

5.4. FINANCIAL REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2016

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DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 29 February 2016.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2015/16 budget for the period ended 29 February 2016. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$651k
- operating expenditure is well under budget
- the operating surplus is currently \$7.6m compared to a budgeted surplus of \$4.8m

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 revised on 16 December 2015 and the attached financial report details progress against budget for the period ending 29 February 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 90% of its annual budgeted operating revenue*
- *year to date operating expenditure is currently well under budget*

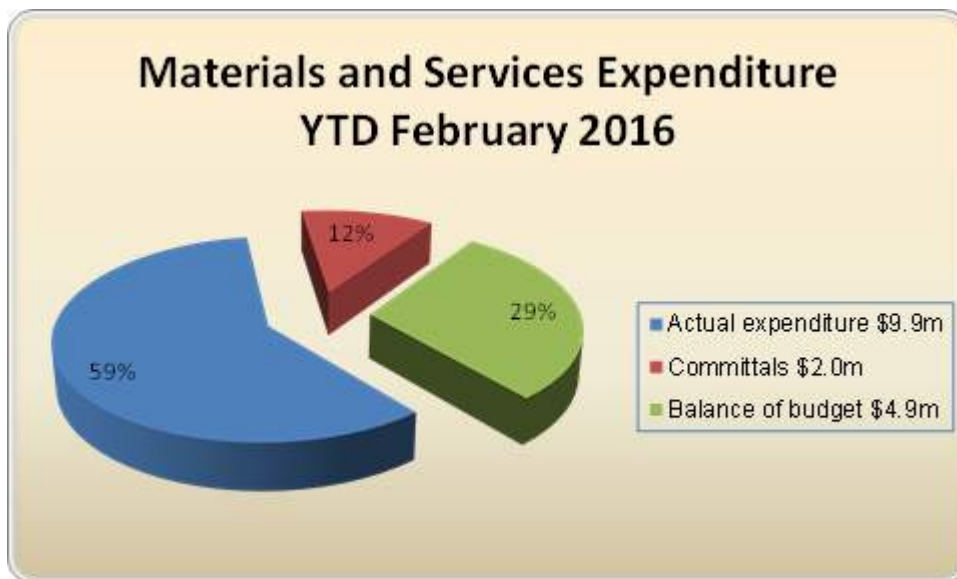
Most categories of year to date operating revenue are currently ahead of budget, as follows:

- Net rates and utility charges are \$137k ahead of budget due to greater than anticipated revenue from all categories of rates, mainly as a result of growth.
- Fees and charges are \$379k ahead of budget due to the following year to date variations:
 - Ferry fares \$203k
 - Building and property related fees \$71k

- Licences and Other fees and charges \$105k
- Grants and subsidies are \$150k 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 \$198k 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 \$1.7m 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 \$176k 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 projects.

Capital Revenue and Expenditure

Key point:

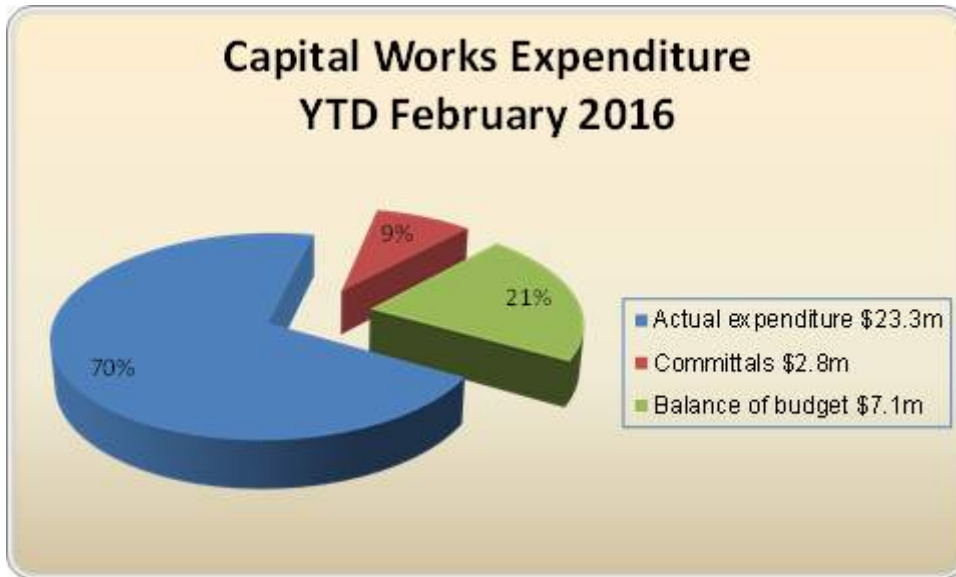
- *Council has received 78% of its annual budgeted capital grants and subsidies, which mainly relates to NDRRA work*

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 \$2m had been committed as at the end of February.

