

5.4. FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2016

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DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 October 2016.

EXECUTIVE SUMMARY

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

- operating revenue currently exceeds budget expectations by \$179k.
- operating expenditure is under budget by \$988k.
- the operating surplus is currently \$4.8m compared to a budgeted surplus of \$3.6m.

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 October 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 47% of its annual budgeted operating revenue
- year to date operating expenditure is currently under budget

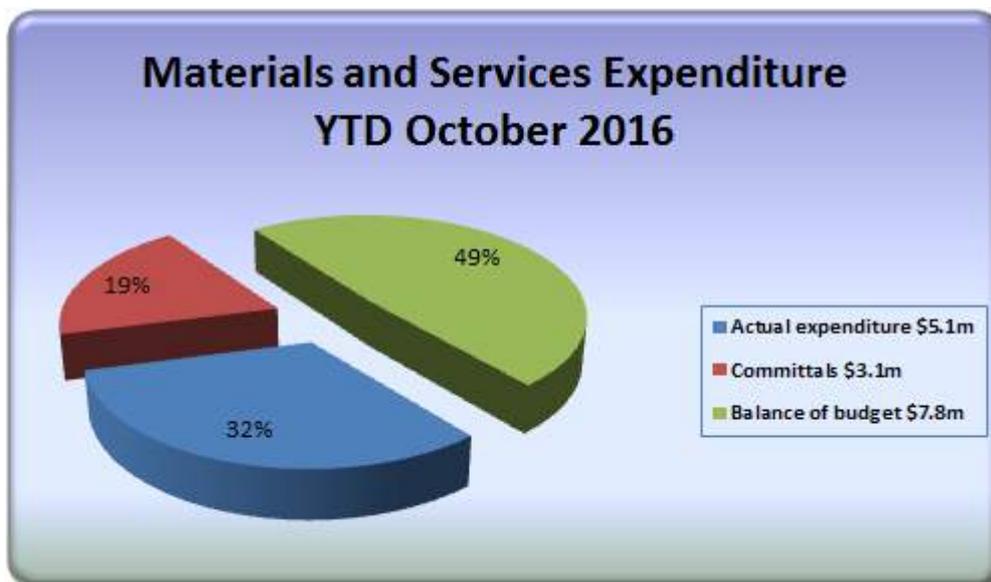
Overall year to date operating revenue is ahead of budget, however there are a number of variations within the different categories as follows:

- Net rates and utility charges are \$27k under budget due to a combination of:
 - greater than anticipated revenue from all categories of rates, mainly as a result of growth \$37k
 - less than anticipated revenue from water usage charges -\$64k.
- Fees and charges are \$199k ahead of budget due to the following variations:
 - Ferry fares \$88k
 - Building and property related fees \$50k

- Licences and Other fees and charges \$61k
- Grants and subsidies are \$48k under budget due to less than anticipated revenue from other grants and subsidies so far this year.
- Other recurrent income is \$49k ahead of budget mainly due to greater than anticipated revenue from private works

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 \$21k 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 \$1.1m and whilst committals currently equal \$3.1m it should be noted that many of these committals relate to annual expenditure contracts.



- Depreciation expense is over budget by \$139k 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.

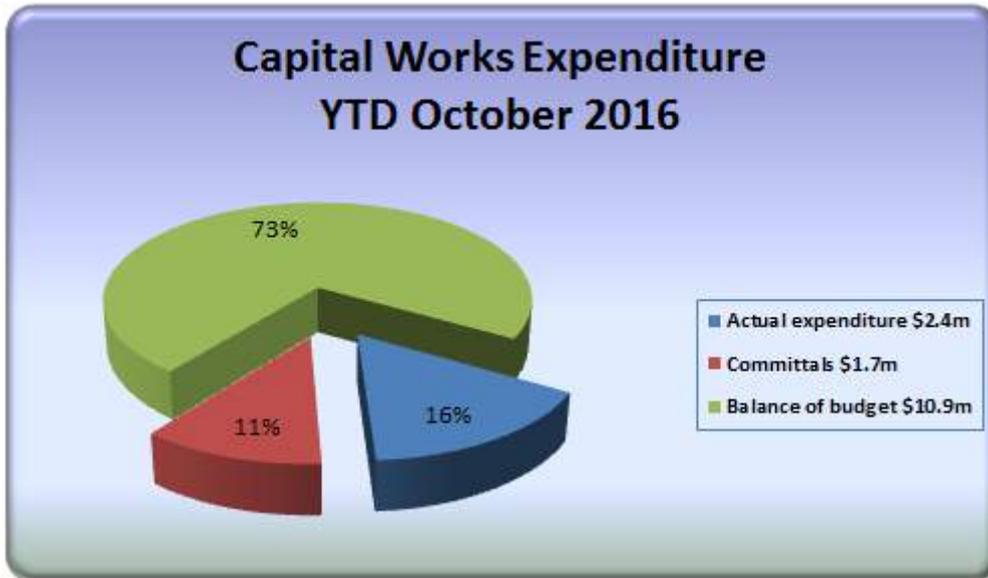
Capital Revenue and Expenditure

Key point:

- Council has received 43% 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 a future 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 (currently \$1m).

It should be noted that in addition to actual capital expenditure of \$2.4m a further \$1.7m had been committed as at the end of October.



Operating Result

Key point:

- the operating result is \$1.2m ahead of budget

As reflected in the attached report, total operating revenue at the end of October was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$4.8m compared to a budgeted surplus of \$3.6m. As mentioned above however, this result does not include any committals for materials and services.



PROPOSAL

The Financial Report for the period ended 31 October 2016 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of October 2016 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 October 2016 **[5.4.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of October 2016	Actual YTD '17 \$	Budget YTD '17 \$	Variance \$	Budget 16/17 \$	Actual as % of Budget 16/17
Operating Revenue					
Net rates and utility charges	14,490,464	14,517,221	(26,757)	30,373,670	48%
Fees and charges	2,413,937	2,215,315	198,622	4,698,303	51%
Grants, subsidies, contributions and donations	356,497	404,100	(47,603)	1,411,949	25%
Interest received	330,986	324,880	6,106	903,790	37%
Other recurrent income	254,417	205,506	48,911	635,907	40%
Total Operating Revenue	17,846,300	17,667,022	179,278	38,023,619	47%
Operating Expenses					
Employee benefits	4,211,774	4,232,298	20,524	13,179,685	32%
Materials and services	5,145,168	6,248,344	1,103,176	16,028,243	32%
Depreciation	3,639,065	3,500,396	(138,669)	10,501,189	35%
Finance costs	64,725	68,000	3,275	214,000	30%
Total Recurrent Expenses	13,060,732	14,049,038	988,306	39,923,117	33%
Operating Result	4,785,568	3,617,984	1,167,584	(1,899,498)	(252%)
Capital revenue					
Capital grants and subsidies	2,545,237	5,895,075	(3,349,838)	5,895,075	43%
Total capital revenue	2,545,237	5,895,075	(3,349,838)	5,895,075	43%
Net result	7,330,805	9,513,059	(2,182,254)	3,995,577	183%
Capital works program					
Capital additions	2,370,997	14,983,000	12,612,003	14,983,000	16%
Total capital additions	2,370,997	14,983,000	12,612,003	14,983,000	16%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	1,077,143	-	1,077,143	-	-
Capital additions	56,305	-	(56,305)	-	-
Net position	1,020,838	-	1,020,838	-	-