

### 5.3. FINANCIAL REPORT FOR THE PERIOD ENDED 31 JULY 2018

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<b>DEPARTMENT</b>	Corporate Services

#### RECOMMENDATION

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

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#### EXECUTIVE SUMMARY

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

- operating revenue is currently under budget by \$2k.
- operating expenditure is under budget by \$667k.
- the operating surplus is currently \$10.2m compared to a budgeted surplus of \$9.5m.

#### 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 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 July 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 32% of its annual budgeted operating revenue*
- *Year to date operating expenditure is currently under budget*

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

- Net rates and utility charges are \$15k under budget primarily as a result of less than anticipated revenue.
- Fees and charges exceed budget by \$61k mainly due to a timing difference with the raising of licence fees.
- Grants and subsidies are \$24k under budget due to timing differences.
- Interest received is less than anticipated and is \$10k under budget.

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

- Employee benefits expenditure is \$260k 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 \$408k and while committals currently equal \$6.9m it should be noted that the majority of these committals relate to annual expenditure contracts.

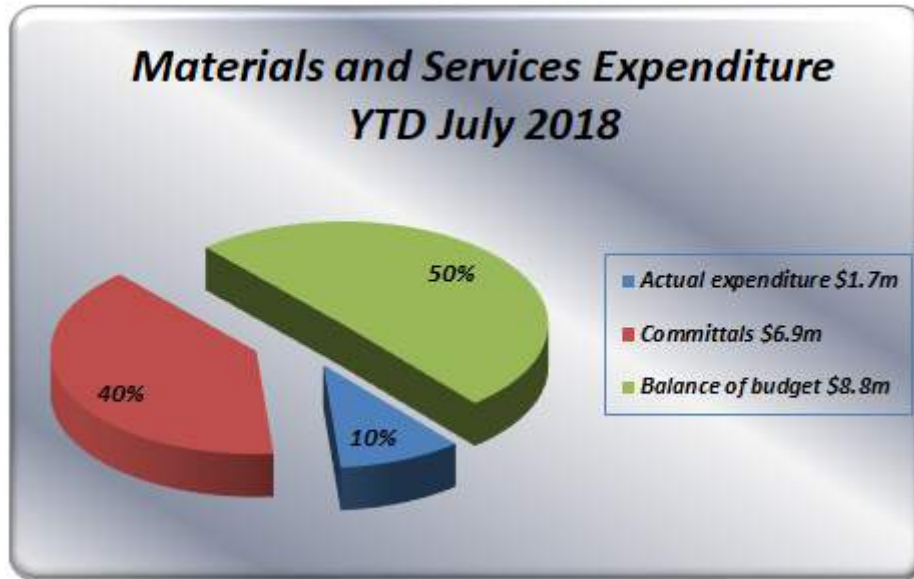


Figure 1.

- 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 is yet to receive any 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 \$6.4m had been committed as at the end of July.

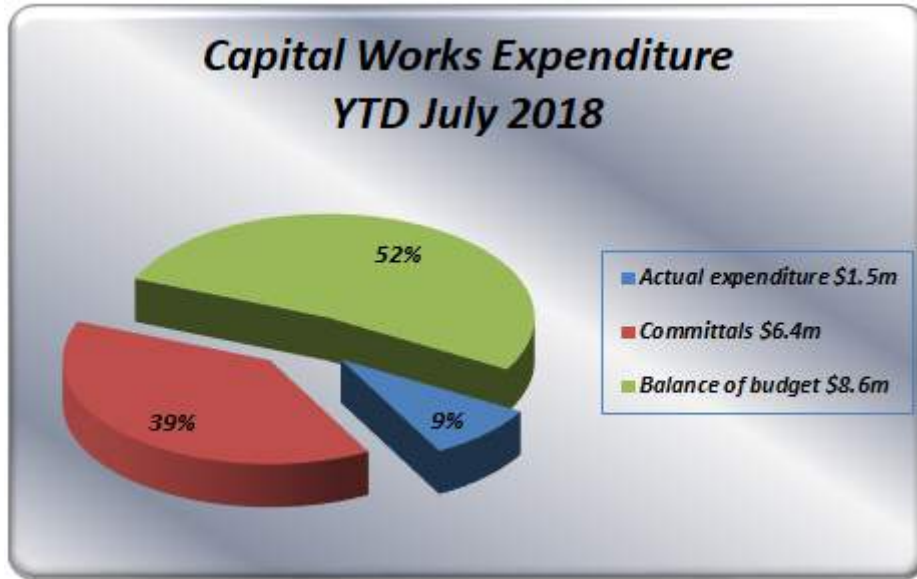


Figure 2.

**Operating Result**

Key point:

- the operating result is \$665k ahead of budget

As reflected in the attached report, total operating revenue at the end of July was slightly under budget and operating expenditure was also under budget. This has resulted in an operating surplus of \$10.2m compared to a budgeted surplus of \$9.5m. As mentioned above however, this result does not include any committals for materials and services.

