

4.2: FINANCIAL ACTIVITY STATEMENT – 28 FEBRUARY 2013

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 28 February 2013.

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

The Financial Activity Statement for the period ending 28 February 2013 be RECEIVED.

BACKGROUND

1. The Statement of Financial Activity for the period ending 28 February 2013 has been prepared and is attached.
2. In addition to the statutory requirement to provide Council with a Statement of Financial Activity, 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.”

STATUTORY IMPLICATIONS

6. 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 28 February 2013 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.

POLICY IMPLICATIONS

- 7. The City's 2012/13 Annual Budget provides a set of parameters that guides the City's financial practices.
- 8. 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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City of Albany

MONTHLY FINANCIAL REPORT

For the Period Ended 28th February 2013

ITEM 4.2 OF THE ORDINARY COUNCIL MEETING

TABLE OF CONTENTS

Statement of Financial Activity

Note 1 Net Current Funding Position

Note 2 Cash Investments

Note 3 Major Variances

AGENDA ITEM 4.2 REFERS

City of Albany
STATEMENT OF FINANCIAL ACTIVITY
(Nature or Type)
For the Period Ended 28th February 2013

	Note	Original Annual Budget	Revised Annual Budget 4	YTD Budget (a)	YTD Actual (b)	Var. \$ (b)-(a) 3	Var. % (b)-(a)/(b) 3	
Operating Revenues			\$	\$	\$	\$	%	
Grants & Subsidies		2,732,950	2,725,277	1,323,118	1,369,740	46,622	3.4%	▲
Contributions, Donations & Reimbursements		373,610	434,000	317,427	707,161	389,735	55.1%	▲
Profit on Asset Disposal		0	0	0	1,694,683	1,694,683	100.0%	▲
Fees and Charges		14,432,869	14,360,669	11,292,944	11,584,907	291,963	2.5%	▲
Interest Earnings		825,368	825,368	664,469	724,704	60,235	8.3%	▲
Other Revenue		115,000	65,000	10,000	45,069	35,069	77.8%	
Total (Excluding Rates)		18,479,797	18,410,314	13,607,958	16,126,263	2,518,306		
Operating Expense								
Employee Costs		(18,739,930)	(19,125,926)	(12,324,039)	(12,022,127)	301,913	2.5%	▼
Materials and Contracts		(14,259,030)	(14,551,503)	(8,141,711)	(7,792,349)	349,361	4.5%	▼
Utilities Charges		(1,729,483)	(1,728,983)	(1,107,893)	(1,103,421)	4,472	0.4%	
Depreciation (Non-Current Assets)		(11,812,900)	(11,812,900)	(7,872,096)	(7,872,096)	0	0.0%	
Interest Expenses		(909,431)	(909,431)	(424,849)	(407,172)	17,677	4.3%	
Insurance Expenses		(722,187)	(722,187)	(481,272)	(438,307)	42,965	9.8%	
Loss on Asset Disposal		(269,049)	(269,049)	0	0	0		
Other Expenditure		(1,721,311)	(1,857,191)	(733,124)	(744,393)	(11,269)	(1.5%)	
Less Allocated to Infrastructure		446,022	446,022	310,376	685,884	375,508	(54.7%)	
Total		(49,717,299)	(50,531,148)	(30,774,608)	(29,693,981)	705,119		
Contributions for the Development of Assets								
Grants & Subsidies		6,994,797	10,276,251	5,284,648	3,779,986	(1,504,662)	(39.8%)	▼
Contributions, Donations & Reimbursements		2,500,000	2,969,480	175,000	175,075	75	0.0%	
Net Operating Result Excluding Rates		(21,742,705)	(18,875,103)	(11,707,003)	(9,612,657)	1,718,763		
Funding Balance Adjustment								
Add Back Depreciation		11,812,900	11,812,900	7,872,096	7,872,096	0	0.0%	
Adjust (Profit)/Loss on Asset Disposal		269,049	269,049	0	0	0		
Adjust for Gains on Investment Disposal		0	0	0	(1,694,683)	(1,694,683)	100.0%	
Adjust Carrying Value of Investments					(17)			
Funds Demanded From Operations		(9,660,756)	(6,793,154)	(3,834,907)	(3,435,261)	1,718,763		
Capital Revenues								
Proceeds from Disposal of Assets		2,543,100	2,543,100	954,611	591,909	(362,702)	(61.3%)	▼
Total		2,543,100	2,543,100	954,611	591,909	(362,702)		
Acquisition of Fixed Assets								
Land and Buildings		(3,487,640)	(3,508,952)	(1,591,304)	(360,484)	1,230,820	341.4%	▼
Plant and Equipment		(4,522,518)	(4,427,518)	(2,343,534)	(1,907,341)	436,193	22.9%	▼
Furniture and Equipment		(464,700)	(466,900)	(196,280)	(128,608)	67,672	52.6%	▼
Infrastructure Assets - Roads		(7,726,442)	(8,007,991)	(3,146,156)	(2,120,063)	1,026,093	48.4%	▼
Infrastructure Assets - Other		(8,207,641)	(11,890,483)	(3,909,008)	(1,831,374)	2,077,635	113.4%	▼
Total		(24,408,941)	(28,301,844)	(11,186,282)	(6,347,870)	4,838,412		
Financing/Borrowing								
Debt Redemption		(1,586,608)	(1,586,608)	(425,759)	(403,532)	22,227	5.5%	
Proceeds from Sale of Investments		0	0	0	1,694,700	1,694,700	100.0%	▼
Self-Supporting Loan Principal		0	0	0	5,997	5,997	100.0%	
Total		(1,586,608)	(1,586,608)	(425,759)	1,297,164	28,224		
Demand for Resources		(33,113,205)	(34,138,506)	(14,492,336)	(7,894,058)	6,222,696		
Restricted Funding Movements								
Opening Funding Surplus(Deficit)		2,589,921	2,973,800	2,973,800	2,982,441	8,641	(0.3%)	
Transfer to Restricted Cash Funds - Grants		85,000	794,991	0	0	0		
Transfer to Reserves		(2,765,935)	(2,765,935)	(105,120)	(120,370)	(15,250)	(12.7%)	
Transfer from Reserves		6,097,197	6,089,833	0	0	0		
Rate Revenue		27,107,022	27,107,022	27,043,638	27,045,238	1,600	0.0%	
Closing Funding Surplus(Deficit)	1	0	61,205	15,419,982	22,013,251	6,217,688		

