

4.2: FINANCIAL ACTIVITY STATEMENT – 31 May 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 31 May 2013.

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

THAT the Financial Activity Statement for the period ending 31 May 2013 be RECEIVED.

CARRIED EN BLOC

BACKGROUND

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

7. Expenditure for the period ending 31 May 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 known events which may result in a material non recoverable financial loss, or financial loss arising from an uninsured event.

POLICY IMPLICATIONS

8. The City's 2012/13 Annual Budget provides a set of parameters that guides the City's financial practices.
9. 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
-----------------------------------	----------------------

City of Albany

MONTHLY FINANCIAL REPORT

For the Period Ended 31st May 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 2A Graphical Representation - 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 31st May 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	1,872,797	1,862,546	1,939,317	76,771	4.0%	▲
Contributions, Donations & Reimbursements		373,610	774,713	741,557	944,726	203,170	21.5%	▲
Fees and Charges		14,432,869	14,521,262	13,787,922	14,396,537	608,616	4.2%	▲
Interest Earnings		825,368	902,743	898,036	1,101,885	203,849	18.5%	▲
Other Revenue		115,000	107,500	106,250	59,804	(46,446)	(77.7%)	
Total (Excluding Rates)		18,479,797	18,179,015	17,396,310	18,442,269	1,045,959		
Operating Expense								
Employee Costs		(18,739,930)	(19,113,323)	(17,413,278)	(17,098,828)	314,450	1.8%	▼
Materials and Contracts		(14,259,030)	(15,481,719)	(12,743,233)	(11,697,703)	1,045,530	8.9%	▼
Utilities Charges		(1,729,483)	(1,785,802)	(1,505,208)	(1,440,080)	65,128	4.5%	▼
Depreciation (Non-Current Assets)		(11,812,900)	(11,812,900)	(10,824,132)	(10,468,025)	356,107	3.4%	▼
Interest Expenses		(909,431)	(909,431)	(437,056)	(461,756)	(24,700)	(5.3%)	
Insurance Expenses		(722,187)	(722,187)	(661,749)	(616,487)	45,262	7.3%	
Loss on Asset Disposal		(269,049)	(269,049)	0	(179,854)	(179,854)	(100.0%)	▲
Other Expenditure		(1,721,311)	(1,399,182)	(1,050,395)	(897,579)	152,816	17.0%	
Less Allocated to Infrastructure		446,022	446,022	409,499	931,498	521,999	(56.0%)	▲
Total		(49,717,299)	(51,047,571)	(44,225,552)	(41,928,815)	1,774,737		
Contributions for the Development of Assets								
Grants & Subsidies		6,994,797	10,712,453	8,876,465	4,779,841	(4,096,624)	(85.7%)	▼
Contributions, Donations & Reimbursements		2,500,000	2,969,480	425,000	909,152	484,152	53.3%	▼
Net Operating Result Excluding Rates		(21,742,705)	(19,186,623)	(17,527,777)	(17,797,553)	(1,275,927)		
Funding Balance Adjustment								
Add Back Depreciation		11,812,900	11,812,900	10,824,132	10,468,025	(356,107)	(3.4%)	▼
Adjust (Profit)/Loss on Asset Disposal		269,049	269,049	0	179,854	179,854	100.0%	▲
Funds Demanded From Operations		(9,660,756)	(7,104,674)	(6,703,645)	(7,149,674)	(1,452,180)		
Capital Revenues								
Proceeds from Disposal of Assets		2,543,100	2,110,373	1,674,935	662,588	(1,012,347)	(152.8%)	▼
Total		2,543,100	2,110,373	1,674,935	662,588	(1,012,347)		
Acquisition of Fixed Assets								
Land and Buildings		(3,487,640)	(1,863,952)	(520,062)	(417,263)	102,799	24.6%	▼
Plant and Equipment		(4,522,518)	(4,864,206)	(2,791,803)	(2,485,006)	306,797	12.3%	▼
Furniture and Equipment		(464,700)	(475,235)	(280,627)	(224,456)	56,170	25.0%	▼
Infrastructure Assets - Roads		(7,726,442)	(7,979,583)	(4,303,142)	(3,937,214)	365,929	9.3%	▼
Infrastructure Assets - Other		(8,207,641)	(12,383,106)	(5,811,144)	(3,516,988)	2,294,156	65.2%	▼
Total		(24,408,941)	(27,566,082)	(13,706,778)	(10,580,927)	3,125,851		
Financing/Borrowing								
Debt Redemption		(1,586,608)	(1,586,608)	(474,497)	(2,264,552)	(1,790,055)	(79.0%)	▲
Profit on Sale of Investments		0	0	0	2,105,390	2,105,390	100.0%	▲
Self-Supporting Loan Principal		0	0	0	16,331	16,331	100.0%	
Total		(1,586,608)	(1,586,608)	(474,497)	(142,831)	331,666		
Demand for Resources		(33,113,205)	(34,146,991)	(19,209,984)	(17,210,843)	992,991		
Restricted Funding Movements								
Opening Funding Surplus(Deficit)		2,589,921	5,735,963	5,735,963	5,735,963	0	0.0%	
Transfer from Restricted Funds - Grants		85,000	0	0	0	0		
Transfer to Reserves		(2,765,935)	(3,332,008)	(144,540)	(184,993)	(40,453)	(21.9%)	
Transfer from Reserves		6,097,197	4,717,233	0	0	0		
Rate Revenue		27,107,022	27,084,022	27,069,244	27,062,211	(7,033)	(0.0%)	
Closing Funding Surplus(Deficit)	1	0	58,219	13,450,683	15,402,337	945,504		

