

3.11. FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2017

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DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 May 2017.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2016/17 budget for the period ended 31 May 2017 and provides a statement of estimated financial position for the current financial year. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$434k.
- operating expenditure is under budget by \$161k.
- the operating surplus is currently \$831k compared to a budgeted surplus of \$236k.

BACKGROUND

In accordance with section 204 of the *Local Government Regulation 2012* the Chief Executive Officer must present to Council a financial report which states the progress that has been made in relation to the current financial year's budget. This report must be presented to Council on a monthly basis and cover the period up to a day as near as practicable to the end of the preceding month.

Additionally, section 205 of the *Local Government Regulation 2012* requires the Chief Executive Officer to present to the annual budget meeting a statement of estimated financial position. Accordingly, the attached financial report also includes the estimated financial position for the financial year ending 30 June 2017 based on the budget adopted by Council in June 2016 and subsequently revised in March 2017.

COMMENT

The 2016/17 annual budget was adopted on 28 June 2016 and revised on 7 March 2017 and the attached financial report details progress against budget for the period ended 31 May 2017. The report is prepared on an accrual basis and includes revenue earned and expenditure incurred during this period.

The following information is provided to assist with interpreting the report and includes graphs which show both actual expenditure and committals relating to materials and services expenditure and capital expenditure.

PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 31 MAY 2017

Operating Revenue and Expenditure

Key points:

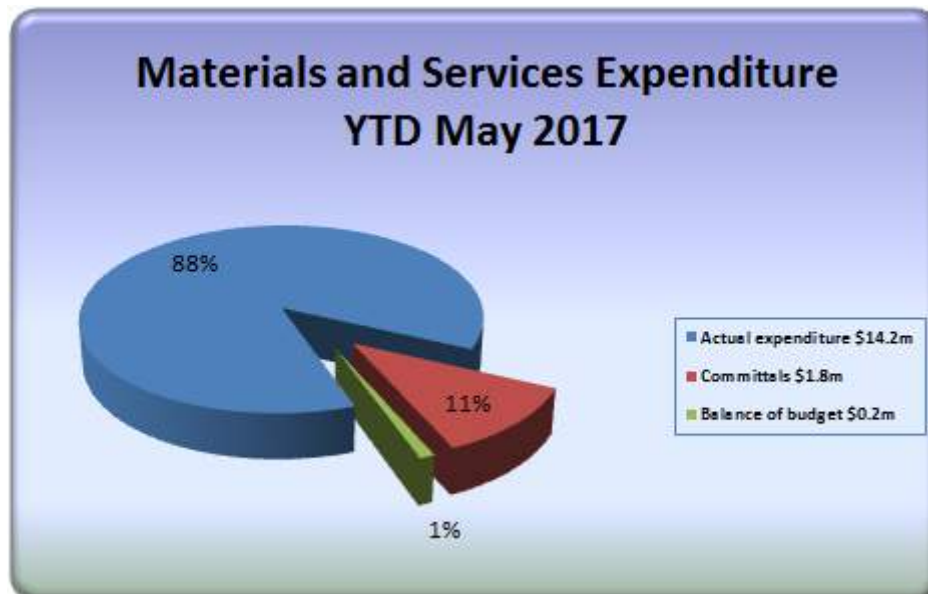
- Council has received 97% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

Overall year to date operating revenue is ahead of budget, with a number of variations occurring within the various categories as follows:

- Net rates and utility charges are \$47k ahead of budget as a result of greater than anticipated revenue from the most recent issues of water usage charges.
- Fees and charges continue to exceed budget expectations and are \$191k ahead of budget due to the following variations:
 - Ferry fares \$113k
 - Building and property related fees \$25k
 - Licences and Other fees and charges \$53k
- Grants and subsidies are \$59k ahead of budget, including the receipt of an unexpected library grant (\$13k) and a grant to assist with the implementation of Council's new planning scheme (\$40k).
- Interest received also continues to exceed budget expectations and is \$85k ahead of budget.
- Other recurrent income has also exceeded budget expectations and is \$52k ahead of budget.

On the operating expenditure side most categories of year to date operating expenditure are under budget as follows:

- Employee benefits expenditure is \$79k under budget and can be impacted by various factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$562k, which is partially due to a number of timing differences. A further \$1.9m had been committed as at the end of May, with a portion relating to a number of annual expenditure contracts. These committals are being reviewed and as we approach the end of financial year they should reduce much further.



- Although depreciation expense was adjusted in the budget review, based on a re-assessment of anticipated depreciation resulting from NDRRA asset restoration work and from the impact of previous asset revaluations, depreciation will continue to increase as a result of the ongoing capitalisation of Council's capital projects and is

currently over budget by \$99k. There is still a considerable amount of capitalisation to occur as part of the end of financial year process.

- Finance costs are over budget as a result of a "one off" interest adjustment of \$397k when fully repaying Council's loans with Queensland Treasury Corporation during May 2017.

