

<p>ORDINARY MEETING</p> <p>16 DECEMBER 2014</p>	<p>5.4</p>
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FINANCIAL REPORT FOR PERIOD ENDING 30 NOVEMBER 2014

Darryl Crees – General Manager Corporate Services

RECOMMENDATION:

That Council notes the Financial Report for the period ended 30 November 2014.

EXECUTIVE SUMMARY:

The attached Financial Report details the progress of the 2014/15 budget for the period ending 30 November 2014.

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.

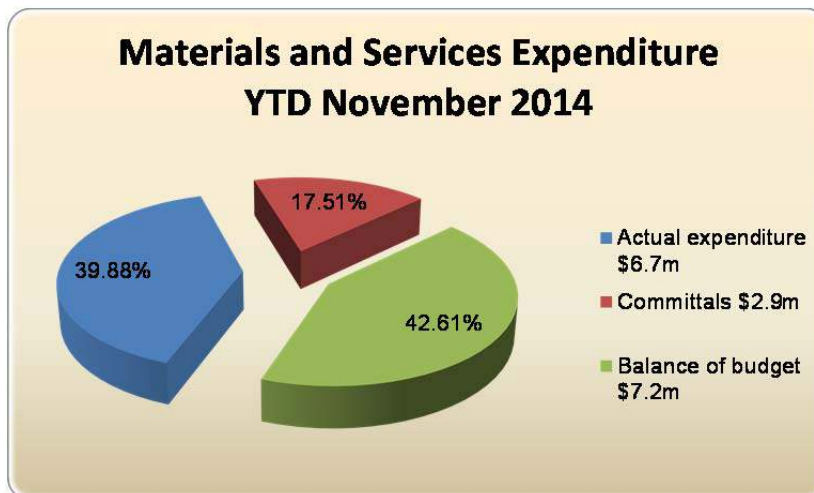
COMMENT:

The 2014/15 annual budget was adopted on 27 June 2014 and the attached financial report details progress against budget for the period ending 30 November 2014. 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. Committals represent goods and/or services for which an order has been raised but cannot be expensed until those goods and/or services are received by Council. In many instances orders are raised to cover known expenditure for the full financial year and are expensed progressively throughout the year as the goods and/or services are received e.g. existing contracts such as waste collection.

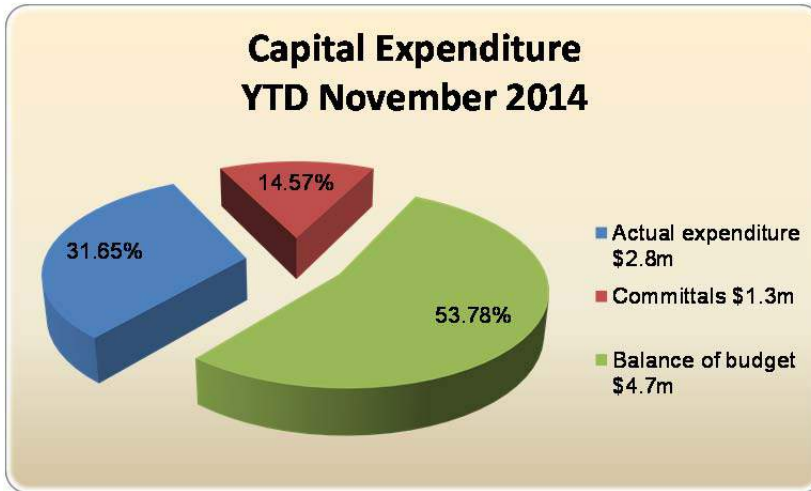
The inclusion of graphs is part of an ongoing refinement of the presentation of financial information to Council on a monthly basis.