City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 31st May 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	16,153,822	18,849,714	17,615,109
Cash Restricted	10,376,799	10,373,026	4,152,355
Receivable - Rates and Rubbish	1,338,751	1,588,573	1,093,064
Receivables - Other	1,247,806	1,899,233	1,857,374
Investment Land	1,312,138	1,312,138	1,911,896
Stock on Hand	479,921	504,961	669,857
	30,909,236	34,527,644	27,299,655
Less: Current Liabilities			
Payables	(2,793,866)	(4,016,757)	(7,761,084)
Income in advance	(467,815)	(416,822)	0
Provisions	(2,772,626)	(2,938,473)	(2,375,054)
Retentions	(6,849)	(6,849)	0
	(6,041,156)	(7,378,901)	(10,136,138)
Add Back: Loans	1,022,055	2,059,366	5,152,322
Less: Cash Restricted	(9,191,990)	(9,147,286)	(5,074,992)
Self Supporting Loans	16,331	16,331	312,288
Investment land	(1,312,138)	(1,312,138)	(1,911,896)
Net Current Funding Position	15,402,337	18,765,016	15,641,239

City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 31st May 2013

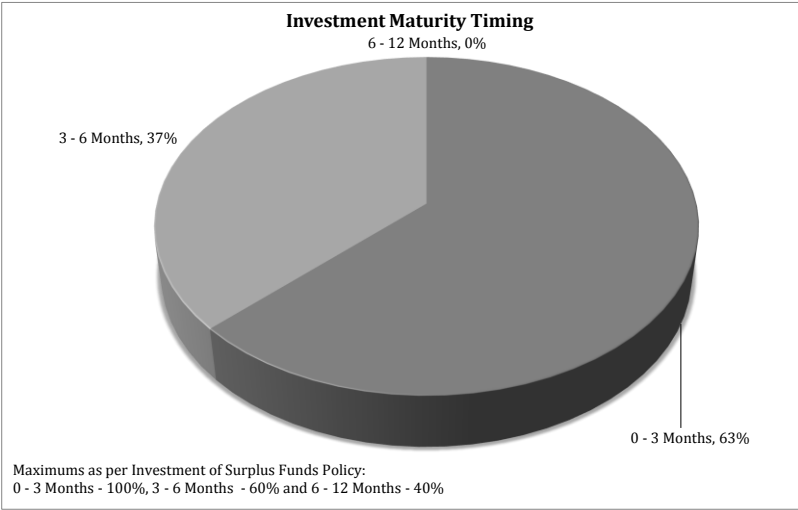
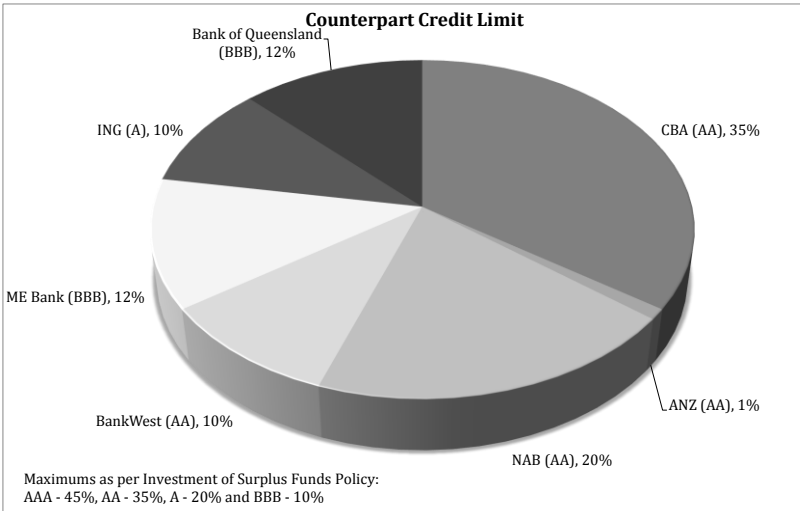
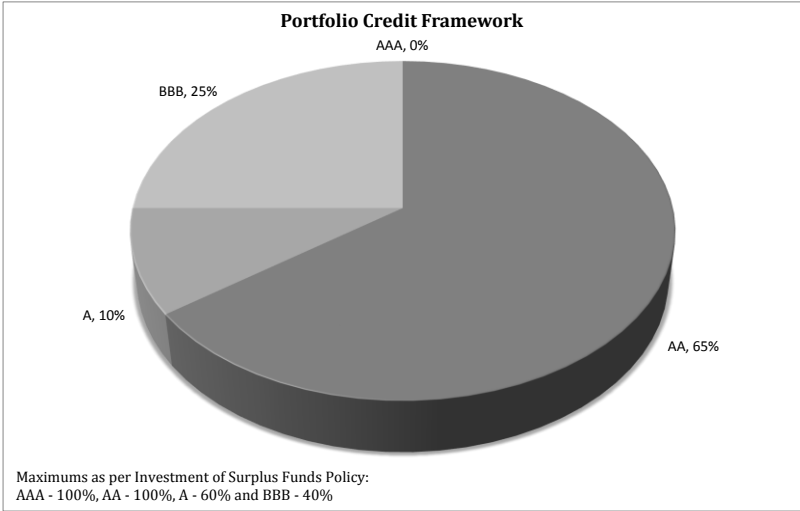
Note 2: CASH INVESTMENTS

