

## 5.15. FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2016

<b>REPORT AUTHOR(S):</b>	John Rehn, Manager Finance and IT
<b>GENERAL MANAGER:</b>	Darryl Crees, General Manager Corporate Services
<b>DEPARTMENT:</b>	Finance and IT

### RECOMMENDATION

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

---

### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2015/16 budget for the period ending 31 January 2016. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$574k.
- operating expenditure is well under budget.
- the operating surplus is currently \$10.2m compared to a budgeted surplus of \$7.4m.

### 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 financial report details progress against budget for the period ending 31 January 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.

### Operating Revenue and Expenditure

#### Key points:

- *Council has received 88% of its annual budgeted operating revenue*
- *Year to date operating expenditure is currently well under budget*

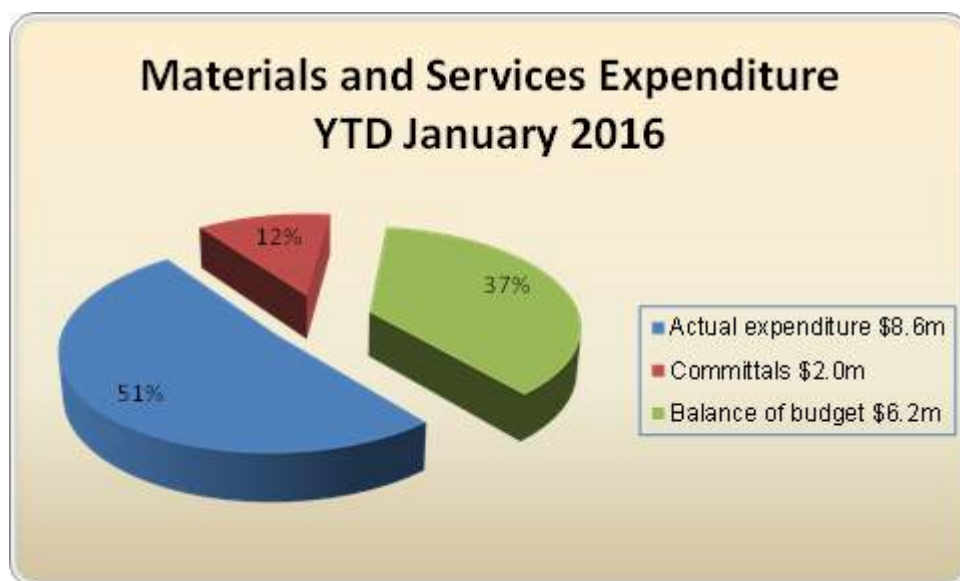
Most categories of year to date operating revenue are currently ahead of budget, as follows:

- Net rates and utility charges are \$139k ahead of budget due to greater than anticipated revenue from all categories of rates, mainly as a result of growth.
- Fees and charges are \$279k ahead of budget due to the following year to date variations:
  - Ferry fares \$142k
  - Building and property related fees \$61k
  - Licences and Other fees and charges \$76k

- Grants and subsidies are \$151k ahead of budget due to greater than anticipated revenue from other grants and subsidies. This additional revenue will be offset by future 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 \$245k and can be impacted by various factors, such as staff vacancies, the amount of leave taken (particularly during the Christmas / New Year period) and the allocation of costs to capital expenditure (currently \$52k ahead of budget).
- Materials and Services expenditure is under budget by \$1.8m and whilst committals equal \$2m it should be noted that many of these committals relate to annual expenditure contracts.



- Depreciation expense is under budget by \$131k 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.

## Capital Revenue and Expenditure

### Key point:

- *Council has received 76% of its annual budgeted capital grants and subsidies, which mainly relates to NDRRA work*

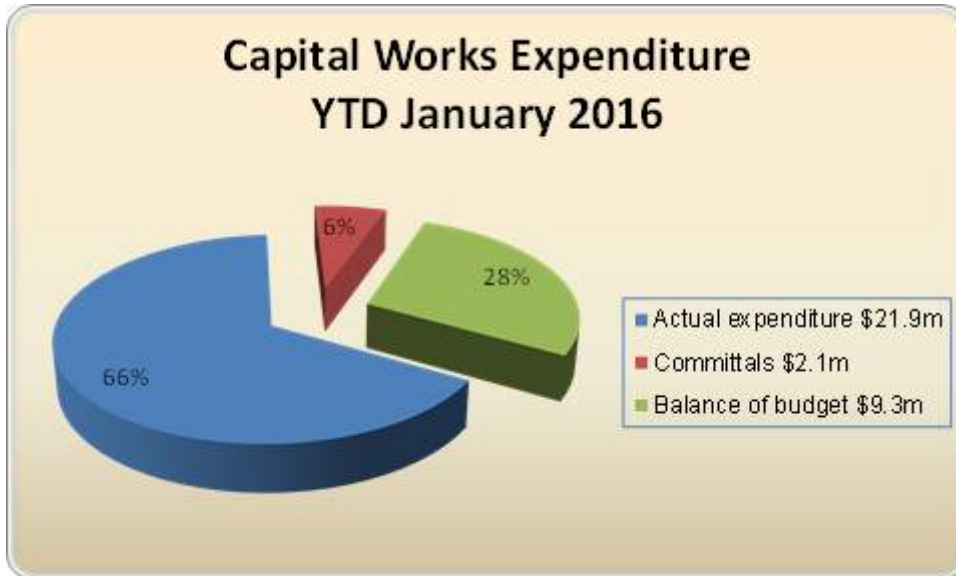
Full budget amounts for capital revenue and expenditure were allocated to July, as the timing of this work had not been fully determined when the original budget was prepared.