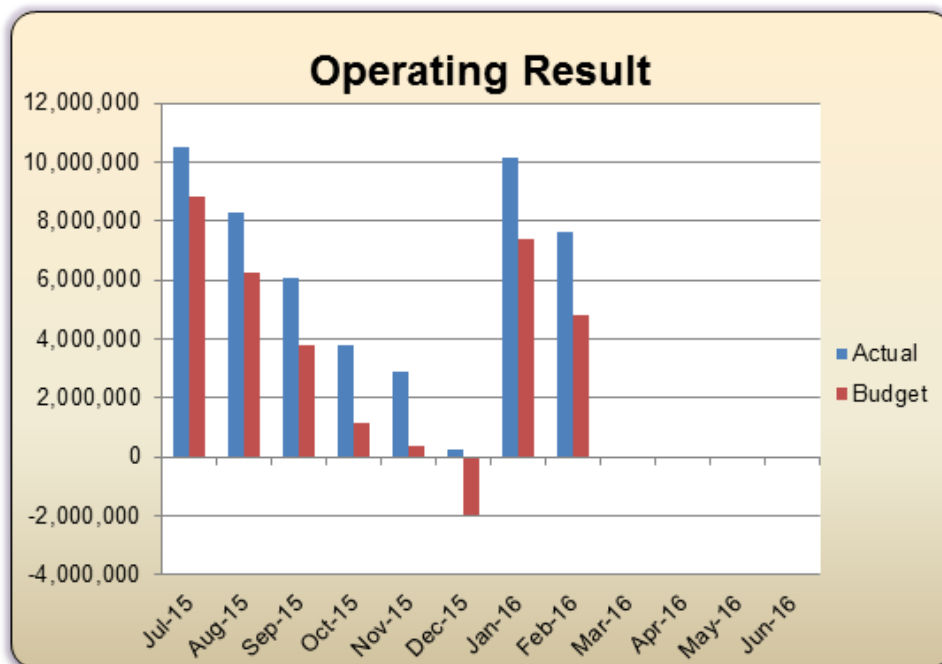


Operating Result

Key point:

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

As reflected in the attached report, total operating revenue at the end of February was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating surplus of \$7.6m compared to a budgeted surplus of \$4.8m. As mentioned above however, this result does not include any committals for materials and services.



PROPOSAL

The Financial Report for the period ending 29 February 2016 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of February 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

Douglas Shire Council Statement of Comprehensive Income For the month of February 2016	Actual YTD '16 \$	Budget YTD '16 \$	Variance \$	Budget 15/16 \$	Actual as % of Budget 15/16
Operating Revenue					
Net rates and utility charges	26,719,317	26,582,247	137,070	29,149,838	92%
Fees and charges	3,496,707	3,117,374	379,333	4,198,518	83%
Grants, subsidies, contributions and donations	1,371,816	1,221,975	149,841	1,415,891	97%
Interest received	660,147	642,386	17,761	934,220	71%
Other recurrent income	378,444	411,566	(33,122)	624,832	61%
Total Operating Revenue	32,626,432	31,975,548	650,884	36,323,299	90%
Operating Expenses					
Employee benefits	8,353,803	8,552,159	198,356	12,646,644	66%
Materials and services	9,860,278	11,589,805	1,729,527	16,764,742	59%
Depreciation	6,687,742	6,863,528	175,786	10,295,283	65%
Finance costs	113,852	138,000	24,148	238,000	48%
Total Recurrent Expenses	25,015,674	27,143,492	2,127,818	39,944,669	63%
Operating Result	7,610,758	4,832,056	2,778,702	(3,621,370)	(210%)
Capital revenue					
Capital grants and subsidies	14,287,684	18,429,257	(4,141,573)	18,429,257	78%
Total capital revenue	14,287,684	18,429,257	(4,141,573)	18,429,257	78%
Net result	21,898,442	23,261,313	(1,362,871)	14,807,887	148%
Capital works program					
Capital additions	23,269,985	33,228,467	9,958,482	33,228,467	70%
Total capital additions	23,269,985	33,228,467	9,958,482	33,228,467	70%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	13,220,223	17,090,642	(3,870,419)	17,090,642	77%
Capital additions	17,769,331	18,769,952	1,000,621	18,769,952	95%
Net position	(4,549,108)	(1,679,310)	(2,869,798)	(1,679,310)	