Deposit Ref	Institution	Rating	Deposit Date	Term (Days)	Invested Interest rates	Amount Invested	Expected Interest	Amount Invested (Days)			Comparative rate		Budget v Actual					
								0 - 3 Months	3 - 6 Months	6 - 12 Months	Prior Month Interest Rate	Interest Rate at time of Report	Year to Date Budget	Year to Date Actual	Var.\$			
General Municipal																		
Call 4108	CBA	AA	26/02/2013	30	3.60%	500,000	1,479	500,000			3.25%	3.60%						
TD 33768604	CBA	AA	8/04/2013	30	3.95%	2,000,000	6,493	2,000,000			3.95%	3.70%						
TD 4081410	BWA	AA	5/04/2013	31	4.10%	2,000,000	6,964	2,000,000			4.10%	4.00%						
TD 5478	NAB	AA	6/02/2013	120	4.35%	3,000,000	42,904		3,000,000		4.35%	4.35%						
Call 2031	NAB	AA	6/02/2013	30	2.80%	1,000,000	2,302	1,000,000			3.14%	2.80%						
Call 6654	ANZ	AA	21/09/2012	30	3.12%	200,000	512	200,000			3.11%	3.12%						
TD 35190	ME Bank	BBB	21/02/2013	90	4.40%	2,500,000	27,123	2,500,000			4.40%	3.75%						
						Subtotal	11,200,000	87,779	8,200,000	3,000,000					600,000	631,628	(31,628)	
Restricted																		
Call 4108	CBA	AA	31/05/2013	30	3.60%	4,500,000	1,479	4,500,000			3.25%	3.60%						
TD ING	ING	A	15/03/2013	180	4.48%	2,000,000	44,186		2,000,000		4.48%	4.48%						
TD BoQ4	Bank of Queensland	BBB	21/02/2013	120	4.35%	2,500,000	35,753		2,500,000		4.35%	4.35%			154,540	184,993	(30,453)	
						Subtotal	9,000,000	35,753	4,500,000	4,500,000								
Commercial Securities - CDOs																		
Corsair (Kakadu)	Corsair	CCC	21/12/2009		BBSW+1%	68,750	-			68,750	BBSW+1%	BBSW+1%						
						Subtotal	68,750	-										
						Total Funds Invested	20,268,750	123,532	12,700,000	7,500,000	68,750				754,540	816,621	(62,081)	

Comments/Notes - Cash Investments
 The counterparty credit limit for BBB institutions has been exceeded this month. This is the deposits held at the Bank of Queensland and ME Bank. This is due to the maturing of a number of other investments during May 2013, reducing the funds invested in total by \$4 million. Therefore the ratios for remaining investments have changed. Both of these investments will mature during June 2013, and holdings will be adjusted to ensure the policy counterparty limit is kept.

