

5.3 FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

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DEPARTMENT: Finance and IT

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- operating revenue currently exceeds budget expectations by \$91k.
- operating expenditure is under budget by \$899k.
- the operating surplus is currently \$6m compared to a budgeted surplus of \$5m.

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 2016/17 annual budget was adopted on 28 June 2016 and the attached financial report details progress against budget for the period ended 30 September 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 41% of its annual budgeted operating revenue
- year to date operating expenditure is currently under budget

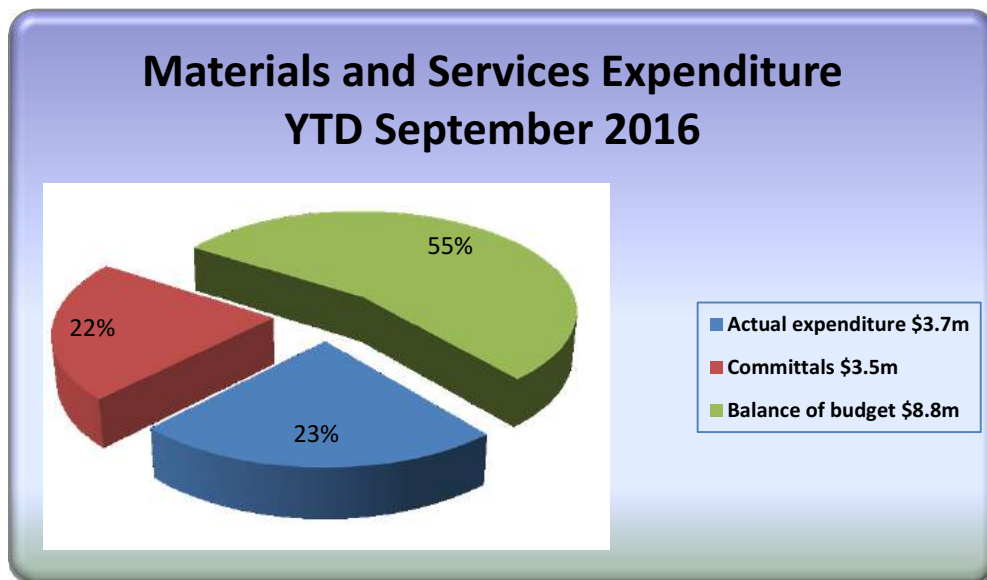
Overall year to date operating revenue is ahead of budget, however there are a number of variations within the different categories as follows:

- Net rates and utility charges are \$32k ahead of budget due to greater than anticipated revenue from all categories of rates, mainly as a result of growth.

- Fees and charges are \$130k ahead of budget due to the following variations:
 - Ferry fares \$61k
 - Building and property related fees \$45k
 - Licences and Other fees and charges \$24k
- Grants and subsidies are \$58k under budget due to less than anticipated revenue from other grants and subsidies so far this year.

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

- Employee benefits expenditure is under budget by \$14k 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 \$880k and whilst committals currently equal \$3.5m it should be noted that many of these committals relate to annual expenditure contracts.



- Depreciation expense has been accrued based on the budget forecast, as the asset register is still being finalised as part of the 2015/16 end of financial year process and cannot be updated with actual depreciation for the new financial year until this process is completed.

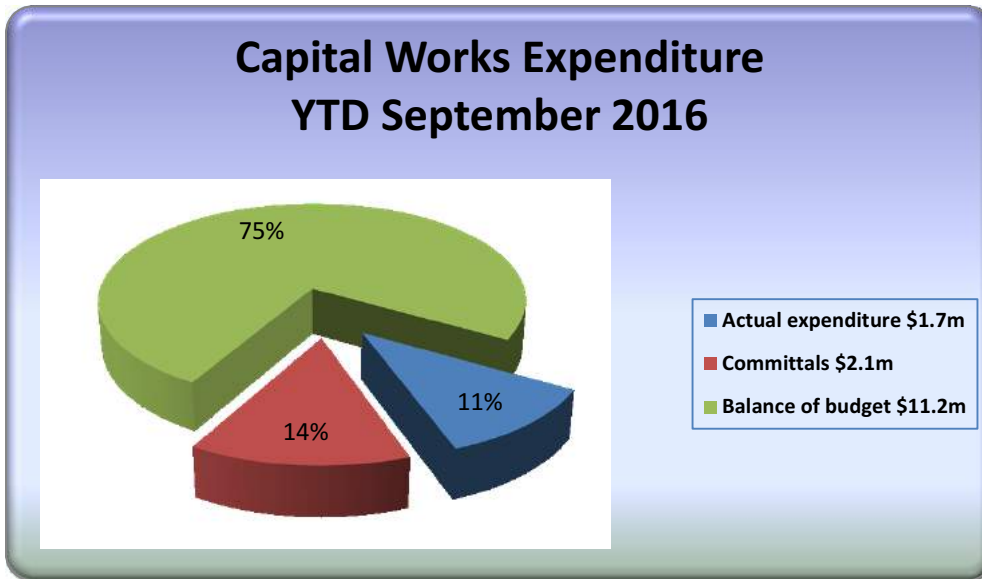
Capital Revenue and Expenditure

Key point:

- Council has received 23% of its annual budgeted capital grants and subsidies, which mainly relates to the new reservoir project

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 actual capital expenditure of \$1.7m a further \$2.1m had been committed as at the end of September.



Operating Result

Key point:

- the operating result is \$990k ahead of budget

As reflected in the attached report, total operating revenue at the end of September was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$6m compared to a budgeted surplus of \$5m. As mentioned above however, this result does not include any committals for materials and services.



PROPOSAL

The Financial Report for the period ended 30 September 2016 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of September 2016 have not revealed any significant negative impacts on the 2016/17 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 September 2016	Actual YTD '17 \$	Budget YTD '17 \$	Variance \$	Budget 16/17 \$	Actual as % of Budget 16/17
Operating Revenue					
Net rates and utility charges	13,069,052	13,037,190	31,862	30,373,670	43%
Fees and charges	1,906,768	1,777,071	129,697	4,698,303	41%
Grants, subsidies, contributions and donations	331,173	389,100	(57,927)	1,411,949	23%
Interest received	238,003	235,610	2,393	903,790	26%
Other recurrent income	118,426	133,539	(15,113)	635,907	19%
Total Operating Revenue	15,663,422	15,572,510	90,912	38,023,619	41%
Operating Expenses					
Employee benefits	3,219,862	3,233,861	13,999	13,179,685	24%
Materials and services	3,744,802	4,624,817	880,015	16,028,243	23%
Depreciation	2,625,297	2,625,297	-	10,501,189	25%
Finance costs	59,217	64,000	4,783	214,000	28%
Total Recurrent Expenses	9,649,178	10,547,975	898,797	39,923,117	24%
Operating Result	6,014,245	5,024,535	989,710	(1,899,498)	(317%)
Capital revenue					
Capital grants and subsidies	1,359,264	5,895,075	(4,535,811)	5,895,075	23%
Total capital revenue	1,359,264	5,895,075	(4,535,811)	5,895,075	23%
Net result	7,373,508	10,919,610	(3,546,102)	3,995,577	185%
Capital works program					
Capital additions	1,666,448	14,983,000	13,316,552	14,983,000	11%
Total capital additions	1,666,448	14,983,000	13,316,552	14,983,000	11%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	-	-	-	-	0
Capital additions	47,629	-	(47,629)	-	0
Net position	(47,629)	-	(47,629)	-	-