

TF052 STATEMENT OF FINANCIAL ACTIVITY TO 28 FEBRUARY 2013

AGENDA REFERENCE:	D-13-16284
AUTHOR:	K Chua, Manager Financial Services
EXECUTIVE:	B Davis, Director of Treasury & Finance
DATE OF REPORT:	8 March, 2013
FILE REFERENCE:	FM/0010
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes

SUMMARY:

The attached financial reports provide a comprehensive report on the City's finances to 28 February 2013.

PROPONENT:

City of Greater Geraldton.

BACKGROUND:

The financial position to the end of February 2013 is detailed in the attached report and summarised as follows relative to year-to-date budget expectations:

Operating Income	\$210,916	0.4%	Positive Variance
Operating Expenditure	(\$1,355,752)	(3.1%)	Negative Variance
Net Operating	(\$1,144,836)	(8.0%)	Negative Variance
Capital Expenditure	\$3,247,844	15.9%	Positive Variance
Capital Revenue	\$635,176	11.0%	Positive Variance
Closing Surplus /(deficit)	\$5,007,496	33.3%	Positive Variance
Cash at Bank - Municipal	\$10,155,823		
Cash at Bank – Reserve	\$29,258,740		
Total Funds Invested	\$36,485,832		
Net Rates Collected	90.6%		
Receivables Outstanding	\$2,014,174		

The attached report provides explanatory notes for items greater than 10% or \$50,000. This commentary provides Council with an overall understanding of how the finances are progressing in relation to the adopted budget.

The financial position represented in the February financials shows a negative variance of \$1,144,836 in the net operating result. The closing funding surplus is \$5,007,496 and is due to the under-spend associated with materials and contractors, employee costs, utilities and depreciation. Additionally Capital expenditure is understated due to the delay associated with commencing and completing buildings, parks and road works and the purchase of plant and equipment.

COMMUNITY CONSULTATION:

No community consultation was undertaken.

COUNCILLOR/OFFICER CONSULTATION:

There has been no officer consultation with Councillors in relation to the monthly financial report.

STATUTORY IMPLICATIONS:

Section 6.4 of the Local Government Act 1995 and Regulation 34 of the Local Government (Financial Management) Regulations 1996 require that as a minimum Council is to receive a Statement of Financial Activity.

POLICY IMPLICATIONS:

The provision of financial reports to Council is governed by statute not policy.

FINANCIAL AND BUDGET IMPLICATIONS:

Any issues in relation to expenditure and revenue allocations or variance trends are identified and addressed each month.

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

There are no strategic outcomes associated with monthly reporting

Regional Outcomes:

There are no regional outcomes associated with monthly reporting.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic issues.

Social:

There are no relevant social issues.

Environmental:

There are no environmental issues.

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

Council is provided with financial reports each month.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.

OPTIONS:

Option 1:

As per Executive Recommendation in this report.

Option 2:

That Council by Simple Majority pursuant to Regulation 34 of the Local Government (Financial Management) Regulations 1996 RESOLVES to:

1. DEFER adoption of the February 2013 monthly financial activity statement as attached, and
2. Makes that determination for the following reasons:
 - a. To be determined by Council.

Option 3:

That Council by Simple Majority pursuant to Regulation 34 of the Local Government (Financial Management) Regulations 1996 RESOLVES to:

1. REJECT adoption of the February 2013 monthly financial activity statement as attached, and
2. Makes that determination for the following reasons:
 - a. To be determined by Council].

CONCLUSIONS

The financial activity statement to 28 February 2013 as attached includes no matters of variance considered to be of concern except that a Revaluation of Roads as at 30th June 2012 and the valuation of assets at fair values have the effect of increasing depreciation charge significantly from \$14.6M Budget to a forecast of \$20M. This will be reflected in the mid-year budget review.

EXECUTIVE RECOMMENDATION

That Council by Simple Majority pursuant to Regulation 34 of the Local Government (Financial Management) Regulations 1996 RESOLVES to:

1. ADOPT the February 2013 monthly financial activity statement as attached, and
2. RECORD the statement of financial activity in the Minutes.



