

## **5.13. INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2017**

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**DEPARTMENT:** Finance and IT

### **RECOMMENDATION**

**That Council notes the Interim Financial Report for the period ended 30 June 2017.**

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### **EXECUTIVE SUMMARY**

The attached Interim Financial Report details the progress of the 2016/17 budget for the period ended 30 June 2017. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$1.3m.
- operating expenditure is over budget by \$39k.
- the operating deficit is currently \$629k 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.

### **COMMENT**

The 2016/17 annual budget was adopted on 28 June 2016 and revised on 7 March 2017 and the attached interim financial report details progress against budget for the period ended 30 June 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, including the provision of relevant graphs.

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:

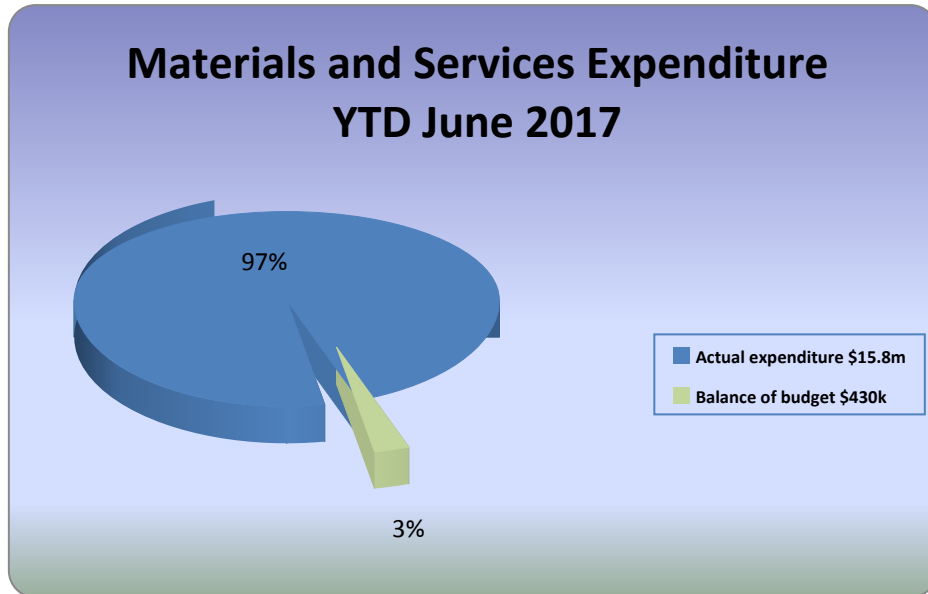
- *Council has received 103% of its annual budgeted operating revenue*
- *Year to date operating expenditure is currently over budget*

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

- Net rates and utility charges are \$169k ahead of budget as a result of greater than anticipated revenue from prepaid rates and from the accrual of water usage charges.
- Fees and charges have continued to exceed budget expectations and are \$231k ahead of budget due to the following variations:
  - Ferry fares \$134k
  - Building and property related fees \$46k
  - Licences and Other fees and charges \$51k
- Grants and subsidies are \$719 ahead of budget, including the receipt of:
  - An unexpected library grant \$13k
  - A grant to assist with the implementation of Council's new planning scheme \$40k
  - 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).
- Interest received has also continued to exceed budget expectations and is \$100k ahead of budget.
- Other recurrent income has also exceeded budget expectations and is \$90k ahead of budget, mainly as a result of additional private works income and additional RMPC income.

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

- Employee benefits expenditure is \$35k 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. 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 \$430k, however committals currently equal \$1.2m. These committals reduced by approximately \$700k during the last month and should reduce much further during the end of financial year accrual process, with a portion likely to be expensed.



**Figure 1.**

- 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 \$125k. 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. (The interest that would have been payable over the original repayment term of the loans would have been approximately \$800k, thus resulting in a net interest saving to Council of approximately \$400k as a result of the early repayment).

### Capital Revenue and Expenditure

#### Key point:

- *Council has received 71% 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 \$4.3m (including the new reservoir project) had been committed as at the end of June.

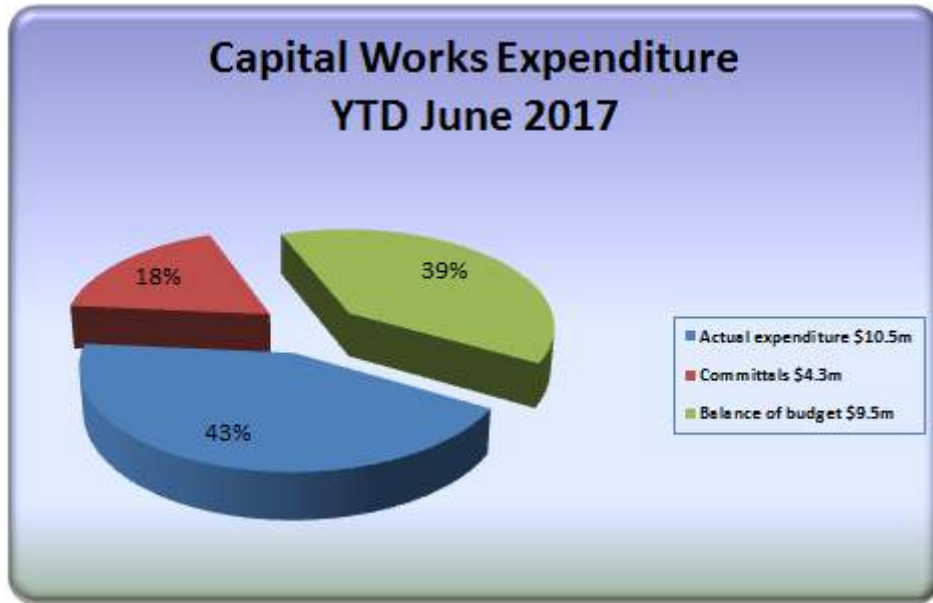


Figure 2.

