

ORDINARY MEETING 10 FEBRUARY 2015	5.5
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FINANCIAL REPORT FOR PERIOD ENDING 31 JANUARY 2015

Darryl Crees – General Manager Corporate Services

RECOMMENDATION:

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

EXECUTIVE SUMMARY:

The attached Financial Report details the progress of the 2014/15 budget for the period ending 31 January 2015.

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.

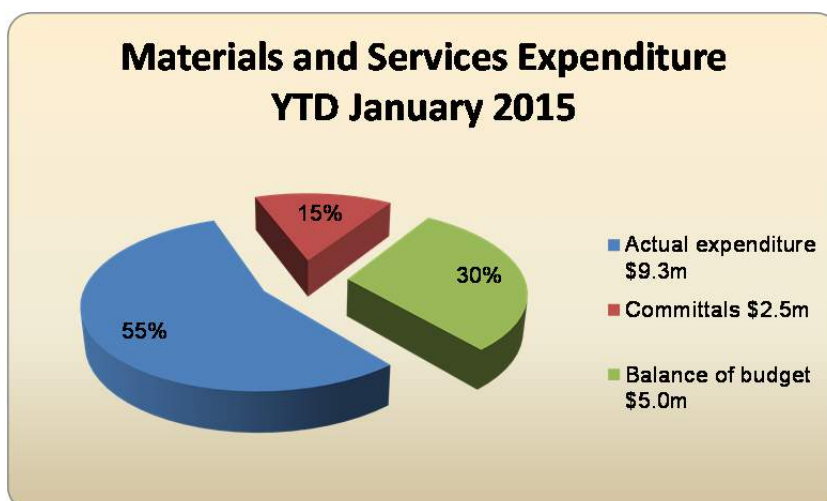
COMMENT:

The 2014/15 annual budget was adopted on 27 June 2014 and the attached financial report details progress against budget for the period ending 31 January 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. 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.

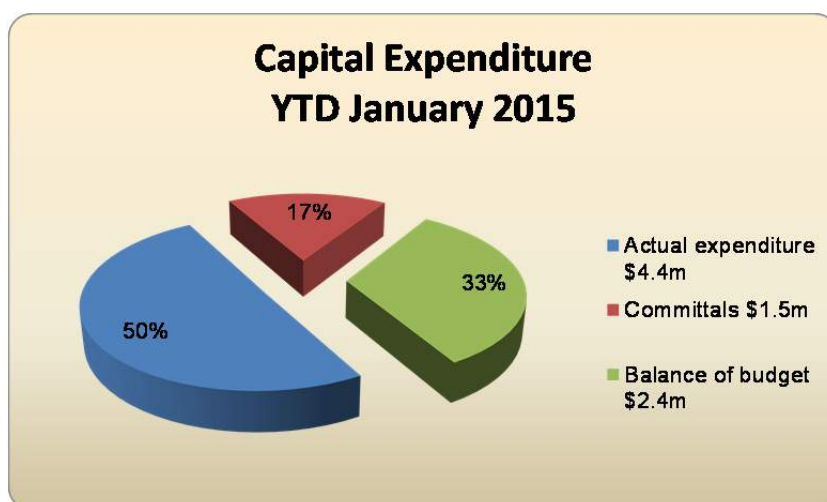
The inclusion of graphs is part of an ongoing refinement of the presentation of financial information to Council on a monthly basis.

- Operating revenue has increased considerably during the month as a result of the issue of the half yearly rates notices covering the period 1 January to 30 June 2015.
- 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 the budget review.
- 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 (\$208k).

- 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:
 - Revenue from fees and charges currently exceeds budget by \$622k and includes the following variations:
 - Building and property related fees \$155k
 - Licences \$64k
 - Private works \$100k
 - Refuse tipping fees \$25k
 - Ferry fares \$129k
 - Other fees and charges \$149k
- 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. As a result, expenditure is still currently under budget.
- Materials and Services expenditure is under budget by \$1.05m however current committals exceed this amount and include annual orders for some services.



- Depreciation expense has been determined based on Council's new asset register, which was established as part of the end of financial year process. A revised budget estimate for depreciation will be considered as part of the forthcoming budget review.
- 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 \$1.5m had been committed as at the end of January.
 - Capital revenue has exceeded budget as a result of the receipt of a 30% advance (\$3.8m) 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 the budget review.



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 \$9.2m compared to a budgeted surplus of \$5.9m. As mentioned above however, this result is subject to a number of variables.

PROPOSAL:

The Financial Report for the period ending 31 January 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 January 2015 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 1 - Financial Report

Attachment 1 – Financial Report

Douglas Shire Council							
Statement of Comprehensive Income							
For the month of JANUARY 2015							
	Actual	YTD '15	Budget	YTD '15	Variance	Budget 14/15	Actual as % of
	\$	\$	\$	\$	\$	\$	Budget 14/15
Operating Revenue							
Net rates and utility charges	25,554,822	25,495,460	59,362	27,775,175	92%		
Fees and charges	3,274,099	2,651,725	622,374	3,703,494	88%		
Grants, subsidies, contributions and donations	1,475,966	401,771	1,074,195	800,536	184%		
Interest received	606,406	369,376	237,030	633,240	96%		
Other recurrent income	405,868	236,031	169,837	800,663	51%		
Total Operating Revenue	31,317,162	29,154,363	2,162,799	33,713,108	93%		
Operating Expenses							
Employee benefits	6,913,750	7,134,931	221,181	12,048,582	57%		
Materials and services	9,321,935	10,372,830	1,050,895	16,799,535	55%		
Depreciation	5,811,685	5,676,342	(135,343)	9,730,868	60%		
Finance costs	91,424	107,801	16,377	202,570	45%		
Total Recurrent Expenses	22,138,795	23,291,904	1,153,109	38,781,555	57%		
Operating Result	9,178,367	5,862,459	3,315,908	(5,068,447)	(181%)		
Capital revenue							
Capital Grants and Subsidies	4,519,962	952,000	3,567,962	952,000	475%		
Capital Contributions	315,034	200,000	115,034	200,000	158%		
Total capital revenue	4,834,996	1,152,000	3,682,996	1,152,000	420%		
Net result	14,013,363	7,014,459	6,998,904	(3,916,447)	(358%)		
Capital expenses							
Capital expenses	4,434,003	8,821,525	4,387,522	8,821,525	50%		
Total capital expenses	4,434,003	8,821,525	4,387,522	8,821,525	50%		