City of
Greater Geraldton
a vibrant future



MONTHLY FINANCIAL REPORT

For the Period Ended 28 February 2013

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CITY OF GREATER GERALDTON
Statement of Financial Activity for the Period Ended 28 February 2013

	Original Budget	YTD Budget Estimated	YTD Actual	Variances		
				\$	%	
Operating Income						
Rates	37,009,692	36,847,192	36,822,585	24,607	0.1%	✗
Grants & Subsidies, Contributions	28,845,602	6,610,450	6,134,596	475,854	7.2%	✗
Fees & Charges	15,770,073	12,508,017	13,204,450	(696,433)	-5.6%	✓
Interest Earnings	2,027,154	963,577	1,012,826	(49,249)	-5.1%	✓
Other	1,542,482	899,781	865,477	34,304	3.8%	✗
Profit On Disposal Of Assets	6,594	0	0	0		✗
	85,201,597	57,829,018	58,039,934	(210,916)	-0.4%	✓
Operating Expenditure						
Employee Costs	(26,499,043)	(17,937,814)	(17,614,320)	(323,494)	1.8%	✓
Materials & Contractors	(39,702,325)	(11,579,845)	(11,024,029)	(555,816)	4.8%	✓
Utility & Govt Charges	(2,963,400)	(1,728,650)	(1,661,651)	(66,999)	3.9%	✓
Insurance	(1,275,876)	(659,266)	(689,193)	29,927	-4.5%	✗
Interest/Borrowing Costs	(704,945)	(322,473)	(362,746)	40,274	-12.5%	✗
Others	(2,545,342)	(1,484,783)	(1,447,331)	(37,452)	2.5%	✓
Depreciation On Assets	(14,574,109)	(9,716,073)	(11,985,385)	2,269,312	-23.4%	✗
Loss On Disposal Of Assets	(40,000)	(0)	0	(0)	100.0%	✓
	(88,305,040)	(43,428,903)	(44,784,655)	1,355,752	-3.1%	✗
NET OPERATING	(3,103,443)	14,400,115	13,255,279	1,144,836	8.0%	✗
Non-Cash Expenditure and Revenue						
(Profit) / Loss on Asset Disposals	33,406	0	0	0	100.0%	✗
Depreciation on Assets	14,574,109	9,716,073	11,985,385	(2,269,312)	-23.4%	✓
	14,607,515	9,716,073	11,985,385	(2,269,312)	-23.4%	✓
Capital Expenditure						
Purchase Buildings	(11,218,926)	(6,544,374)	(5,268,596)	(1,275,778)	19.5%	✓
Purchase Plant and Equipment	(3,232,225)	(1,346,760)	(689,077)	(657,683)	48.8%	✓
Purchase Furniture and Equipment	(1,152,250)	(192,042)	(84,435)	(107,607)	56.0%	✓
Purchase Infrastructure Assets - Roads	(22,891,964)	(7,630,655)	(6,822,992)	(807,663)	10.6%	✓
Purchase Infrastructure Assets - Parks	(8,763,000)	(2,921,000)	(2,567,086)	(353,914)	12.1%	✓
Purchase Infrastructure Assets - Meru	0	0	0	0		✗
Repayment of Debentures	(3,274,584)	(1,730,174)	(1,684,974)	(45,200)	2.6%	✓
Self Supporting / Council Loans paid out	(70,000)	0	0	0		✗
	(50,602,949)	(20,365,004)	(17,117,160)	(3,247,844)	15.9%	✓
Capital Revenue						
Proceeds from Disposal of Assets	2,226,912	556,728	559,611	(2,883)	-0.5%	✓
Proceeds from New Debentures	29,993,000	5,100,000	5,100,000	0	0.0%	✗
Self-Supporting Loan Principal Income	66,566	50,000	68,816	(18,816)	-37.6%	✓
Council Loan Principal Income	92,789	46,395	659,871	(613,477)	-1322.3%	✓
	32,379,267	5,753,123	6,388,298	(635,176)	-11.0%	✓
Reserves						
Transfers to Reserves	(9,039,710)	0	0	0		✗
Transfers from Reserves	16,674,386	5,514,055	5,514,055	0	0.0%	✗
	7,634,676	5,514,055	5,514,055	0	0.0%	✗
Closing Funding Surplus (Deficit)	842,365	15,018,361	20,025,857	(5,007,496)	-33.3%	✓

NOTE 1. MAJOR VARIANCES

Operating Income

Operating Income is showing positive variance of \$210,916 or 0.4% due to the following:

Grant funding is showing a negative variance of \$475,854 or 7.2% due to due to profiling and the result of delay in projects.

