

5.1. INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016

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DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Interim Financial Report for the period ended 30 June 2016.

EXECUTIVE SUMMARY

The attached Interim Financial Report details the progress of the 2015/16 budget for the period ending 30 June 2016. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$1m.
- operating expenditure is well under budget.
- the operating deficit is currently \$729k compared to a budgeted deficit of \$3.6m.

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 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.

COMMENT

The 2015/16 annual budget was adopted on 24 June 2015 and revised on 16 December 2015 and the attached interim financial report details progress against budget for the period ending 30 June 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.

In reviewing this financial report, the following should be noted:

- The figures presented are interim and are subject to any adjustments required as part of the end of financial year and audit processes. These adjustments will include:
 - Accrual of any revenue earned but not yet received.
 - Review of all expenditure committals recorded via the purchase requisition process in Council's financial system and expensing of these committals where appropriate.
 - Allocation of any June expenses yet to be invoiced (that are not normally part of the purchase requisition process), for example utility charges such as electricity and telephone.
 - Any revenue and expenditure adjustments that may be required between operating and capital.

- Determination of final depreciation expenditure once all asset additions and disposals are finalised.
- In order to provide as up to date figures as possible, the interim financial report already includes a number of quantifiable estimates, such as accrued investment interest and accrued salaries and wages up to 30 June.

Operating Revenue and Expenditure

Key points:

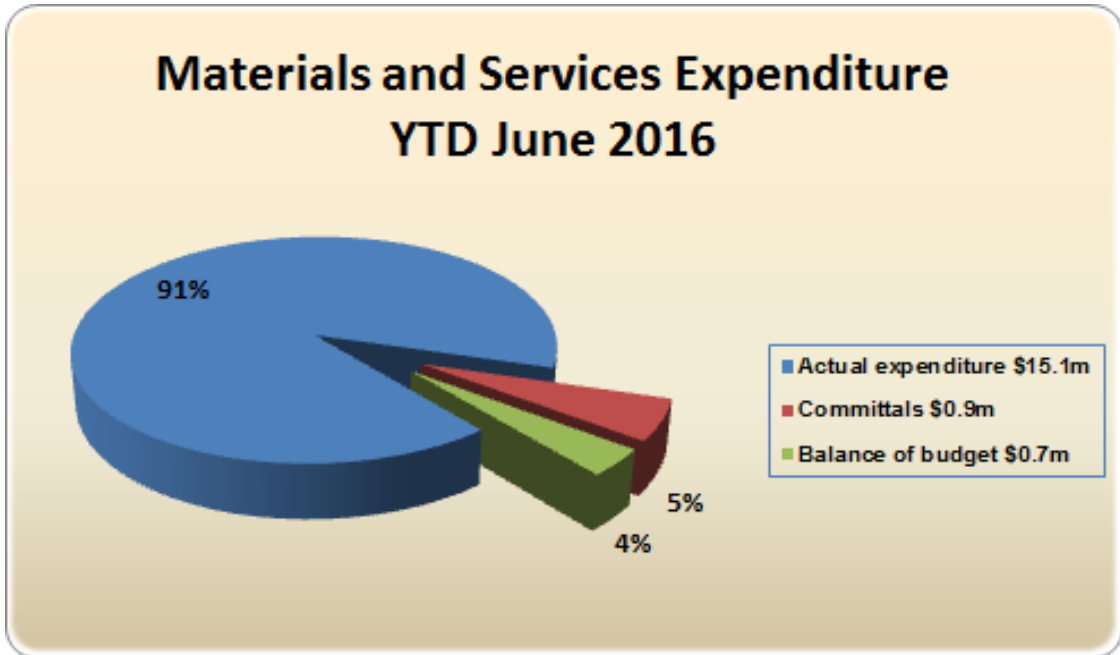
- *operating revenue currently exceeds the annual budget by 3%*
- *operating expenditure is currently 5% under budget*

Operating revenue has continued to exceed budget expectations and all categories of operating revenue now exceed the annual budget.