City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 28th February 2013

Note 1: NET CURRENT FUNDING POSITION

	Positive=Surplus (Negative=Deficit)		
	2012-13		
Note	This Period	Last Period	Same Period Last Year
	\$	\$	\$
Current Assets			
Cash Unrestricted	22,199,881	23,090,669	22,007,548
Cash Restricted	9,943,340	8,231,780	3,979,848
Receivable - Rates and Rubbish	3,744,591	4,659,533	3,972,477
Receivables - Other	2,594,402	2,549,112	1,150,384
Investment Land	1,312,138	1,312,138	2,084,068
Stock on Hand	492,188	502,340	737,924
	40,286,539	40,345,571	33,932,249
Less: Current Liabilities			
Payables	(5,029,638)	(4,907,126)	(7,721,494)
Income in advance	(188,823)	(153,882)	0
Provisions	(2,725,651)	(2,853,236)	(3,902,124)
Retentions	(25,222)	(25,222)	0
	(7,969,333)	(7,939,465)	(11,623,618)
Add Back: Loans	2,883,074	2,883,074	6,710,066
Less: Cash Restricted	(9,127,367)	(9,110,489)	(5,034,327)
Restricted Other - Unspent Grants	(2,753,521)	(2,753,521)	0
Self Supporting Loans	5,997	5,997	
Investment land	(1,312,138)	(1,312,138)	(2,084,068)
Net Current Funding Position	22,013,251	22,119,029	21,900,302

City of Albany
 Monthly Investment Report
 For the Period Ended 28th February 2013