Fees and charges is showing a positive variance of \$696,433 or 5.6% due to higher than budgeted income from Meru Tip.

Interest income is below budget by \$49,249 or 5.1% due to a general decrease in wholesale interest rates.

Operating Expenditure

Operating expenditure is showing a negative variance (over-spend) of \$1,355,752 or 3.1% due to the following:

Employee Costs – Expenditure is showing a positive variance of \$323,494 or 1.8% which is associated with a small level of vacant positions.

Materials and Contractors – Expenditure is showing a positive variance of \$555,816 or 4.8%. This is mainly due to delay in scheduled projects.

Utility & Government Charges - Expenditure is showing a positive variance of \$66,999 or 3.9%. This is mainly due to a reduction in utilities consumed including the closure of Aquarena for maintenance works.

Depreciation on Assets – Expenditure is showing a negative variance of \$2,269,312 or 23.4%. This is mainly due to the new valuation of Roads on 30 June 2012 which has the effect of increasing the value of roads by approximately 30% and as such, depreciation has increased significantly.

Capital Expenditure

Capital expenditure is showing a positive variance (under-spend) of \$3,247,844 or 15.9% due to the following:

Purchase of Buildings - The positive variance of \$1,275,778 or 19.5% is associated with the timing of the purchasing.

Purchase of Plant & Equipment – The positive variance of \$657,683 or 48.8% is associated with the timing of the purchasing.

Purchase of Infrastructure Assets – Roads - The positive variance of \$807,663 or 10.6% is associated with the timing of projects being in the early stage of development.

Purchase of Infrastructure Assets – Parks - The positive variance of \$353,914 or 12.1% is associated with the timing of projects being in the early stage of development.

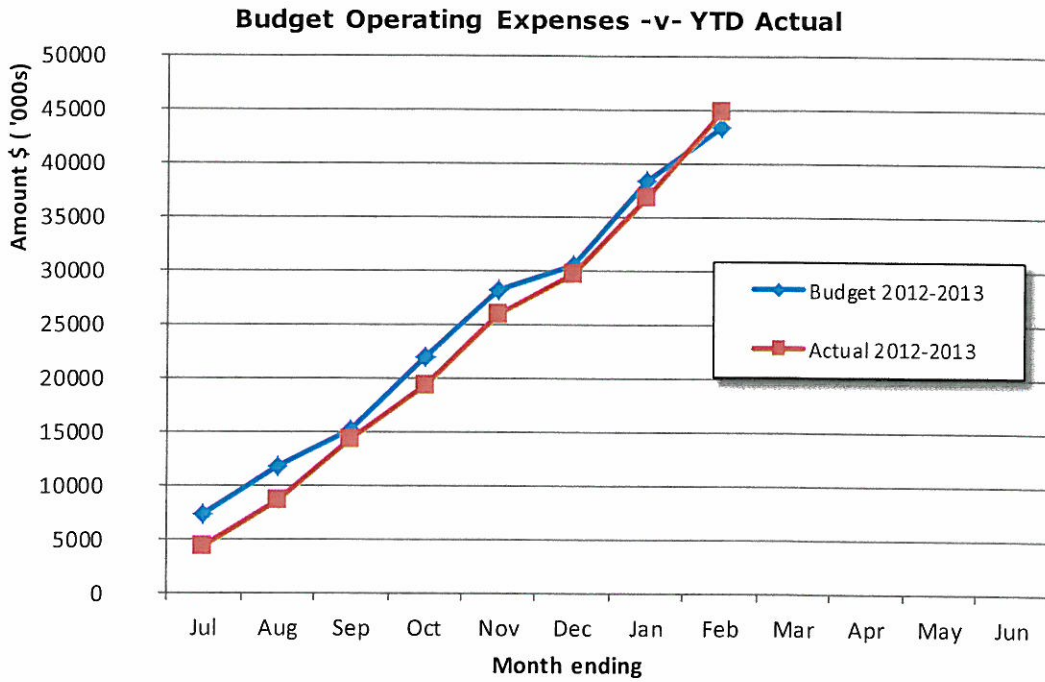
Capital Revenue

Capital revenue is showing a positive net variance of \$635,176 or 11.0%. This is primarily due to inflow of capital revenue of \$583,447 from mortgagees repaying Vendor Mortgages issued by the City on past Drummond Cove land sales.