- Net rates and utility charges are \$69k ahead of budget due to greater than anticipated revenue from all categories of rates, mainly as a result of growth.
- Fees and charges are \$531k ahead of budget due to the following variations:
 - Ferry fares \$303k
 - Building and property related fees \$30k
 - Licences and Other fees and charges \$198k
- Grants and subsidies are \$163k ahead of budget due to greater than anticipated revenue from other grants and subsidies.
- Interest received is \$96k ahead of budget due to prudent management of Council's investments.
- Other recurrent income is ahead of budget due to sale of scrap metal \$59k and other revenue \$88k.

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 \$95k and can be impacted by various factors, such as staff vacancies, the amount of leave taken during the year and the allocation of costs to capital expenditure. In addition, the end of financial year reconciliation of leave provision accounts is still to be undertaken.
- Materials and Services expenditure is under budget by \$1.6m however committals currently equal \$942k. These committals reduced by approximately \$450k during the last month and should reduce much further during the end of financial year accrual process, with a portion likely to be expensed.



- Depreciation is currently \$199k under budget, however the capitalisation and depreciation of capital additions for the financial year is yet to be completed.

Capital Revenue and Expenditure

Key point:

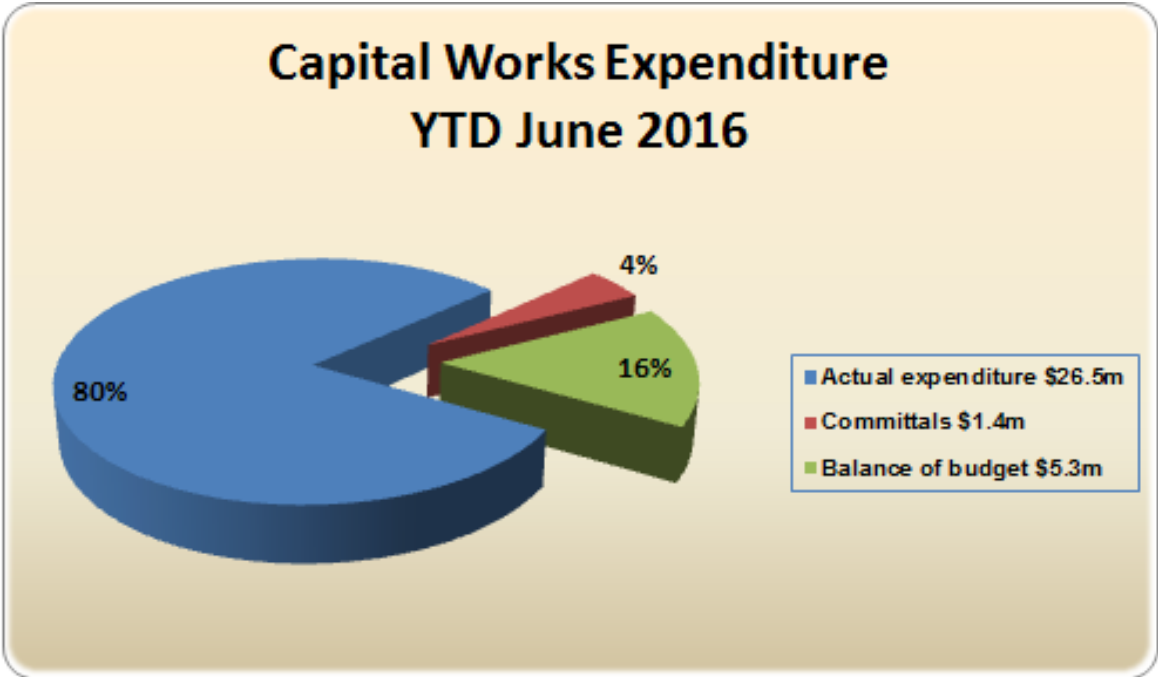
- *Council has received 88% of its annual budgeted capital grants and subsidies, which mainly relates to NDRRA work*
- *the interim net result is \$629k ahead of budget*

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 subsequently 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 actual capital expenditure a further \$1.4m had been committed as at the end of June.

