	9,051,125	9,006,995
Asset revaluation Reserve	18,774,634	18,774,634
	<b>288,613,970</b>	<b>263,984,653</b>

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

**Nature / Type**

	<b>YTD Actual 2012/13</b>	<b>Budget-Total 2012/13</b>	<b>Actual 2011/12</b>
<b>INCOME</b>			
Rates	27,003,511	27,107,022	25,642,948
Grants & Subsidies	454,340	2,732,950	4,887,130
Contributions. Reimb & Donations	255,694	373,610	665,327
Fees & Charges	8,034,141	14,432,869	13,302,006
Interest Earned	354,793	825,368	1,376,091
Other Revenue / Income	4,061	115,000	841,988
	<b>36,106,541</b>	<b>45,586,819</b>	<b>46,715,488</b>
<b>EXPENDITURE</b>			
Employee Costs	5,889,224	18,293,908	15,804,295
Utilities	463,276	1,729,483	1,910,194
Interest Expenses	4,257	909,431	1,046,166
Depreciation on noncurrent assets	3,936,048	11,812,900	11,640,078
Contracts & materials	3,303,406	14,259,030	12,176,186
Insurance expenses	222,619	722,187	587,694
Other Expenses	288,431	1,721,311	2,055,494
	<b>14,107,262</b>	<b>49,448,250</b>	<b>45,220,109</b>
<b>Change in net assets from operations</b>	<b>21,999,279</b>	<b>(3,861,431)</b>	<b>1,495,379</b>
Grants and Subsidies - non-operating	2,426,037	6,994,797	3,957,734
Contributions Reimbursements and Donations - non-operating	120,529	2,500,000	2,169,357
Profit/Loss on Asset Disposals	109,960	(269,049)	(18,345)
Cash Backing of Reserves	0	0	(86,295)
Fair value - Investments adjustment			0
	<b>24,655,805</b>	<b>5,364,317</b>	<b>7,517,830</b>

\*\*REFER DISCLAIMER\*\*

## 10. PORTFOLIO VALUATION – MARKET VALUE – AS AT 31 OCTOBER 2012

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Aug-12	Market Value Sept-12	Market Value Oct-12	Latest Monthly Variation
<b>MUNICIPAL ACCOUNT</b>							
CBA	7/09/2012	2,000,000	4.50%	2,000,000			
CBA	8/10/2012	2,000,000	4.48%		2,000,000		
CBA	7/11/2012	2,000,000	4.48%			2,000,000	
CBA	On call	3,000,000				3,000,000	
NAB	31/07/2012	1,000,078	4.25%				
NAB	29/09/2012	1,000,078	3.15%	1,000,078			
NAB	30/10/2012	1,000,078	4.05%		1,000,078		
NAB	29/11/2012	1,000,078	4.05%			1,000,078	
NAB	On call	4,000,000				4,000,000	
ANZ	3/07/2012	3,000,000	4.00%				
ANZ	2/08/2012	3,000,000	4.00%				
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			4,000,000	5,000,000	
BANKWEST	8/07/2012	2,000,000	4.45%				
BANKWEST	7/08/2012	2,000,000	4.20%				
BANKWEST	6/09/2012	2,000,000	4.20%	2,000,000			
BANKWEST	21/11/2012	2,000,000	4.70%		2,000,000	2,000,000	
				<b>6,000,078</b>	<b>10,000,078</b>	<b>17,000,078</b>	n/a

\*\*REFER DISCLAIMER\*\*

Security	Maturity Date	Security Cost (Incl accrued interest)	Current Interest %	Market Value Aug-12	Market Value Sept-12	Market Value Oct-12	Latest Monthly Variation
<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 (AAAGlogal 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>
<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>6,068,828</b>	<b>10,068,828</b>	<b>17,068,828</b>	<b>0</b>

**11. FINANCIAL RATIOS - AS AT 31 OCTOBER 2012**

CITY OF ALBANY FINANCIAL RATIOS		30-Jun-11	30-Jun-12	31-Oct-12	Benchmark
<b>Liquidity Ratios</b>					
	Current Ratio <sup>1</sup>	81.3%	193.8%	647.0%	>100%
	Untied Cash to trade creditors Ratio <sup>2</sup>	273.6%	418.3%	2292.8%	>100%
<b>Financial Position Ratio</b>					
	Debt Ratio <sup>3</sup>	9.8%	8.9%	7.7%	<100%
<b>Debt Ratios</b>					
	Debt Service Ratio <sup>4</sup>	9.0%	7.2%	0.1%	<10%
	Gross Debt to Revenue Ratio <sup>5</sup>	46.7%	30.2%	36.8%	<60%
	Gross Debt to Economically Realisable Assets <sup>6</sup>	22.6%	14.1%	11.1%	<30%
<b>Coverage Ratio</b>					
	Rate Coverage Ratio <sup>7</sup>	46.0%	57.3%	73.7%	>33%
<b>Effectiveness Ratio</b>					
	Outstanding Rates Ratio <sup>8</sup>	3.3%	3.0%	38.4%	<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 31 OCTOBER 2012

#### Comments/Reason for Variance

#### OPERATING REVENUE (EXCLUDING RATES)

##### OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS

Under Variance threshold

##### FEES AND CHARGES

With the legislated changes to the airport screening process, and increase in passenger levy, there was some degree of uncertainty about the impact this would have on airport usage and revenue. The budgeted revenue was set at the lower end of expectations. This has been exceeded year-to-date. There has also been a timing delay in receiving the invoice for the security screening contract, so the increase in expenses has not been fully reflected in the Operating Expenses.

##### 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, on a percentage basis on 1.1%, with most manager positions now filled, this should be in line with budget for the remainder of the year.

##### MATERIAL AND CONTRACTS

Timing in receipt of waste contract invoice, the verge hard waste collection has just been completed, but not yet invoiced, with an extra 150 ton of rubbish compared to last year collected. Road and other infrastructure maintenance under budget year to date, due to wet weather in the first quarter of the year. Expect this activity to increase over the summer months. Also a timing delay in the invoicing for airport screening contract.

##### UTILITY CHARGES

Under Variance threshold

**INTEREST EXPENSES**

Under Variance threshold

**INSURANCE EXPENSES**

Under Variance threshold

**OTHER EXPENDITURE**

Under Variance threshold

**DEPRECIATION (NON CURRENT ASSETS)**

Under Variance threshold

**LOSS ON ASSET DISPOSAL**

Under Variance threshold

**Less Allocated to Infrastructure**

Additional internal resources used for capital works

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

Timing issue. As with most capital grants, the funding is not received evenly through the year. This variance is in a number of road grants and over the year the receipts should be in line with budget.

**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.

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