## Operating Result

### Key point:

- *the interim operating result is \$1.3m ahead of budget*

As reflected in the attached report, total operating revenue at the end of June was well ahead of budget whereas operating expenditure was over budget. This has resulted in an operating deficit of \$629k compared to a budgeted deficit of \$1.9m.

As mentioned above however, this result does not include any commitments for materials and services and is also an interim result which is still subject to the end of financial year and audit processes.



Figure 3.

## PROPOSAL

The Interim Financial Report for the period ended 30 June 2017 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of June 2017 have not revealed any significant negative impacts on the 2016/17 budget. However, it is noted that Depreciation and Finance costs are over budget for the reasons outlined in this report.

## 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. Interim Financial Statement as at 30 June 2017 **[5.13.1]**

| <b>Douglas Shire Council<br/>Statement of Comprehensive Income<br/>For the month of June 2017 (Interim)</b> | <b>Actual YTD '17<br/>\$</b> | <b>Budget YTD '17<br/>\$</b> | <b>Variance<br/>\$</b> | <b>Budget 16/17<br/>\$</b> | <b>Actual as % of<br/>Budget 16/17</b> |
|---|------------------------------|------------------------------|------------------------|----------------------------|--|
| <b>Operating Revenue</b>  |                              |                              |                        |                            |  |
| Net rates and utility charges   | 30,615,800                   | 30,446,344                   | 169,456                | 30,418,213                 | 101%                                   |
| Fees and charges  | 5,181,926                    | 4,951,380                    | 230,546                | 4,985,511                  | 104%                                   |
| Grants, subsidies, contributions and donations  | 2,204,673                    | 1,485,926                    | 718,747                | 1,485,926                  | 148%                                   |
| Interest received   | 1,004,233                    | 903,790                      | 100,443                | 903,790                    | 111%                                   |
| Other recurrent income  | 904,440                      | 814,940                      | 89,500                 | 808,940                    | 112%                                   |
| <b>Total Operating Revenue</b>  | <b>39,911,073</b>            | <b>38,602,380</b>            | <b>1,308,693</b>       | <b>38,602,380</b>          | <b>103%</b>                            |
| <b>Operating Expenses</b>   |                              |                              |                        |                            |  |
| Employee benefits   | 13,193,066                   | 13,227,685                   | 34,619                 | 13,227,685                 | 100%                                   |
| Materials and services  | 15,754,058                   | 16,184,004                   | 429,946                | 16,184,004                 | 97%                                    |
| Depreciation  | 11,000,832                   | 10,876,189                   | (124,643)              | 10,876,189                 | 101%                                   |
| Finance costs   | 592,456                      | 214,000                      | (378,456)              | 214,000                    | 277%                                   |
| <b>Total Recurrent Expenses</b>   | <b>40,540,413</b>            | <b>40,501,878</b>            | <b>(38,535)</b>        | <b>40,501,878</b>          | <b>100%</b>                            |
| <b>Operating Result</b>   | <b>(629,340)</b>             | <b>(1,899,498)</b>           | <b>1,270,158</b>       | <b>(1,899,498)</b>         | <b>33%</b>                             |
| <b>Capital revenue</b>  |                              |                              |                        |                            |  |
| Capital grants and subsidies  | 9,007,713                    | 12,695,485                   | (3,687,772)            | 12,695,485                 | 71%                                    |
| <b>Total capital revenue</b>  | <b>9,007,713</b>             | <b>12,695,485</b>            | <b>(3,687,772)</b>     | <b>12,695,485</b>          | <b>71%</b>                             |
| <b>Net result</b>   | <b>8,378,372</b>             | <b>10,795,987</b>            | <b>(2,417,615)</b>     | <b>10,795,987</b>          | <b>78%</b>                             |
| <b>Capital works program</b>  |                              |                              |                        |                            |  |
| Capital additions   | 10,465,780                   | 24,267,938                   | 13,802,158             | 24,267,938                 | 43%                                    |
| <b>Total capital additions</b>  | <b>10,465,780</b>            | <b>24,267,938</b>            | <b>13,802,158</b>      | <b>24,267,938</b>          | <b>43%</b>                             |
| <b>NDRRA portion of Capital Works Program (included above)</b>  |                              |                              |                        |                            |  |
| Capital grants and subsidies  | 3,269,032                    | 4,945,470                    | (1,676,438)            | 4,945,470                  | 66%                                    |
| Capital additions   | 642,458                      | 2,892,243                    | 2,249,785              | 2,892,243                  | 22%                                    |
| <b>Net position</b>   | <b>2,626,574</b>             | <b>2,053,227</b>             | <b>573,347</b>         | <b>2,053,227</b>           |  |