Budget review is currently in progress. Post budget review will result in a lesser of instances of variances.

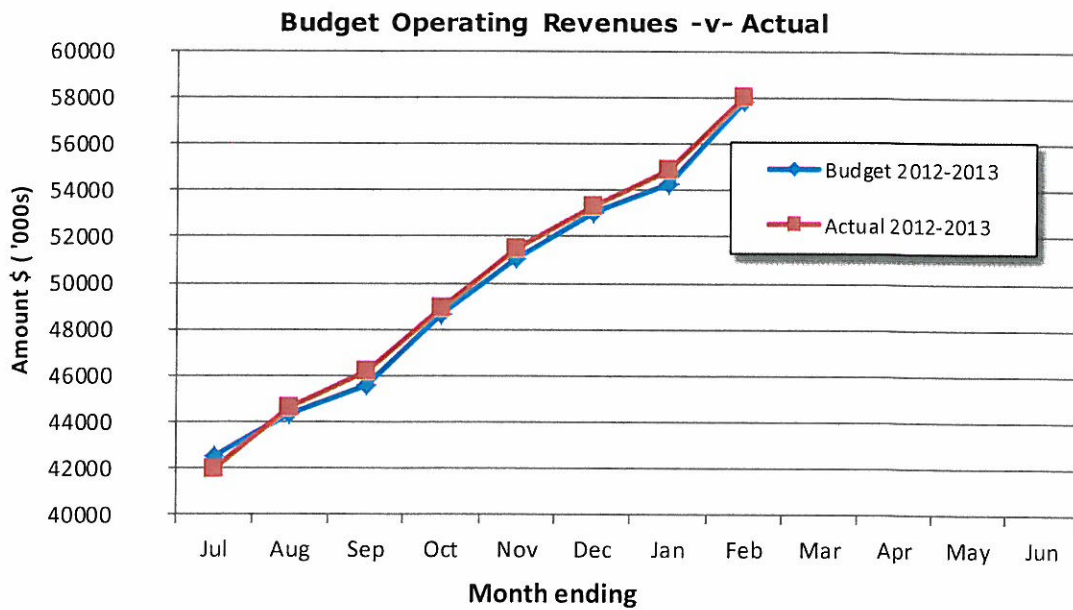
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
For the Period Ended 28th February 2013

Note 2 - Graphical Representation - Source Statement of Financial Activity



Comments/Notes - Operating Expenses

Operating expenditure recorded as at 28 February is \$44,784,655. Major positive variances include employee costs, materials & contracts and major negative variance is the result of depreciation.

