

5.10. FINANCIAL REPORT FOR THE PERIOD ENDED 31 AUGUST 2018

REPORT AUTHOR(S)	John Rehn, Manager Finance and IT
CHIEF EXECUTIVE OFFICER	Darryl Crees, General Manager Governance
DEPARTMENT	Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 August 2018.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2018/19 budget for the period ended 31 August 2018. Key points to note include the following:

- operating revenue is currently under budget by \$130k.
- operating expenditure is under budget by \$789k.
- the operating surplus is currently \$7.9m compared to a budgeted surplus of \$7.2m.

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.

COMMENT

The 2018/19 annual budget was adopted on 19 June 2018 and the attached financial report details progress against budget for the period ended 31 August 2018. 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, including the provision of relevant graphs.

Operating Revenue and Expenditure

Key points:

- *Council has received 35% of its annual budgeted operating revenue*
- *Year to date operating expenditure is currently under budget*

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

- Fees and charges are under budget by \$158k mainly due to timing differences with the raising of licence fees. This expected to correct itself during September.
- Grants and subsidies are \$34k ahead of budget partly due to an increase in the anticipated Financial Assistance Grant for the 2018/19 financial year.
- Interest received is less than anticipated and is \$20k under budget.

On the operating expenditure side, year to date expenditure variations to budget are as follows:

- Employee benefits expenditure is \$151k 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 \$639k and while committals currently equal \$6.8m it should be noted that the majority of these committals relate to annual expenditure contracts.

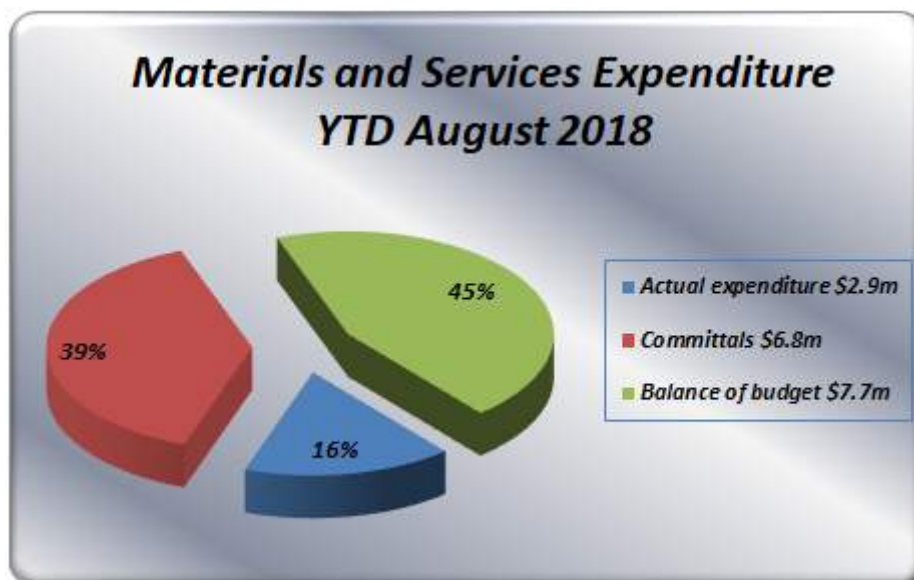


Figure 1.

- Depreciation expense has been accrued based on the budget forecast, as the asset register is still being finalised as part of the 2017/18 end of financial year process and cannot be updated with actual depreciation for the new financial year until this process is completed.

Capital Revenue and Expenditure

Key point:

- *Council has only received a small portion of its annual budgeted capital grants and subsidies at this early stage of the financial year.*

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 will be subsequently adjusted as part of a future budget review to take into account carry forwards (uncompleted works) from the previous financial year and any new capital projects.

It should be noted that in addition to year to date capital expenditure a further \$5.2m had been committed as at the end of August.

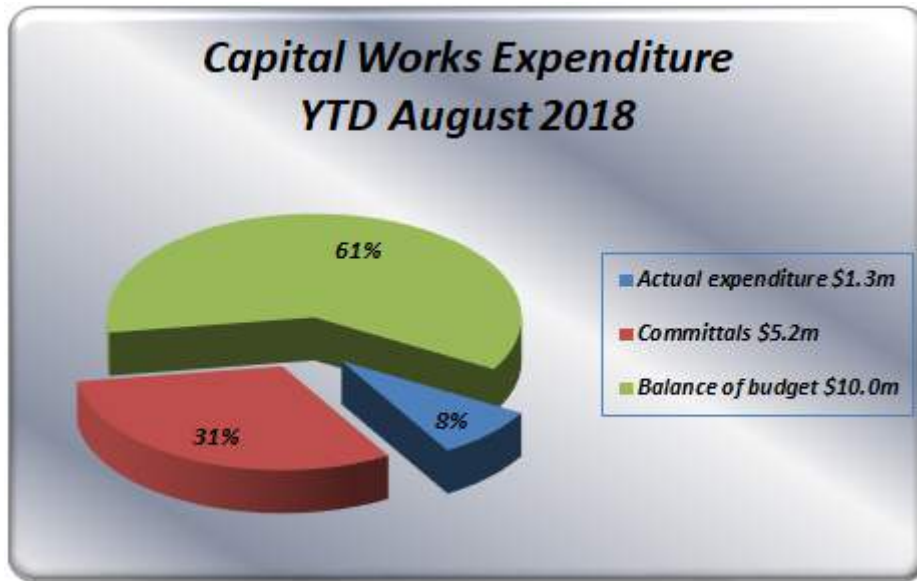


Figure 2.

