

3.12. FINANCIAL REPORT FOR THE PERIOD ENDED 31 MAY 2016

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DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 May 2016.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2015/16 budget for the period ended 31 May 2016 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 \$770k.
- operating expenditure is well under budget.
- the operating surplus is currently \$958k compared to a budgeted deficit of \$1.9m.

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 2016 based on the budget adopted by Council in June 2015 and subsequently revised in December 2015.

COMMENT

The 2015/16 annual budget was adopted on 24 June 2015 and revised on 16 December 2015 and the attached financial report details progress against budget for the period ended 31 May 2016. 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 2016

Operating Revenue and Expenditure

Key points:

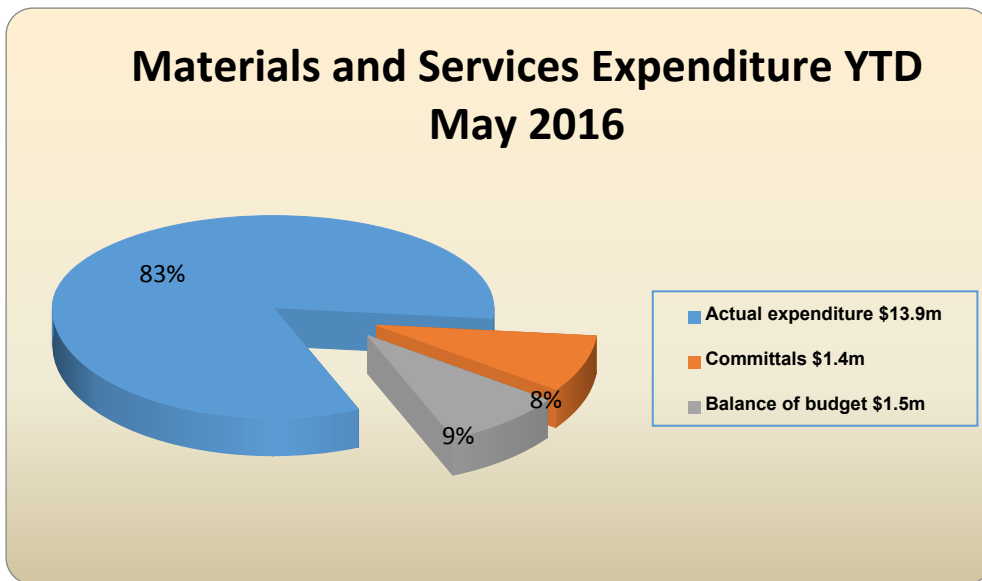
- *Council has received 98% of its annual budgeted operating revenue*
- *year to date operating expenditure is currently well under budget*

Most categories of year to date operating revenue are currently ahead of budget, as follows:

- Net rates and utility charges are \$102k ahead of budget due to greater than anticipated revenue from all categories of rates, mainly as a result of growth.
- Fees and charges are \$510k ahead of budget due to the following year to date variations:
 - Ferry fares \$289k
 - Building and property related fees \$50k
 - Licences and Other fees and charges \$171k
- Grants and subsidies are \$127k ahead of budget due to greater than anticipated revenue from other grants and subsidies. This additional revenue either has or will be offset by expenditure relating to these grants.

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

- Employee benefits expenditure is under budget by \$146k and can be impacted by various factors, such as staff vacancies, the amount of leave taken and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$1.7m however committals currently equal \$1.4m. These committals reduced by approximately \$300k during the last month and as we approach the end of financial year they should reduce much further.



- Depreciation expense is under budget by \$220k and is based on actual depreciation included in the asset register. Variations are likely to occur each month dependent upon the timing of the completion, capitalisation and depreciation of capital expenditure. There is still a considerable amount of capitalisation to occur as part of the end of financial year process.

Capital Revenue and Expenditure

Key point:

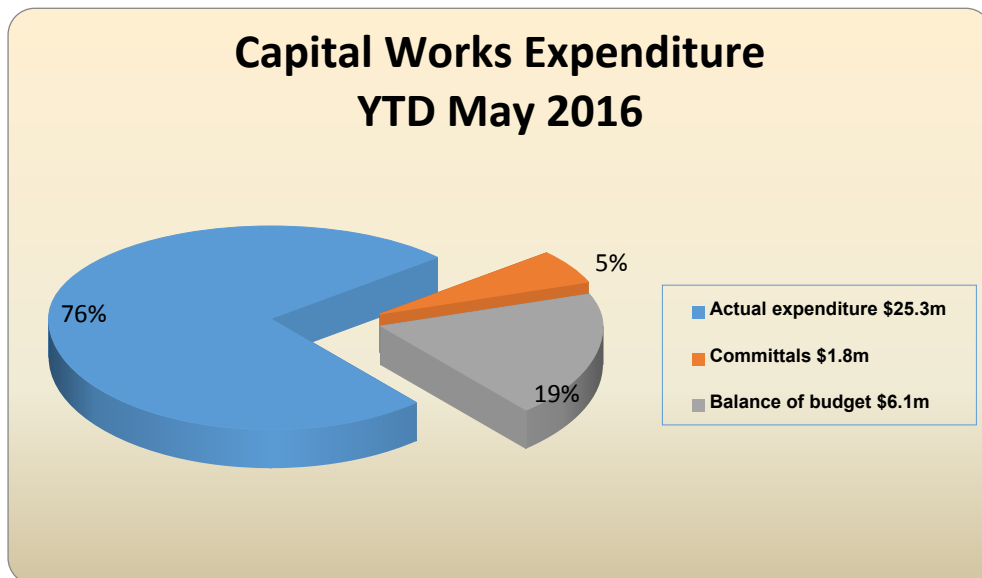
- *Council has received 87% of its annual budgeted capital grants and subsidies, which mainly relates to NDRRA work*

Full budget amounts for capital revenue and expenditure were allocated to July, as the timing of this work had not been fully determined when the original budget was prepared.