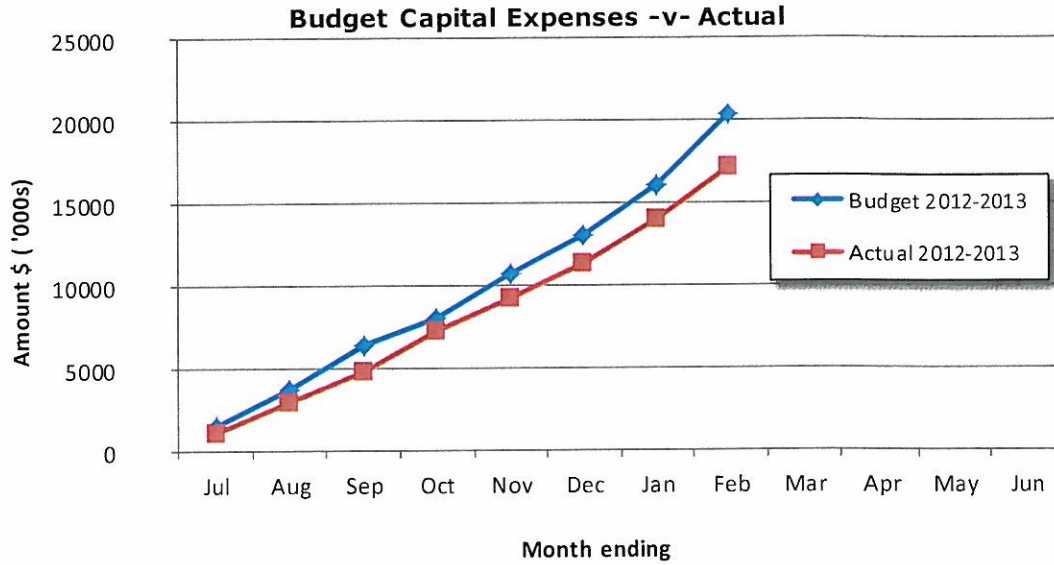


Comments/Notes - Operating Revenues

Operating income recorded as at 28 February is \$58,039,934. Major positive variances include grants, fees & charges and other revenue.

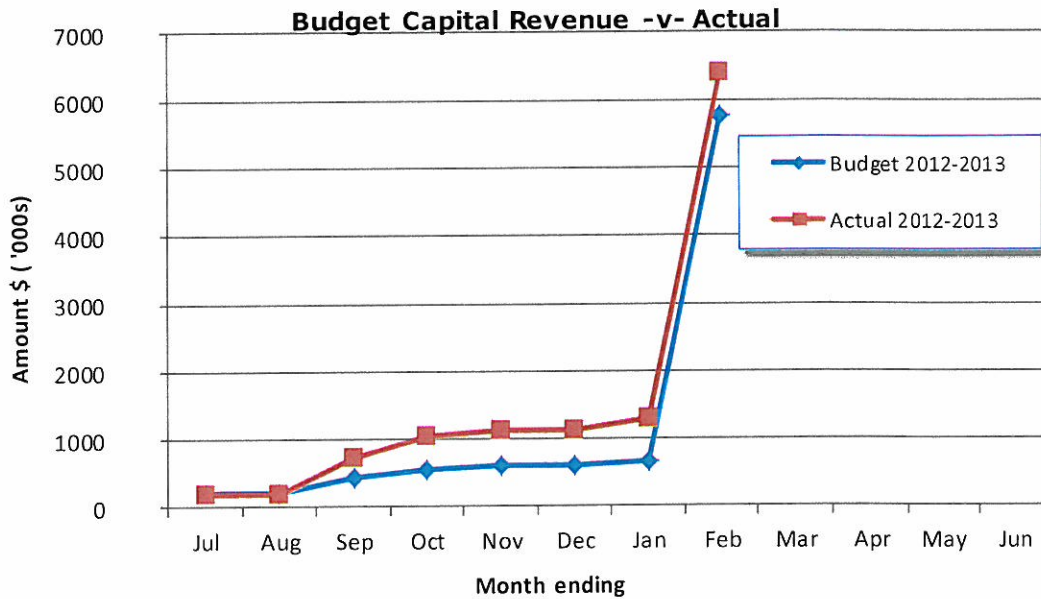
City of Greater Geraldton
NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
 For the Period Ended 28th February 2013

Note 2 - Graphical Representation - Source Statement of Financial Activity



Comments/Notes - Capital Expenses

Capital expenditure recorded as at 28 February is \$17,117,160. Major variances include purchase of buildings, roads, parks and equipment.