- Depreciation expense has been accrued based on budget forecasts. Now that the asset register has been established and adjusted as part of the end of financial year process a revised estimate for depreciation will be considered as part of a future budget review.
- Grant revenue has exceeded budget as a result of a greater than anticipated increase in the Grants Commission Financial Assistance Grant and as a result of the receipt of \$654k from the Natural Disaster Relief and Recovery Arrangements (NDRRA) for funding of expenditure incurred during the 2013/14 financial year and the early part of the 2014/15 financial year on Counter Disaster Operations and Emergent Works as a result of a monsoonal event and Cyclone Ita in early 2014. The budget will be adjusted during a future budget review

- Budget amounts have been distributed over the twelve month period based on estimates of when revenue will be earned and expenditure incurred. Whilst this budget distribution was based on past experience, there was very limited historical trend information available and therefore some variations in timing will occur between actual and budgeted amounts. For example:
 - A portion of water usage charges (\$226k) for the current billing cycle has been accrued back into June and this has resulted in a variation in Net Rates and Utility Charges, which will remain until the budget is correctly aligned. This has now been offset to a large degree by greater than anticipated revenue from the water usage notices issued in November 2014 (\$206k).
 - Revenue from fees and charges currently exceeds budget by \$346k and includes the following variations:
 - Building and property related fees \$113k
 - Licences \$91k
 - Private works \$37k
 - Refuse tipping fees \$29k
 - Ferry fares \$83k
- Interest received has exceeded budget as a result of greater than anticipated revenue from interest on outstanding rates and utility charges (\$29k) and from funds invested (\$141k).
- Employee benefits expenditure can be impacted by various factors, including staff vacancies, the timing of leave taken and the allocation of costs to capital expenditure. It is also impacted by the accrual back into June of a portion of expenditure relating to the first pay period ending in July (which will remain until the budget is correctly aligned). As a result, expenditure is still currently under budget.
- Materials and Services expenditure is under budget by \$1.09m however current committals exceed this amount and include annual orders for some services.



- Full budget amounts for Capital expenditure and the associated Capital revenue were allocated to July, as the timing of this work had not been fully determined when the budget was prepared.
 - In addition to year to date Capital expenditure a further \$1.3m had been committed as at the end of November.
 - Capital revenue has exceeded budget as a result of the receipt of a 30% advance (\$3.6m) of approved NDRRA funding towards the cost of approved asset restoration work required as a result of the severe weather events that occurred in early 2014.
 - The Capital expenditure and Capital revenue budgets will be adjusted for NDRRA works during a future budget review.



As reflected in the attached report, total operating revenue at the end of November was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$3.04m compared to a budgeted deficit of \$0.64m. As mentioned above however, this result is subject to a number of variables.

PROPOSAL:

The Financial Report for the period ending 30 November 2014 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 November 2014 have not revealed any significant negative impacts on the 2014/15 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:

Attachment A - Financial Report

ATTACHMENT A – FINANCIAL REPORT

Douglas Shire Council					
Statement of Comprehensive Income					
For the month of NOVEMBER 2014					
	Actual YTD '15	Budget YTD '15	Variance	Budget 14/15	Actual as % of Budget 14/15
	\$	\$	\$	\$	
Operating Revenue					
Net rates and utility charges	13,429,899	13,446,397	(16,498)	27,775,175	48%
Fees and charges	2,377,937	2,032,433	345,504	3,703,494	64%
Grants, subsidies, contributions and donations	1,472,773	400,105	1,072,668	800,536	184%
Interest received	433,622	263,843	169,779	633,240	68%
Other recurrent income	344,029	223,274	120,755	800,663	43%
Total Operating Revenue	18,058,260	16,366,052	1,692,208	33,713,108	54%
Operating Expenses					
Employee benefits	4,857,595	5,106,358	248,763	12,048,582	40%
Materials and services	6,699,493	7,786,043	1,086,550	16,799,535	40%
Depreciation	4,054,530	4,054,530	-	9,730,868	42%
Finance costs	49,235	61,630	12,395	202,570	24%
Total Recurrent Expenses	15,660,854	17,008,561	1,347,707	38,781,555	40%
Operating Result	2,397,406	(642,509)	3,039,915	(5,068,447)	(47%)
Capital revenue					
Capital Grants and Subsidies	3,548,852	952,000	2,596,852	952,000	373%
Capital Contributions	315,191	200,000	115,191	200,000	158%
Total capital revenue	3,864,043	1,152,000	2,712,043	1,152,000	335%
Net result	6,261,449	509,491	5,751,959	(3,916,447)	(160%)
Capital expenses					
Capital expenses	2,792,317	8,821,525	6,029,208	8,821,525	32%
Total capital expenses	2,792,317	8,821,525	6,029,208	8,821,525	32%