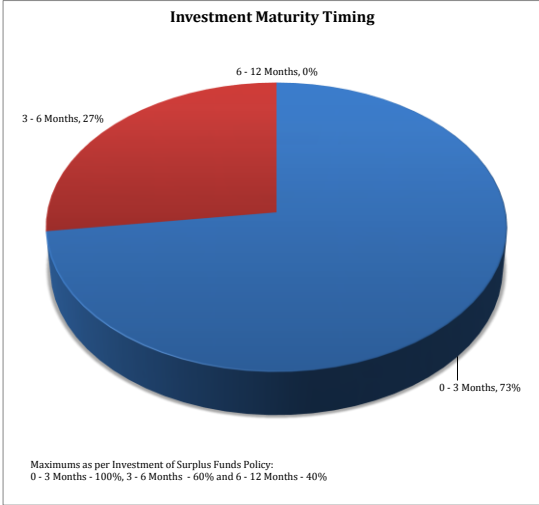
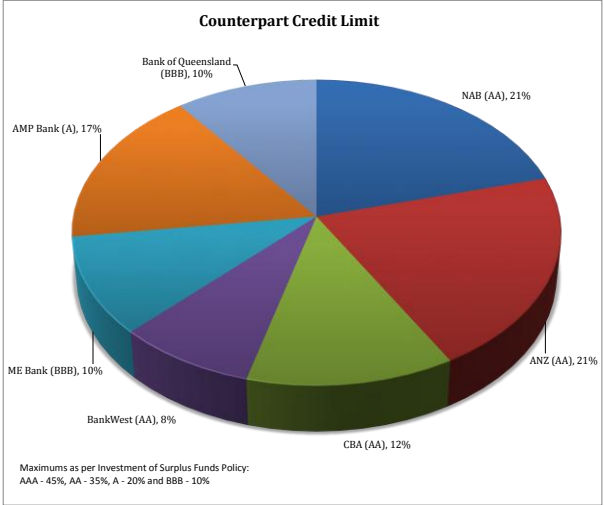
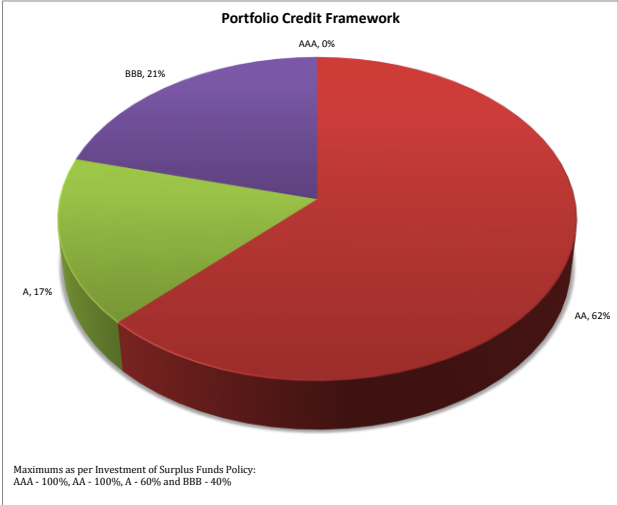
Note 2: CASH INVESTMENTS

Deposit Ref	Institution	Rating	Deposit Date	Term (Days)	Invested Interest rates	Amount Invested	Expected Interest
General Municipal							
Call 4108	CBA	AA	26/02/2013	30	3.25%	500,000	183
TD 33768604	CBA	AA	5/02/2013	30	3.92%	2,000,000	6,444
TD 4081410	BWA	AA	4/02/2013	60	4.15%	2,000,000	13,644
TD 9926	NAB	AA	28/11/2012	180	4.65%	1,000,000	22,932
TD 5478	NAB	AA	6/02/2013	120	4.35%	3,000,000	42,904
Call 2031	NAB	AA	6/02/2013	30	3.00%	1,000,000	2,466
Call 6654	ANZ	AA	21/09/2012	30	3.03%	2,000,000	4,987
TD 40714	ANZ	AA	4/02/2013	91	4.40%	3,000,000	32,910
TD 35190	ME Bank	BBB	21/02/2013	90	4.40%	2,500,000	27,123
Subtotal						17,000,000	153,592
Restricted							
Call 4108	CBA	AA	26/02/2013	30	3.25%	500,000	183
TD 253918	AMP Bank	A	21/02/2013	90	4.15%	4,000,000	40,932
TD BoQ4	Bank of Queensland	BBB	21/02/2013	120	4.35%	2,500,000	35,753
Subtotal						7,000,000	76,685
Commercial Securities - CDOs							
Corsair (Kakadu)	Corsair	CCC	21/12/2009		BBSW+1%	68,754	-
Subtotal						68,754	-
Total Funds Invested						24,068,754	230,277

Amount Invested (Days)		
0 - 3 Months	3 - 6 Months	6 - 12 Months
500,000		
2,000,000		
2,000,000		
	1,000,000	
	3,000,000	
1,000,000		
2,000,000		
3,000,000		
2,500,000		
13,000,000	4,000,000	-
500,000		
4,000,000		
	2,500,000	
4,500,000	2,500,000	-
		68,754
		68,754
17,500,000	6,500,000	68,754

Comparative rate	
Prior Month Interest Rate	Interest Rate at time of Report
3.45%	3.25%
4.01%	3.92%
4.45%	4.15%
4.65%	4.65%
n/a	4.35%
3.08%	3.00%
3.25%	3.03%
4.85%	4.40%
n/a	4.40%
n/a	3.25%
n/a	4.15%
n/a	4.35%
BBSW+1%	BBSW+1%

Budget v Actual		
Year to Date Budget	Year to Date Actual	Var.\$
495,060	374,581	120,479
105,120	120,370	(15,250)
600,180	494,951	105,229



City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 28th February 2013

Note 3: MAJOR VARIANCES

Comments/Reason for Variance in excess of \$50,000

3.1 OPERATING REVENUE (EXCLUDING RATES)**3.1.1 GRANTS & SUBSIDIES**

Under variance threshold

3.1.2 CONTRIBUTIONS, DONATIONS & REIMBURSEMENTS

Significant insurance reimbursements, workers compensation payment reimbursement, and some smaller sundry sponsorship funding being received.