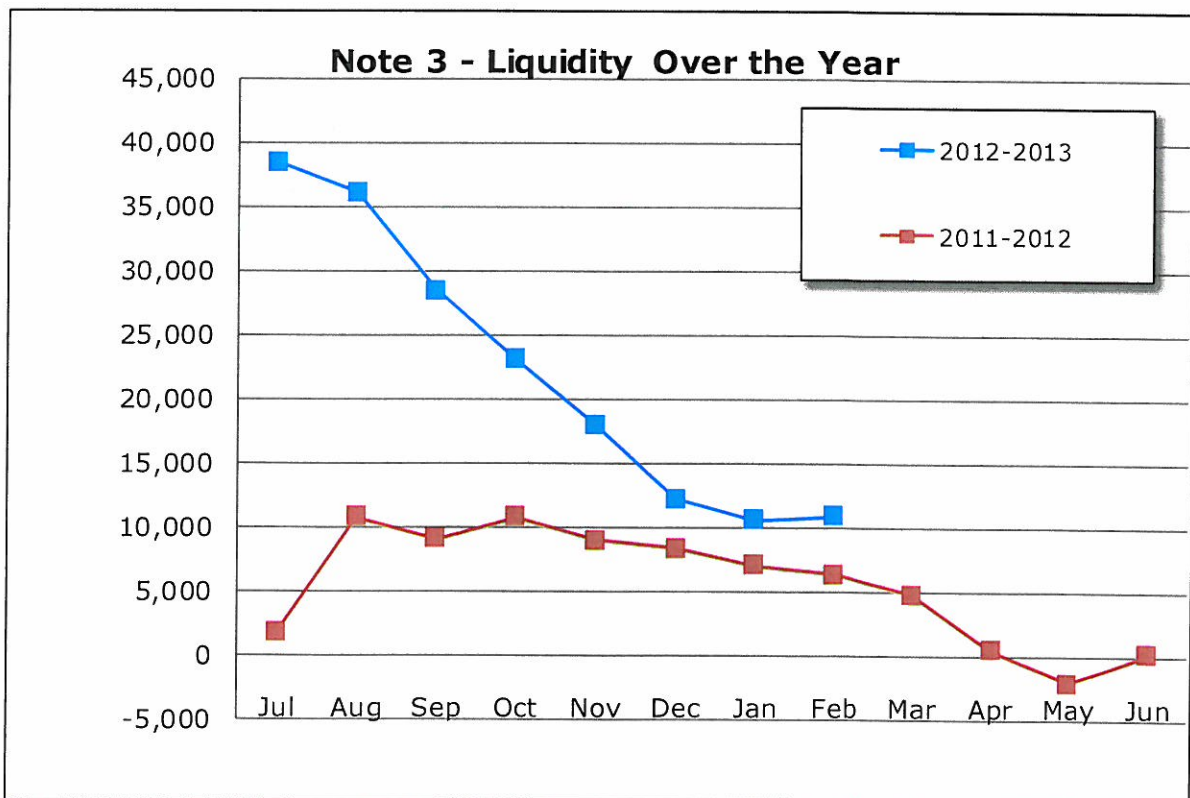
Comments/Notes - Capital Revenues

Capital revenue recorded as at 28 February is \$6,388,298. Major variance includes the repayment of Drummond Cove mortgages.

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

Note 3: NET CURRENT FUNDING POSITION

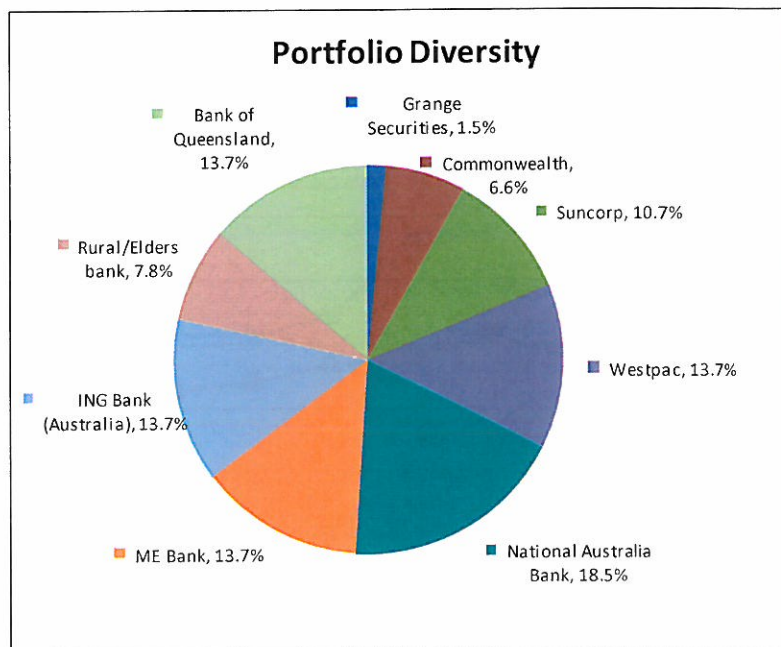
	Note	Positive=Surplus (Negative=Deficit) 2012-2013	
		This Period	Last Period
		\$	\$
Current Assets			
Cash at Bank			
Municipal Account		10,155,823	9,432,717
Reserve Account		29,258,740	29,258,740
Restricted Assets		833,633	833,633
Total Cash at Bank		40,729,156	39,525,090
Receivables			
Prepayments		35,572	35,572
Tax Recoverable		586,778	1,000,156
Sundry Debtors		2,137,990	2,000,486
Rates Receivable		4,547,458	5,932,992
Inventories		301,896	297,339
Total Current Assets		48,338,851	48,791,635
Less: Current Liabilities			
Creditors and Provisions		1,961,789	3,015,805
Current Borrowings		1,454,254	1,132,284
Employee Entitlements		3,931,797	3,931,797
		7,347,840	8,079,886
Less: Cash Restricted		(30,092,373)	(30,092,373)
Net Current Funding Position		10,898,638	10,619,375



