

5.4. FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2017

REPORT AUTHOR(S): John Rehn, Manager Finance and IT
GENERAL MANAGER: Darryl Crees, General Manager Corporate Services
DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 January 2017.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2016/17 budget for the period ended 31 January 2017. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$519k.
- operating expenditure is under budget by \$471k.
- the operating surplus is currently \$9.9m compared to a budgeted surplus of \$8.9m.

BACKGROUND

In accordance with section 204 of the *Local Government Regulation 2012* the Chief Executive Officer must present a financial report to Council which states the progress that has been made in relation to the budget. This report must be presented 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 31 January 2017. 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 87% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

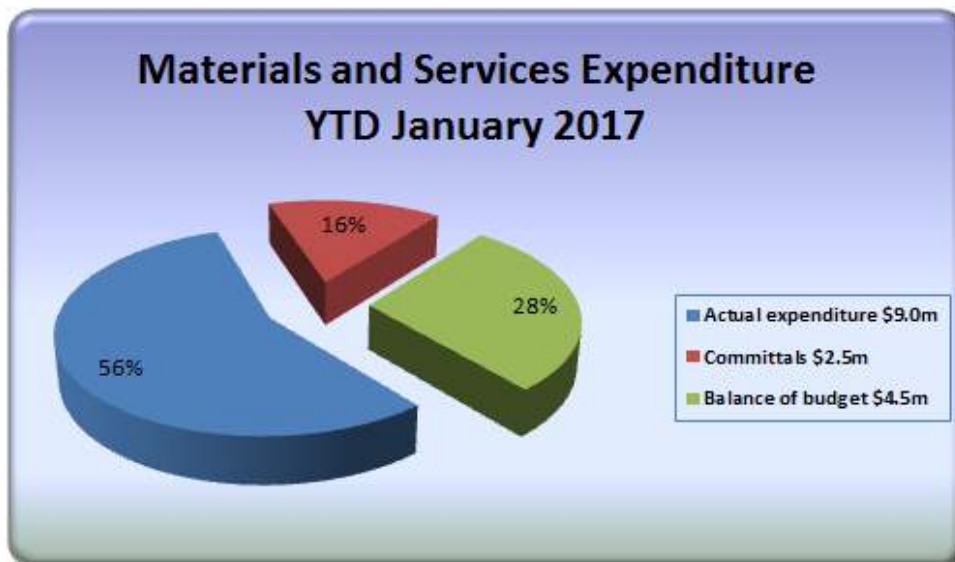
Overall year to date operating revenue is ahead of budget, however there are a number of variations within the different categories as follows:

- The half yearly rate notices were issued during January and Net rates and utility charges are now \$44k ahead of budget due to a combination of:
 - greater than anticipated revenue from all categories of rates, mainly as a result of growth \$90k
 - less than anticipated revenue from water usage charges -\$46k.

- Fees and charges continue to exceed budget expectations and are \$179k ahead of budget due to the following variations:
 - Ferry fares \$168k
 - Building and property related fees \$19k
 - Licences and Other fees and charges -\$8k
- Other recurrent income is \$275k ahead of budget mainly due to the timing of revenue from private works and the reimbursement of costs related to a planning matter.

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

- Employee benefits expenditure is \$39k 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 \$655k, which is partially due to a number of timing differences. A further \$2.5m had been committed as at the end of January, including a number of annual expenditure contracts.



- Depreciation expense is over budget by \$225k mainly due to greater than anticipated depreciation resulting from the value and composition of NDRRA asset restoration work undertaken by Council during the 2015/16 financial year and also the impact of asset revaluations. This will be addressed as part of the budget review.

Capital Revenue and Expenditure

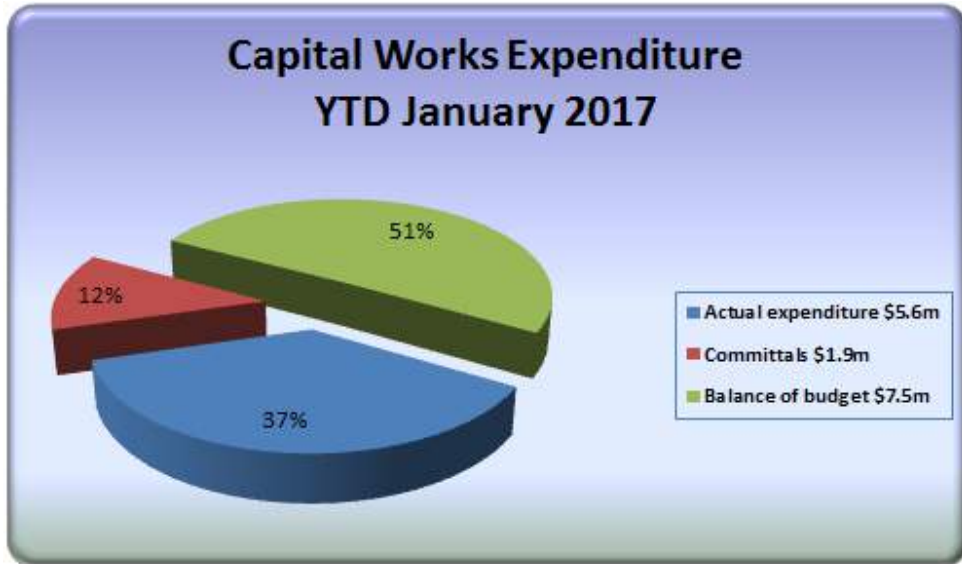
Key point:

- Council has received 79% of its annual budgeted capital grants and subsidies, which mainly relates to the new reservoir project and NDRRA funding

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 the budget review to take into account carry forwards (uncompleted works) from the previous financial year and any new capital projects. The review will also incorporate any NDRRA revenue received this year

relating to expenditure incurred last year and any projected NDRRA revenue and expenditure for this year.

It should be noted that in addition to actual capital expenditure of \$5.6m a further \$1.8m had been committed as at the end of January.

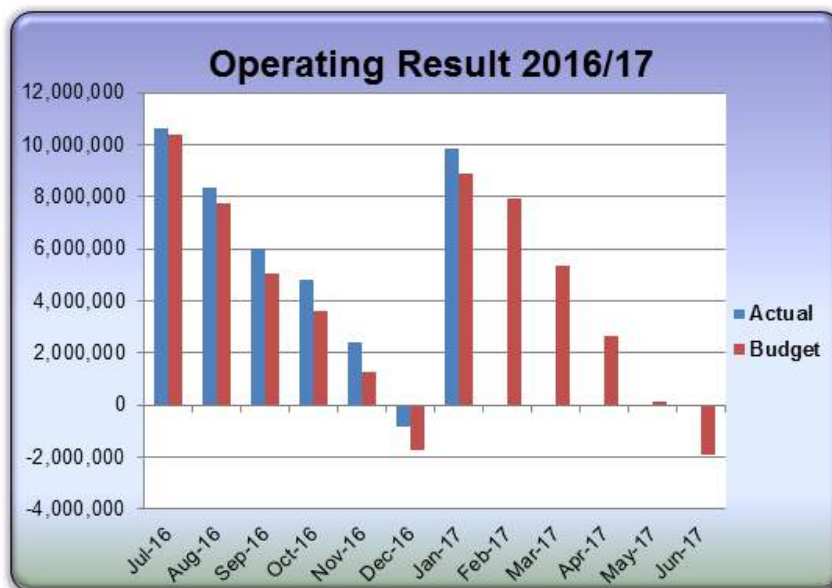


Operating Result

Key point:

- the operating result is \$989k ahead of budget

As reflected in the attached report, total operating revenue at the end of January was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$9.9m compared to a budgeted surplus of \$8.9m. As mentioned above however, this result does not include any committals for materials and services.



PROPOSAL

The Financial Report for the period ended 31 January 2017 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of January 2017 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

1. Financial Statement as at 31 January 2017 **[5.4.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of January 2017	Actual YTD '17 \$	Budget YTD '17 \$	Variance \$	Budget 16/17 \$	Actual as % of Budget 16/17
Operating Revenue					
Net rates and utility charges	27,724,712	27,680,467	44,245	30,373,670	91%
Fees and charges	3,410,872	3,232,343	178,529	4,698,303	73%
Grants, subsidies, contributions and donations	774,403	742,646	31,757	1,411,949	55%
Interest received	559,379	570,490	(11,111)	903,790	62%
Other recurrent income	547,277	272,167	275,110	635,907	86%
Total Operating Revenue	33,016,642	32,498,113	518,529	38,023,619	87%
Operating Expenses					
Employee benefits	7,693,946	7,732,856	38,910	13,179,685	58%
Materials and services	8,994,236	9,649,466	655,230	16,028,243	56%
Depreciation	6,350,350	6,125,693	(224,657)	10,501,189	60%
Finance costs	112,091	113,500	1,409	214,000	52%
Total Recurrent Expenses	23,150,623	23,621,515	470,892	39,923,117	58%
Operating Result	9,866,019	8,876,598	989,421	(1,899,498)	(519%)
Capital revenue					
Capital grants and subsidies	4,677,076	5,695,075	(1,017,999)	5,895,075	79%
Total capital revenue	4,677,076	5,695,075	(1,017,999)	5,895,075	79%
Net result	14,543,095	14,571,673	(28,578)	3,995,577	364%
Capital works program					
Capital additions	5,570,039	14,983,000	9,412,961	14,983,000	37%
Total capital additions	5,570,039	14,983,000	9,412,961	14,983,000	37%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	2,995,692	-	2,995,692	-	
Capital additions	588,243	-	(588,243)	-	
Net position	2,407,449	-	2,407,449	-	