

ORDINARY MEETING 18 AUGUST 2015	5.4
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FINANCIAL REPORT FOR PERIOD ENDING 31 JULY 2015

Darryl Crees – General Manager Corporate Services

RECOMMENDATION:

That Council notes the Interim Financial Report for the period ended 31 July 2015.

EXECUTIVE SUMMARY:

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

- operating revenue currently exceeds budget expectations due to the unexpected early receipt of Grants Commission funds.
- most categories of operating expenditure are under budget.
- the operating surplus is currently \$10.5m compared to a budgeted surplus of \$8.8m

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 the attached financial report details progress against budget for the period ending 31 July 2015. 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 38% of its annual budgeted operating revenue, including the early receipt of 50% of its annual allocation of Grants Commission funds*
- *year to date operating expenditure is currently well under budget*

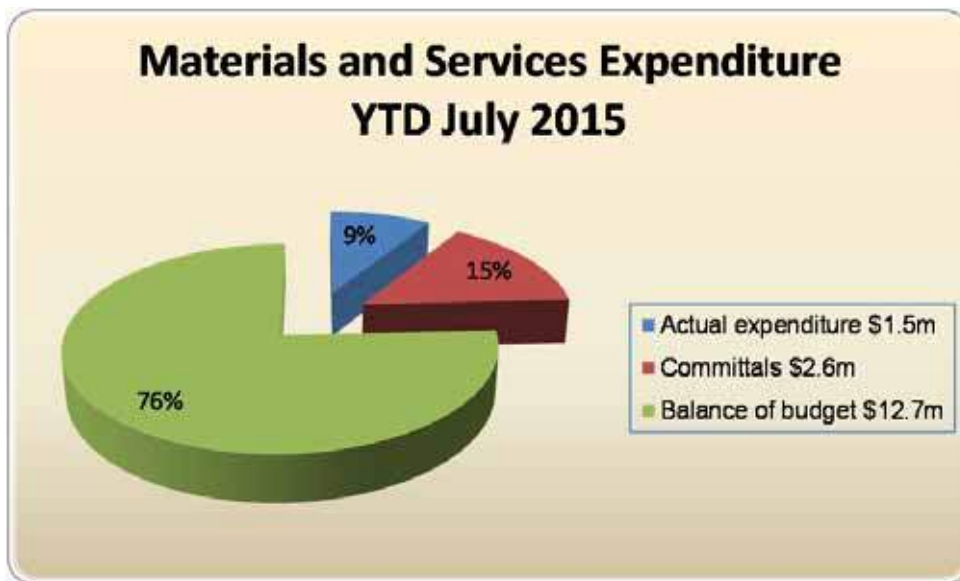
Most categories of year to date operating revenue are close to budget, with the exception of grants and subsidies which are currently well ahead of budget as a result of the unexpected early receipt of Grants Commission funds.

Council's budget was prepared on the basis that the annual Grants Commission Financial Assistance Grant would be received in quarterly instalments commencing in August (as was the practice last year). However, Council received advice in late June (after the budget was adopted) that this year 50% (ie \$666k) of the annual grant would be paid in early July, with the

remaining 50% being paid in quarterly instalments commencing in August. Whilst this is purely a timing issue, it has had a positive impact upon the operating result achieved as at the end of July.

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 \$86k and can be impacted by various factors, such as staff vacancies, the amount of leave taken and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$935k and whilst committals equal \$2.6m it should be noted that many of these committals relate to annual expenditure contracts.



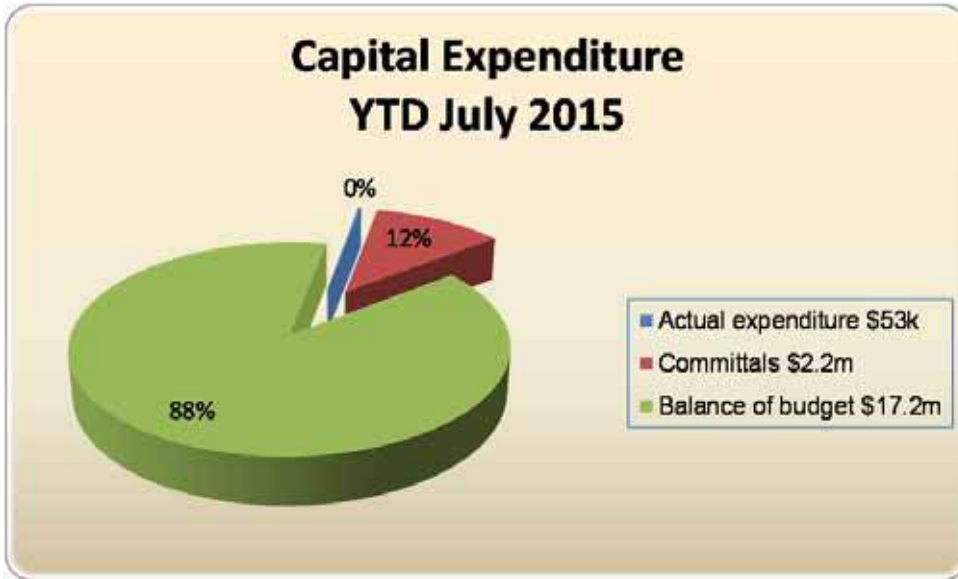
- Depreciation expense has been accrued based on the budget forecast, as the asset register is still being finalised as part of the 2014/15 end of financial year process and cannot be updated with actual depreciation for the new financial year until this process is completed.