City of Greater Geraldton
 NOTES TO THE STATEMENT OF FINANCIAL ACTIVITY
 For the Period Ended 28/02/2013

Note 4 - Monthly Investment Report

Deposit Ref	Current Credit Rating	Maturity/ Conversion	Invested Interest rates	Amount Invested	Interest Earned YTD	Current Value @28/02/2013	Percentage of Portfolio
Grange Securities							
Helium Capital-Esper	D	20/3/2013	5.08%	500,000	8,993	330,000	
Kakadu	D	20/3/2014	4.78%	700,000	17,189	196,000	
Parkes AAA	D	20/6/2015	5.01%	250,000	3,231	32,500	
Scarborough AA Ac 21	N/R			500,000	-	-	
Subtotal				1,950,000	29,413	558,500	1.5%
** 26th February 2013 CGG was paid \$ 480,960 re Merimbula Dante notes which has a face value of \$ 500,000.							
Commonwealth							
Reserve 150	A1+	27/3/2013	4.09%	2,378,329	25,334	2,403,663	
Subtotal				2,378,329	25,334	2,403,663	6.6%
Suncorp							
Reserve 160	A1	28/3/2013	3.97%	3,830,729	76,113	3,906,842	
Subtotal				3,830,729	76,113	3,906,842	10.7%
Westpac							
Reserve 161	A1+	26/3/2013	4.80%	5,000,000	-	5,000,000	
Subtotal				5,000,000	-	5,000,000	13.7%
National Australia Bank							
Reserve 162	A1+	28/5/2013	4.28%	4,000,000	72,662	4,072,662	
Reserve 163	A1+	28/3/2013	4.91%	2,683,022	-	2,683,022	
Subtotal				6,683,022	72,662	6,755,684	18.5%
ME Bank							
Reserve 165	A2	25/3/2013	5.00%	5,000,000	-	5,000,000	
Subtotal				5,000,000	-	5,000,000	13.7%
ING Bank (Australia)							
Reserve 166	A1	26/3/2013	4.81%	5,000,000	-	5,000,000	
Subtotal				5,000,000	-	5,000,000	13.7%
Rural/Elders bank							
Reserve 164	A2	28/2/2013	4.12%	2,815,400	45,743	2,861,143	
Subtotal				2,815,400	45,743	2,861,143	7.8%
Bank of Queensland							
Muni 234	A2	15/4/2013	4.80%	5,000,000	-	5,000,000	
Subtotal				5,000,000	-	5,000,000	13.7%
Total Funds Invested				37,657,480	249,265	36,485,832	100.0%



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

Note 5 : RECEIVABLES

Receivables - Rates and Rubbish

Opening Arrears Previous Years	
Rates Levied this year	(1,389,940)
Less Collections to date	(42,193,990)
Equals Current Outstanding	(38,206,552)
<i>Comprises of Current Amt:</i>	
<i>Deferred Amt:</i>	231,387