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 \$2.1m had been committed as at the end of December.

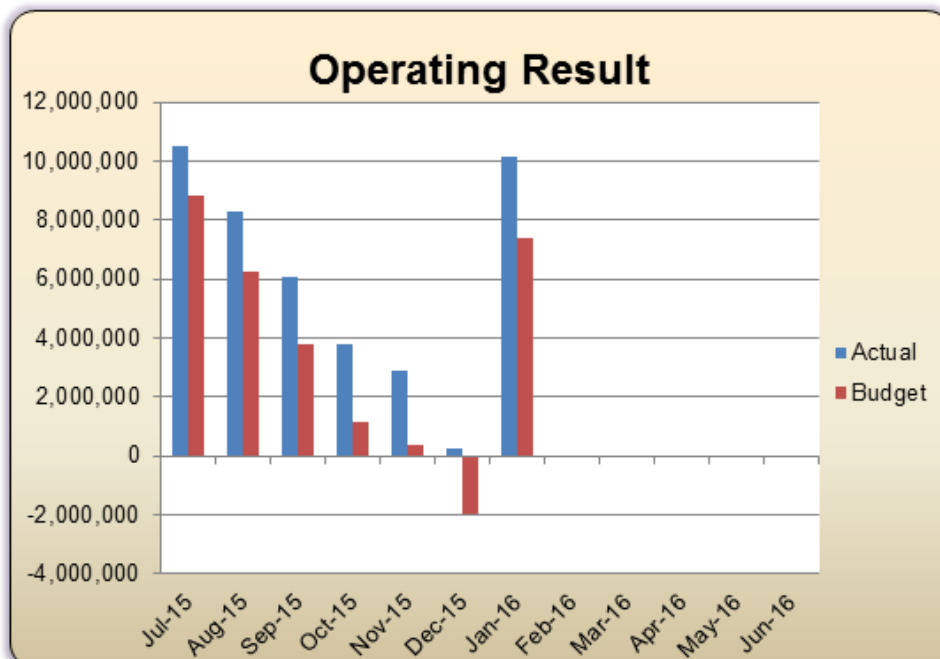


### Operating Result

**Key point:**

- The operating result is \$2.8m ahead of budget*

As reflected in the attached report, total operating revenue at the end of January was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating surplus of \$10.2m compared to a budgeted surplus of \$7.4m. As mentioned above however, this result does not include any committals for materials and services.



## **PROPOSAL**

The Financial Report for the period ending 31 January 2016 be received and noted by Council.

## **FINANCIAL/RESOURCE IMPLICATIONS**

The results as at the end of January 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

<b>Douglas Shire Council Statement of Comprehensive Income For the month of January 2016</b>	<b>Actual YTD '16 \$</b>	<b>Budget YTD '16 \$</b>	<b>Variance \$</b>	<b>Budget 15/16 \$</b>	<b>Actual as % of Budget 15/16</b>
<b>Operating Revenue</b>					
Net rates and utility charges	26,721,474	26,582,683	138,791	29,149,838	92%
Fees and charges	3,211,040	2,932,404	278,636	4,198,518	76%
Grants, subsidies, contributions and donations	1,199,271	1,047,929	151,342	1,415,891	85%
Interest received	583,773	571,586	12,187	934,220	62%
Other recurrent income	354,884	362,141	(7,257)	624,832	57%
<b>Total Operating Revenue</b>	<b>32,070,441</b>	<b>31,496,743</b>	<b>573,698</b>	<b>36,323,299</b>	<b>88%</b>
<b>Operating Expenses</b>					
Employee benefits	7,349,554	7,594,359	244,805	12,646,644	58%
Materials and services	8,584,969	10,378,292	1,793,323	16,764,742	51%
Depreciation	5,874,570	6,005,587	131,017	10,295,283	57%
Finance costs	110,217	129,500	19,283	238,000	46%
<b>Total Recurrent Expenses</b>	<b>21,919,311</b>	<b>24,107,738</b>	<b>2,188,427</b>	<b>39,944,669</b>	<b>55%</b>
<b>Operating Result</b>	<b>10,151,131</b>	<b>7,389,005</b>	<b>2,762,126</b>	<b>(3,621,370)</b>	<b>(280%)</b>
<b>Capital revenue</b>					
Capital grants and subsidies	13,930,879	18,429,257	(4,498,378)	18,429,257	76%
<b>Total capital revenue</b>	<b>13,930,879</b>	<b>18,429,257</b>	<b>(4,498,378)</b>	<b>18,429,257</b>	<b>76%</b>
<b>Net result</b>	<b>24,082,010</b>	<b>25,818,262</b>	<b>(1,736,252)</b>	<b>14,807,887</b>	<b>163%</b>
<b>Capital works program</b>					
Capital additions	21,874,582	33,228,467	11,353,885	33,228,467	66%
<b>Total capital additions</b>	<b>21,874,582</b>	<b>33,228,467</b>	<b>11,353,885</b>	<b>33,228,467</b>	<b>66%</b>
<b>NDRRA portion of Capital Works Program (included above)</b>					
Capital grants and subsidies	13,220,223	17,090,642	(3,870,419)	17,090,642	77%
Capital additions	17,148,714	18,769,952	1,621,238	18,769,952	91%
<b>Net position</b>	<b>(3,928,491)</b>	<b>(1,679,310)</b>	<b>(2,249,181)</b>	<b>(1,679,310)</b>	