City of Albany
 Monthly Investment Report
 For the Period Ended 31st May 2013

Note 2A: GRAPHICAL REPRESENTATION - CASH INVESTMENTS



City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 31st May 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**

Two small grants received, not budgeted year to date. Timing issue.

3.1.2 CONTRIBUTIONS, DONATIONS & REIMBURSEMENTS

This variance is due to a number of smaller individual variances. Insurance reimbursements, workers compensation payment reimbursement, and some smaller sundry grant/sponsorship funding being received.

3.1.3 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, and will exceed the total yearly budget.

3.1.4 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.

3.1.5 OTHER REVENUE

Under variance threshold

3.2 OPERATING EXPENSES**3.2.1 EMPLOYEE COSTS**

Employee costs are under budget, and anticipated to be close to, or slightly under budget at year end.

3.2.2 MATERIAL AND CONTRACTS

Variance across number of areas. Airport screening contract under budget - timing of invoice, waste contract under budget - timing of invoice, tip maintenance under budget, major projects - shift from individual contract employment to payroll employment contracts.

3.2.3 UTILITY CHARGES

Timing issue with receipt of invoices.

3.2.4 DEPRECIATION (NON CURRENT ASSETS)

Ongoing review of asset register shows depreciation under budget year-to-date. As large infrastructure assets are completed and added to register, depreciation should be closer to budgeted amount.

3.2.5 INTEREST EXPENSES

Under variance threshold

3.2.6 INSURANCE EXPENSES

Under variance threshold

3.2.7 LOSS ON ASSET DISPOSAL

Timing issue with year-to-date budget. Expected to be close to budgeted amount. Also due to timing issue of asset sales (ute, light fleet to be carried over to 2013/14)

3.2.8 OTHER EXPENDITURE

Election expenses allowed for, but no Council election undertaken during the year (\$40 000), balance of variance is spread over a number of accounts and directorates.

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 31st May 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**

Timing of grant receipts for a number large projects (e.g. ANZAC, Recreation Masterplan) budgeted for, not yet received. Many will carryover to 2013/14 year, if not received this year.

3.3.2 CONTRIBUTIONS, DONATIONS & REIMBURSEMENTS

Mainly fire fighting assets contributed to the City. This is reconciled at year end.

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

Proceeds under budget, as much of light fleet has not been disposed in this year. Bulk of disposals, and therefore, proceeds from sale or trade-ins, will be received in early 13/14.

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

Land resumption under budget year to date, plus depot upgrades/rearrangements under budget.

3.5.2 PLANT AND EQUIPMENT

Ute replacement being done now, delivery expected over the next 8 weeks. Will partly carry over to 2013/14.

3.5.3 FURNITURE AND EQUIPMENT

Mainly IT upgrade and replacements. Budget will largely be spent, with some carryover to 2013/14.

3.5.4 INFRASTRUCTURE ASSETS - ROADS

As projects enter completion, actual expenditure is anticipated to be close to budget by year end. Dependent on individual project completion and payment schedules. However, as the end of the year approaches, there will be a number of carry over projects.

3.5.5 INFRASTRUCTURE ASSETS - OTHER

As projects near completion, actual expenditure is anticipated to be close to budget by year end. Dependent on individual project completion and payment schedules. Some of these projects will be carried forward to 2013/14.

3.6 FINANCING/BORROWING**3.6.1 DEBT REDEMPTION**

Timing issue. Budgeted for \$1 800 000 of debt payment in June, actual payments made in April and May. Part of this is to be refinanced in June.

3.6.2 PROFIT ON SALE OF INVESTMENTS

Proceeds from Lehman Bros. CDO repayment.

3.6.3 SELF-SUPPORTING LOAN PRINCIPAL

Under variance threshold

3.7 RESTRICTED FUNDING MOVEMENTS**3.7.1 OPENING FUNDING SURPLUS(DEFICIT)**

Under variance threshold

3.7.2 TRANSFER FROM RESTRICTED CASH FUNDS - GRANTS

Under variance threshold

3.7.3 TRANSFER TO RESERVES

Under variance threshold

City of Albany
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 31st May 2013

Note 3: MAJOR VARIANCES

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

3.7.4 TRANSFER FROM RESERVES

Under variance threshold

3.8 RATE REVENUE

3.8.1 RATE REVENUE

Under variance threshold