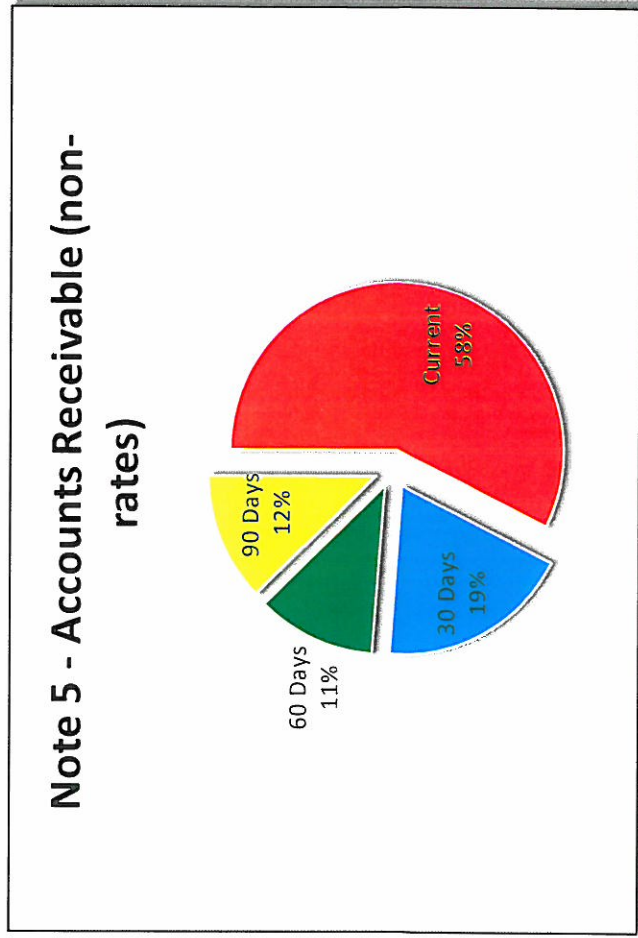
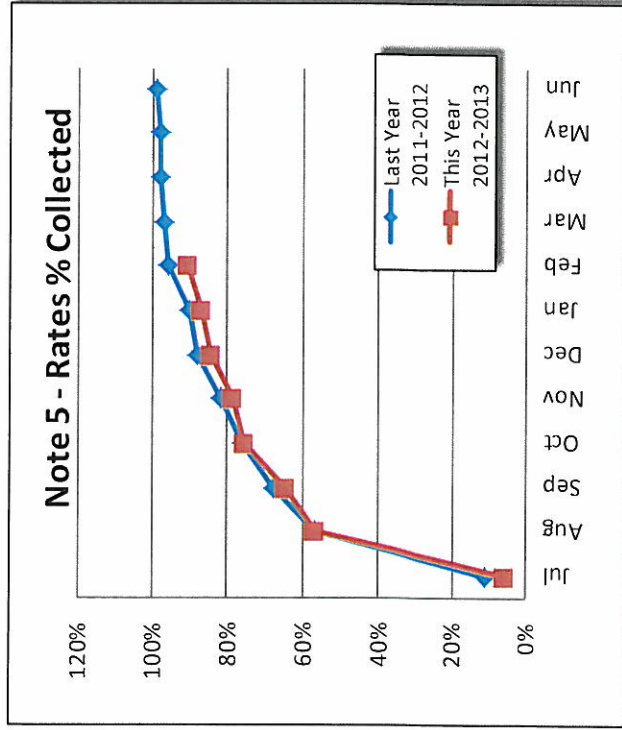
Net Rates Collectable
 % Collected

90.55%

Current 2012-2013	
\$	(1,389,940)
	(42,193,990)
	(38,206,552)
	(5,377,378)
	(5,145,991)
	231,387

Receivables - General

	Current	30 Days	60 Days	90 Days
\$	\$	\$	\$	\$
	1,156,531	378,780	228,999	249,864
				<u>2,014,174</u>
Total Outstanding				
General	930,896	46.2%		
Airport	619,928	30.8%		
Meru	463,351	23.0%		
	<u>2,014,174</u>	<u>100%</u>		



Comments/Notes - Receivables Rates and Rubbish

Rates collections are 90.55% of total rates billed in February after the third instalment. Fourth and last instalment due 04/03/2013.

Comments/Notes - Receivables General

Major debtors in January include \$405k Skywest, \$245k Dept of Regional Australia LG Arts & Sports, \$196k Geraldton Port Authority and 138k Qantaslink.