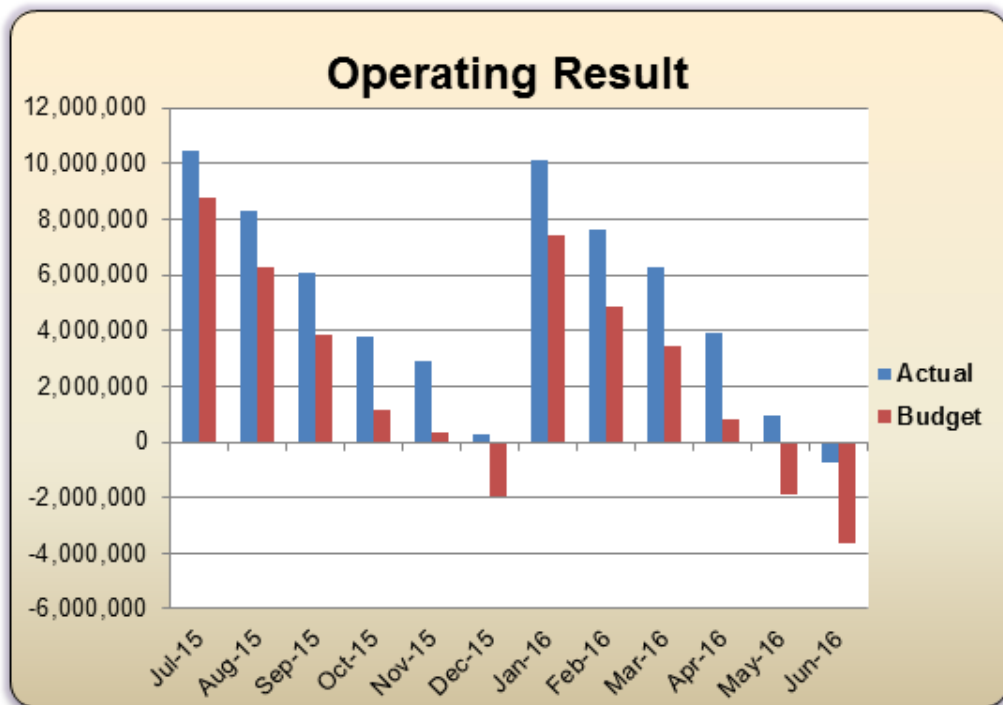


Operating Result

Key point:

- *the interim operating result is \$2.9m ahead of budget*

As reflected in the attached report, total operating revenue at the end of June was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating deficit of \$729k compared to a budgeted deficit of \$3.6m. As mentioned above however, this result does not include committals of \$942k in materials and services and is also an interim result which is still subject to the end of financial year and audit processes.



PROPOSAL

The Interim Financial Report for the period ending 30 June 2016 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of June 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 - Interim Financial Report

Douglas Shire Council Statement of Comprehensive Income For the month of June 2016 (Interim)	Actual YTD '16 \$	Budget YTD '16 \$	Variance \$	Budget 15/16 \$	Actual as % of Budget 15/16
Operating Revenue					
Net rates and utility charges	29,218,498	29,149,838	68,660	29,149,838	100%
Fees and charges	4,729,437	4,198,518	530,919	4,198,518	113%
Grants, subsidies, contributions and donations	1,579,259	1,415,891	163,368	1,415,891	112%
Interest received	1,030,162	934,220	95,942	934,220	110%
Other recurrent income	771,511	624,832	146,679	624,832	123%
Total Operating Revenue	37,328,866	36,323,299	1,005,567	36,323,299	103%
Operating Expenses					
Employee benefits	12,551,554	12,646,644	95,090	12,646,644	99%
Materials and services	15,198,106	16,764,742	1,566,636	16,764,742	91%
Depreciation	10,096,732	10,295,283	198,551	10,295,283	98%
Finance costs	211,521	238,000	26,479	238,000	89%
Total Recurrent Expenses	38,057,913	39,944,669	1,886,756	39,944,669	95%
Operating Result	(729,047)	(3,621,370)	2,892,323	(3,621,370)	20%
Capital revenue					
Capital grants and subsidies	16,165,619	18,429,257	(2,263,638)	18,429,257	88%
Total capital revenue	16,165,619	18,429,257	(2,263,638)	18,429,257	88%
Net result	15,436,573	14,807,887	628,686	14,807,887	104%
Capital works program					
Capital additions	26,530,454	33,228,467	6,698,013	33,228,467	80%
Total capital additions	26,530,454	33,228,467	6,698,013	33,228,467	80%
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%
Capital additions	18,899,592	18,769,952	(129,640)	18,769,952	101%
Net position	(4,100,638)	(1,679,310)	(2,421,328)	(1,679,310)	