Capital Revenue and Expenditure

Key point:

- Council has received 11% of its annual budgeted capital grants and subsidies, which mainly relates to an NDRRA advance payment

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. Hence both capital revenue and expenditure are both well under budget at this early stage of the financial year. It should be noted that in addition to year to date expenditure a further \$2.2m had been committed as at the end of July.

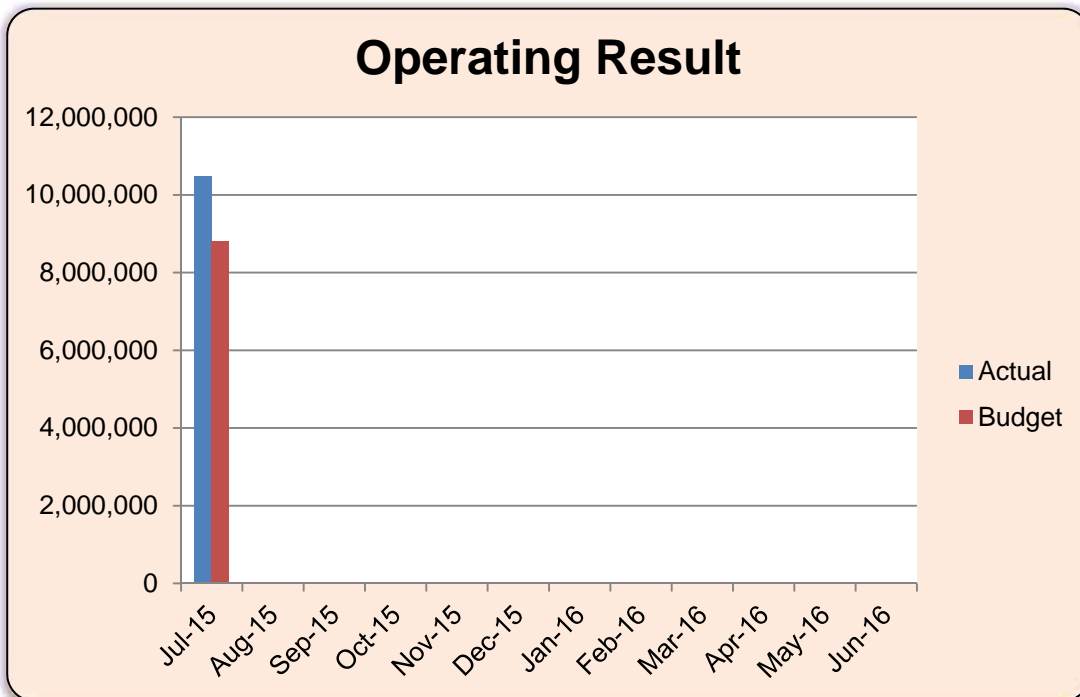


Operating Result

Key point:

- the operating result is \$1.7m ahead of budget

As reflected in the attached report, total operating revenue at the end of July was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating surplus of \$10.5m compared to a budgeted surplus of \$8.8m. As mentioned above however, this result does not include any committals for materials and services and is also impacted by the early receipt of Grants Commission funds.



PROPOSAL:

The Financial Report for the period ending 31 July 2015 be received and noted by Council.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE:

The preparation of this financial report aligns with Council's Corporate Plan –

Theme 5 Governance, Goal 1 *“To develop a financially sustainable organisation through sound strategic planning”* 5.1.1 *“Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs”*.

Theme 5 Governance, Goal 2 *“To demonstrate leadership in local government through sound, transparent, accountable and equitable decision making”* 5.2.1 *“Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making”*.

FINANCIAL/RESOURCE IMPLICATIONS:

The results as at the end of July 2015 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.

ATTACHMENTS:

Financial Report

Douglas Shire Council					
Statement of Comprehensive Income					
For the month of JULY 2015					
	Actual YTD '16	Budget YTD '16	Variance	Budget 15/16	Actual as % of
	\$	\$	\$	\$	Budget 15/16
Operating Revenue					
Net rates and utility charges	12,482,902	12,473,128	9,774	29,149,838	43%
Fees and charges	657,212	640,084	17,128	4,198,518	16%
Grants, subsidies, contributions and donations	666,597	11,340	655,257	1,415,891	47%
Interest received	80,240	88,763	(8,523)	934,220	9%
Other recurrent income	29,712	49,375	(19,663)	624,832	5%
Total Operating Revenue	13,916,662	13,262,690	653,972	36,323,299	38%
Operating Expenses					
Employee benefits	1,086,445	1,172,408	85,963	12,646,644	9%
Materials and services	1,488,716	2,423,372	934,656	16,764,742	9%
Depreciation	857,941	857,941	-	10,295,283	8%
Finance costs	1,721	8,500	6,780	238,000	1%
Total Recurrent Expenses	3,434,823	4,462,221	1,027,398	39,944,669	9%
Operating Result	10,481,839	8,800,469	1,681,370	(3,621,370)	(289%)
Capital revenue					
Capital Grants and Subsidies	1,025,025	9,375,000	(8,349,975)	9,375,000	11%
Capital Contributions	-	-	-	-	0%
Total capital revenue	1,025,025	9,375,000	(8,349,975)	9,375,000	11%
Net result	11,506,864	18,175,469	(6,668,605)	5,753,630	200%
Capital expenses					
Capital expenses	52,709	19,473,500	19,420,791	19,473,500	0%
Total capital expenses	52,709	19,473,500	19,420,791	19,473,500	0%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	1,014,817	9,000,000	(7,985,183)	9,000,000	11%
Capital expenses	25,422	9,060,000	9,034,578	9,060,000	0%
Net position	989,395	(60,000)	1,049,395	(60,000)	