Operating Result

Key point:

- the operating result is \$660k ahead of budget

As reflected in the attached report, total operating revenue at the end of August was under budget and operating expenditure was also under budget. This has resulted in an operating surplus of \$7.9m compared to a budgeted surplus of \$7.2m. As mentioned above however, this result does not include any committals for materials and services.

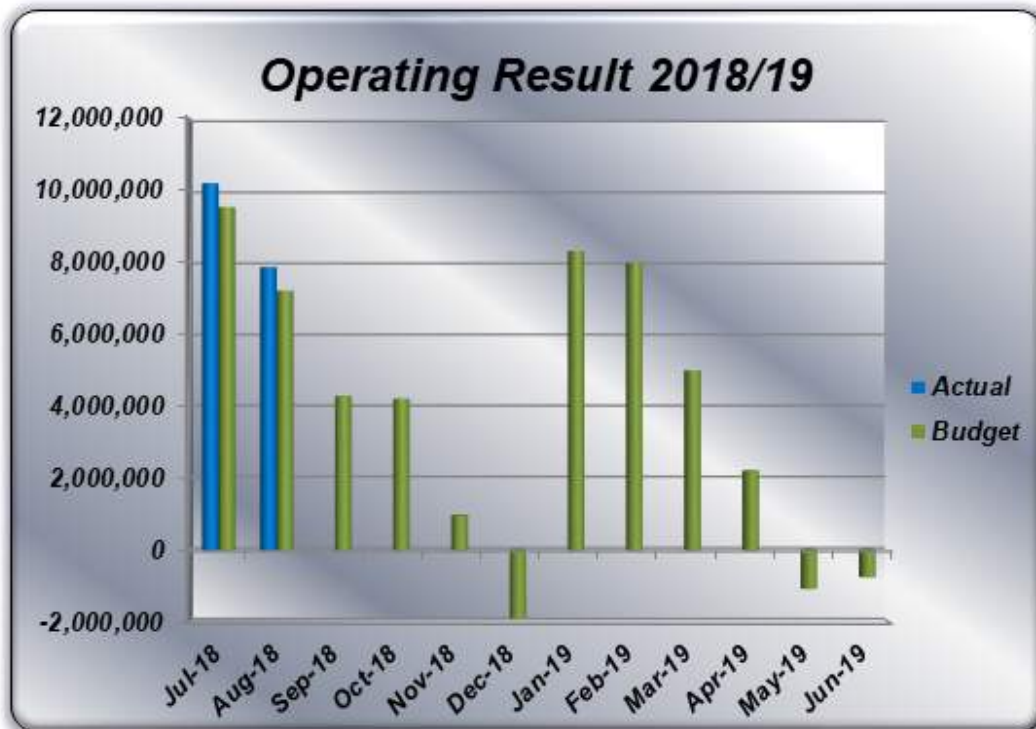


Figure 3.

PROPOSAL

The Financial Report for the period ended 31 August 2018 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of August 2018 have not revealed any significant negative impacts on the 2018/19 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 August 2018 **[5.10.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of August 2018	Actual YTD 19 \$	Budget YTD 19 \$	Variance \$	Budget 18/19 \$	Actual as % of Budget 18/19
Operating Revenue					
Net rates and utility charges	13,080,724	13,080,653	71	34,088,348	38%
Fees and charges	1,419,933	1,578,290	(158,357)	5,408,334	26%
Grants and subsidies	277,434	243,558	33,876	2,102,043	13%
Interest received	121,473	141,918	(20,445)	842,895	14%
Other recurrent income	125,605	110,528	15,077	876,284	14%
Total Operating Revenue	15,025,170	15,154,947	(129,777)	43,317,904	35%
Operating Expenses					
Employee benefits	2,265,385	2,416,318	150,933	14,428,112	16%
Materials and services	2,869,572	3,508,944	639,372	17,428,359	16%
Depreciation	2,022,033	2,022,033	-	12,132,286	17%
Finance costs	7,842	6,944	(898)	86,700	9%
Total Recurrent Expenses	7,164,833	7,954,239	789,406	44,075,458	16%
Operating Result	7,860,337	7,200,708	659,629	(757,554)	(1038%)
Capital Revenue					
Capital grants and subsidies	431,437	3,819,250	(3,387,813)	3,819,250	11%
Contributions from developers	-	250,000	(250,000)	250,000	0%
Total capital revenue	431,437	4,069,250	(3,637,813)	4,069,250	11%
Net Result	8,291,774	11,269,958	(2,978,184)	3,311,696	250%
Capital Works Program					
Capital additions	1,342,678	16,499,000	15,156,322	16,499,000	8%
Total capital additions	1,342,678	16,499,000	15,156,322	16,499,000	8%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	431,437	-	431,437	-	
Capital additions	8,963	-	(8,963)	-	
Net position	422,474	-	422,474	-	