3.1.3 PROFIT ON ASSET DISPOSAL

This is the funds recovered from CDO investments. Listed as asset disposal, as the City still owned investment notes, however, they had a carrying value of \$17.

3.1.4 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.

3.1.5 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.

3.1.6 OTHER REVENUE

Under variance threshold

3.2 OPERATING EXPENSES**3.2.1 EMPLOYEE COSTS**

Under budget due to a number of staff budgeted for but position not yet filled. Planning and Development only just recently appointed a Planning Manager, Office of the CEO has a number of positions as yet unfilled.

3.2.2 MATERIAL AND CONTRACTS

Timing in receipt of waste contract invoice. 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.

3.2.3 UTILITY CHARGES

Under variance threshold

3.2.4 DEPRECIATION (NON CURRENT ASSETS)

Under variance threshold

3.2.5 INTEREST EXPENSES

Under variance threshold

3.2.6 INSURANCE EXPENSES

Under variance threshold

3.2.7 LOSS ON ASSET DISPOSAL

Under variance threshold

3.2.8 OTHER EXPENDITURE

Under variance threshold

3.2.9 LESS ALLOCATED TO INFRASTRUCTURE

Additional internal resources used for capital works.

City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 28th February 2013

Note 3: MAJOR VARIANCES

Comments/Reason for Variance in excess of \$50,000

3.3 CONTRIBUTIONS FOR THE DEVELOPMENT OF ASSETS**3.3.1 GRANTS & SUBSIDIES**

While the variance is considerable, this is a timing issue only. All grants are received from Federal or State government, so payment is almost certain, timing to budget can vary by 6-8 weeks. During March Roads to Recovery funding was received, being \$620 000.

3.3.2 CONTRIBUTIONS, DONATIONS & REIMBURSEMENTS

Under variance threshold

3.4 CAPITAL REVENUES**3.4.1 PROCEEDS FROM DISPOSAL OF ASSETS**

Under variance threshold

3.5 ACQUISITION OF FIXED ASSETS**3.5.1 LAND AND BUILDINGS**

This is primarily the airport upgrade and purchase of land for waste site upgrade. Airport capital works will continue, however the timing of these works is difficult to estimate. If these works are not completed this year, they will be done during 2013/14. Waste site land purchase negotiation is progressing. If purchase is not settled during 12/13, will be settled early in 13/14.

3.5.2 PLANT AND EQUIPMENT

Light fleet/ute replacement program to increase over next 12 weeks as a number vehicles approach changeover periods.

3.5.3 FURNITURE AND EQUIPMENT

Timing issue expenditure set to increase in the coming quarter. This is primarily IT hardware upgrades. This scheduled replacement program will take place over the next 12 weeks.

3.5.4 INFRASTRUCTURE ASSETS - ROADS

Work is in progress for road projects worth \$1.595 million, expected to be on track and completed soon.

3.5.5 INFRASTRUCTURE ASSETS - OTHER

Subject to budget review (not reflected in this months accounts) due to funding received for bike path network. As this requires council co-contribution, some fund reallocation from other projects will be required. North Rd/Sanford Rd intersection drainage work has commenced, so while under budget at February month end, with budget review and commencement of a number of projects, budget should be on track over the next 2 - 3 months. Work on Hanrahan Rd landfill site has also commenced, expected to be completed by 30 May.

3.6 FINANCING/BORROWING**3.6.1 DEBT REDEMPTION**

Under variance threshold

3.6.2 PROCEEDS FROM SALE OF INVESTMENTS

Proceeds received from sale of CDO investments

3.6.3 SELF SUPPORTING LOAN PRINCIPAL

Under variance threshold

City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 28th February 2013

Note 3: MAJOR VARIANCES

Comments/Reason for Variance in excess of \$50,000

3.7 RESTRICTED FUNDING MOVEMENTS

3.7.1 OPENING FUNDING SURPLUS(DEFICIT)

Under variance threshold

3.7.2 TRANSFER TO RESTRICTED CASH FUNDS - GRANTS

Under variance threshold

3.7.3 TRANSFER TO RESERVES

Under variance threshold

3.7.4 TRANSFER FROM RESERVES

Under variance threshold

3.7.5 RATE REVENUE

Under variance threshold