These amounts were adjusted as part of the budget review to take into consideration:

- the carry forward of uncompleted capital works (and associated revenue) from the 2014/15 financial year
- any additional items of capital expenditure (and associated revenue) approved by Council since the adoption of the original budget
- revised estimates for NDRRA capital revenue and capital expenditure

It should be noted that in addition to year to date expenditure a further \$1.8m had been committed as at the end of May.

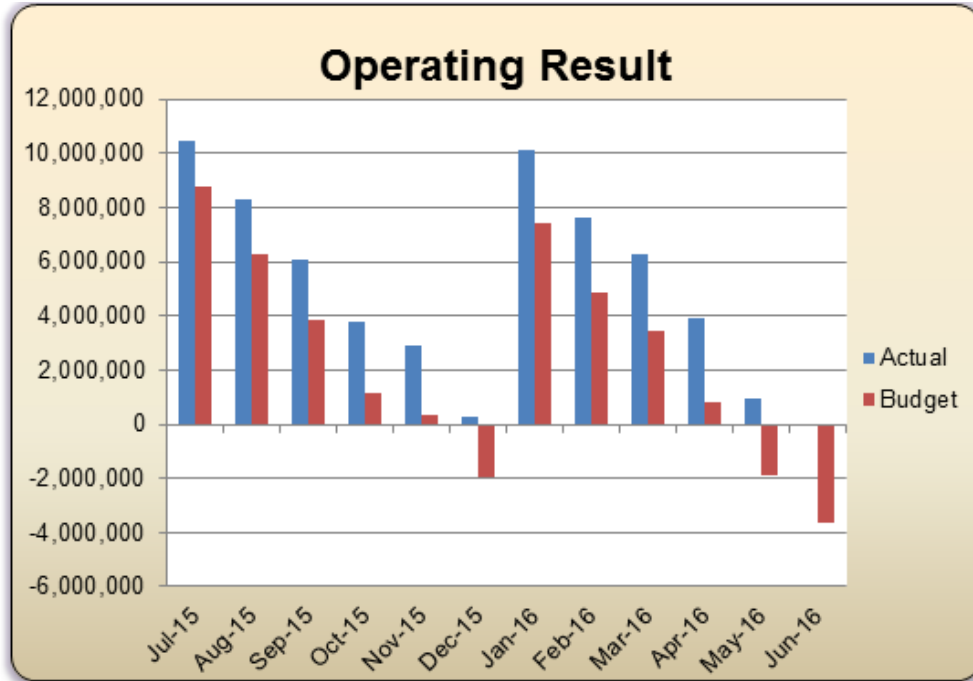


Operating Result

Key point:

- the operating result is \$2.9m 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 well under budget. This has resulted in an operating surplus of \$958k compared to a budgeted deficit of \$1.9m. 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 2016

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 2016. This estimate is based on information available and assumptions made at the time of preparing this report and the final result will 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 2016 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of May 2016 have not revealed any significant negative impacts on the 2015/16 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

Attachment 1 - Financial Report

Douglas Shire Council Statement of Comprehensive Income For the month of May 2016						Estimated Position June 2016	
	Actual YTD '16 \$	Budget YTD '16 \$	Variance \$	Budget 15/16 \$	Actual as % of Budget 15/16	Actual \$	Variance \$
Operating Revenue							
Net rates and utility charges	28,076,788	27,974,361	102,427	29,149,838	96%	29,149,838	-
Fees and charges	4,382,995	3,873,379	509,616	4,198,518	104%	4,683,134	484,616
Grants, subsidies, contributions and donations	1,543,105	1,415,891	127,214	1,415,891	109%	1,572,258	156,367
Interest received	952,008	860,786	91,222	934,220	102%	1,028,359	94,139
Other recurrent income	515,533	576,007	(60,474)	624,832	83%	763,113	138,281
Total Operating Revenue	35,470,430	34,700,424	770,006	36,323,299	98%	37,196,702	873,403
Operating Expenses							
Employee benefits	11,280,983	11,426,559	145,576	12,646,644	89%	12,646,644	-
Materials and services	13,893,177	15,556,628	1,663,451	16,764,742	83%	15,426,663	1,338,079
Depreciation	9,164,094	9,437,351	273,257	10,295,283	89%	10,295,283	-
Finance costs	174,617	196,500	21,883	238,000	73%	238,000	-
Total Recurrent Expenses	34,512,871	36,617,038	2,104,167	39,944,669	86%	38,606,590	1,338,079
Operating Result	957,559	(1,916,614)	2,874,173	(3,621,370)	(26%)	(1,409,888)	2,211,482
Capital revenue							
Capital grants and subsidies	16,086,214	18,429,257	(2,343,043)	18,429,257	87%	17,574,725	(854,532)
Total capital revenue	16,086,214	18,429,257	(2,343,043)	18,429,257	87%	17,574,725	(854,532)
Net result	17,043,773	16,512,643	531,130	14,807,887	115%	16,164,837	1,356,950
Capital works program							
Capital additions	25,345,387	33,228,467	7,883,080	33,228,467	76%	29,613,838	3,614,629
Total capital additions	25,345,387	33,228,467	7,883,080	33,228,467	76%	29,613,838	3,614,629
NDRRA portion of Capital Works Program (included above)							
Capital grants and subsidies	14,798,954	17,090,642	(2,291,688)	17,090,642	87%	16,236,110	(854,532)
Capital additions	18,418,551	18,769,952	351,401	18,769,952	98%	18,769,952	-
Net position	(3,619,597)	(1,679,310)	(1,940,287)	(1,679,310)		(2,533,842)	(854,532)