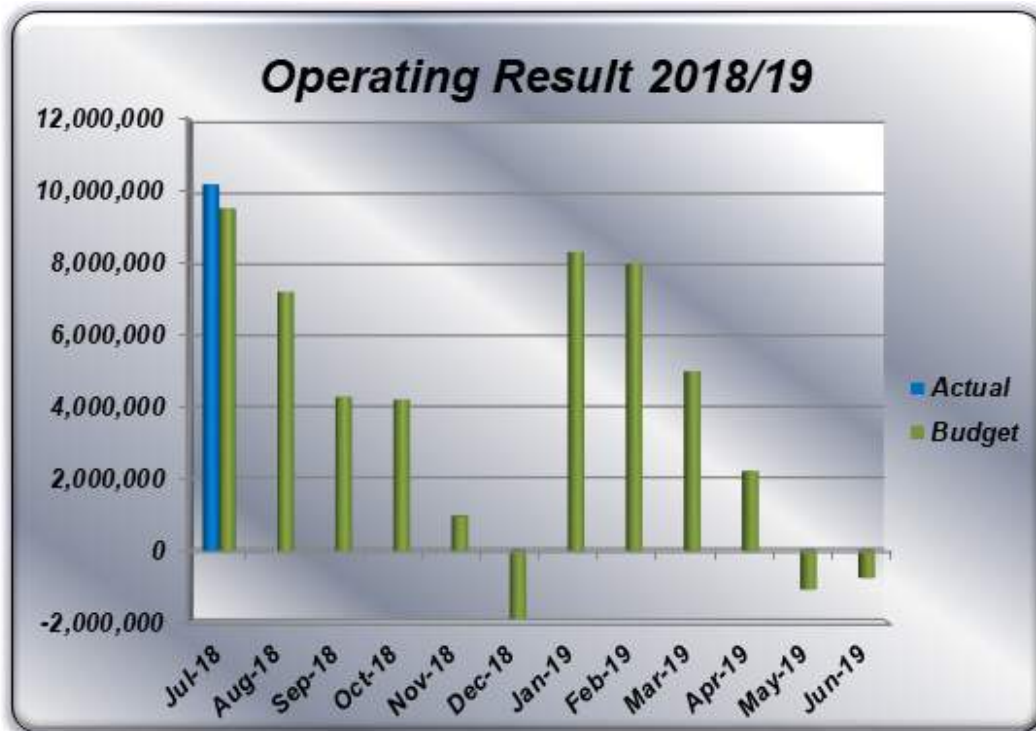


Figure 3.

## PROPOSAL

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

## FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of July 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 July 2018 **[5.3.1]**

<b>Douglas Shire Council Statement of Comprehensive Income For the month of July 2018</b>	<b>Actual YTD 19 \$</b>	<b>Budget YTD 19 \$</b>	<b>Variance \$</b>	<b>Budget 18/19 \$</b>	<b>Actual as % of Budget 18/19</b>
<b>Operating Revenue</b>					
Net rates and utility charges	13,067,205	13,081,903	(14,698)	34,088,348	38%
Fees and charges	765,292	703,874	61,418	5,408,334	14%
Grants and subsidies	42,989	66,890	(23,901)	2,102,043	2%
Interest received	59,008	69,065	(10,057)	842,895	7%
Other recurrent income	40,012	54,739	(14,727)	876,284	5%
<b>Total Operating Revenue</b>	<b>13,974,505</b>	<b>13,976,471</b>	<b>(1,966)</b>	<b>43,317,904</b>	<b>32%</b>
<b>Operating Expenses</b>					
Employee benefits	1,071,629	1,331,265	259,636	14,428,112	7%
Materials and services	1,702,441	2,110,327	407,886	17,428,359	10%
Depreciation	1,011,014	1,011,014	-	12,132,286	8%
Finance costs	484	51	(433)	86,700	1%
<b>Total Recurrent Expenses</b>	<b>3,785,568</b>	<b>4,452,657</b>	<b>667,089</b>	<b>44,075,458</b>	<b>9%</b>
<b>Operating Result</b>	<b>10,188,937</b>	<b>9,523,814</b>	<b>665,123</b>	<b>(757,554)</b>	<b>(1345%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	-	3,819,250	(3,819,250)	3,819,250	0%
Contributions from developers	-	250,000	(250,000)	250,000	0%
<b>Total capital revenue</b>	<b>-</b>	<b>4,069,250</b>	<b>(4,069,250)</b>	<b>4,069,250</b>	<b>0%</b>
<b>Net Result</b>	<b>10,188,937</b>	<b>13,593,064</b>	<b>(3,404,127)</b>	<b>3,311,696</b>	<b>308%</b>
<b>Capital Works Program</b>					
Capital additions	1,452,437	16,499,000	15,046,563	16,499,000	9%
<b>Total capital additions</b>	<b>1,452,437</b>	<b>16,499,000</b>	<b>15,046,563</b>	<b>16,499,000</b>	<b>9%</b>
<b>NDRRA portion of Capital Works Program (included above)</b>					
Capital grants and subsidies	-	-	-	-	
Capital additions	37,986	-	(37,986)	-	
<b>Net position</b>	<b>(37,986)</b>	<b>-</b>	<b>(37,986)</b>	<b>-</b>	