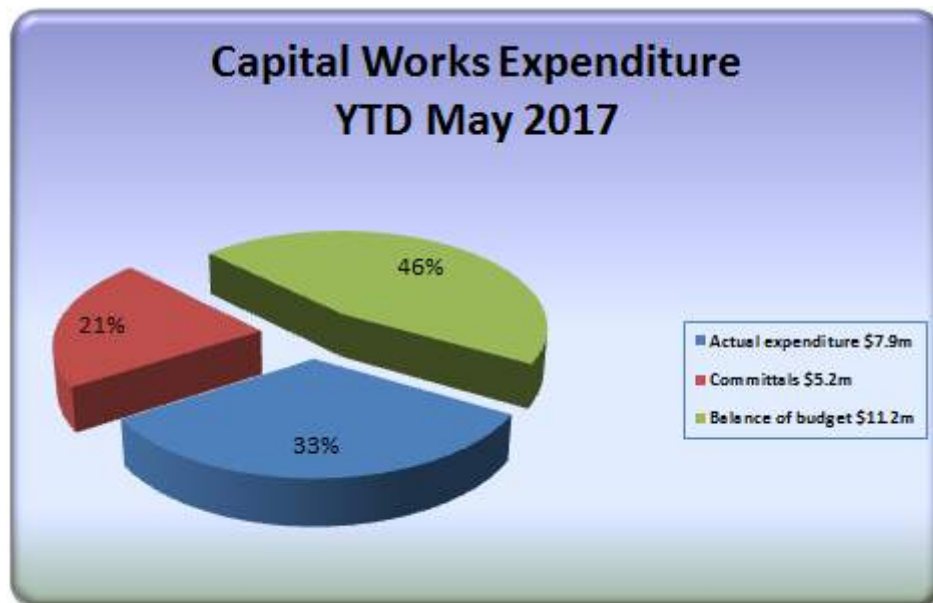
Capital Revenue and Expenditure

Key point:

- Council has received 52% of its annual budgeted capital grants and subsidies, which mainly relates to the new reservoir project, NDRRA funding and the Works for Queensland (W4Q) program.

Significant adjustments were made to capital revenue and expenditure in the budget review including the inclusion of carry forwards (uncompleted works) from the previous financial year, capital project adjustments and new capital projects, proposed NDRRA restoration works and the Works for Queensland (W4Q) program.

It should be noted that in addition to year to date expenditure a further \$5.2m (including the new reservoir project) had been committed as at the end of May.



Operating Result

Key point:

- *the operating result is \$595k ahead of budget*

As reflected in the attached report, total operating revenue at the end of May was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$831k compared to a budgeted surplus of \$236k. As mentioned above however, this result does not include any committals for materials and services.



ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2017

Two columns have been added to the attached financial report to show the estimated financial position and variance to budget for the financial year ending 30 June 2017. This estimate is based on information available and assumptions made at the time of preparing this report. The estimate includes the recent receipt of approximately 50% of Council's 2017/18 Grants Commission Grant in advance, based on funds received by the Commission from the Federal Government and provided to Council on the same apportionment as Council's 2016/17 grant. The Commission is yet to provide any confirmation of Council's actual total approved grant for 2017/18 or the process that will be followed in future financial years.

Council's estimated financial position as at 30 June 2017 will also be dependent upon the outcomes of the end of financial year and final audit processes.

PROPOSAL

The Financial Report for the period ending 31 May 2017 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of May 2017 have not revealed any significant negative impacts on the 2016/17 budget.

RISK MANAGEMENT IMPLICATIONS

Monthly financial reporting keeps Council informed of the progress that has been made in relation to the budget and allows for timely corrective action if required.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 Governance

5.1.1 “Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs.

5.2.1 “Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making.

ATTACHMENTS

1. Financial Statement as at 31 May 2017 **[3.11.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of May 2017	Actual YTD '17	Budget YTD '17	Variance	Budget 16/17	Actual as % of Budget 16/17	Estimated Position June 2017	
	\$	\$	\$	\$		Actual \$	Variance \$
Operating Revenue							
Net rates and utility charges	29,241,827	29,194,906	46,921	30,418,213	96%	30,418,213	-
Fees and charges	4,795,868	4,604,930	190,938	4,985,511	96%	5,176,449	190,938
Grants, subsidies, contributions and donations	1,537,348	1,477,926	59,422	1,485,926	103%	2,195,348	709,422
Interest received	923,798	838,350	85,448	903,790	102%	989,238	85,448
Other recurrent income	844,432	792,905	51,527	808,940	104%	860,467	51,527
Total Operating Revenue	37,343,273	36,909,017	434,256	38,602,380	97%	39,639,715	1,037,335
Operating Expenses							
Employee benefits	11,695,302	11,774,604	79,302	13,227,685	88%	13,227,685	-
Materials and services	14,161,494	14,723,619	562,125	16,184,004	88%	16,184,004	-
Depreciation	10,064,516	9,965,189	(99,327)	10,876,189	93%	11,175,516	(299,327)
Finance costs	591,423	210,000	(381,423)	214,000	276%	600,533	(386,533)
Total Recurrent Expenses	36,512,734	36,673,412	160,678	40,501,878	90%	41,187,737	(685,859)
Operating Result	830,539	235,605	594,934	(1,899,498)	(44%)	(1,548,022)	351,476
Capital revenue							
Capital grants and subsidies	6,581,437	12,695,485	(6,114,048)	12,695,485	52%	6,827,810	(5,867,675)
Total capital revenue	6,581,437	12,695,485	(6,114,048)	12,695,485	52%	6,827,810	(5,867,675)
Net result	7,411,977	12,931,090	(5,519,113)	10,795,987	69%	5,279,788	(5,516,199)
Capital works program							
Capital additions	7,907,991	24,267,938	16,359,947	24,267,938	33%	15,693,122	8,574,816
Total capital additions	7,907,991	24,267,938	16,359,947	24,267,938	33%	15,693,122	8,574,816
NDRRA portion of Capital Works Program (included above)							
Capital grants and subsidies	2,995,692	4,945,470	(1,949,778)	4,945,470	61%	3,247,189	(1,698,281)
Capital additions	443,640	2,892,243	2,448,603	2,892,243	15%	1,461,531	1,430,712
Net position	2,552,052	2,053,227	498,825	2,053,227		1,785,658	(3,128,993)