

ORDINARY MEETING  18 NOVEMBER 2014	5.5
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FINANCIAL REPORT FOR PERIOD ENDING 31 OCTOBER 2014  
 Darryl Crees – General Manager Corporate Services

**RECOMMENDATION:**

**That Council notes the Financial Report for the period ended 31 October 2014.**

**EXECUTIVE SUMMARY:**

The attached Financial Report details the progress of the 2014/15 budget for the period ending 31 October 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 report details progress against budget for the period ending 31 October 2014. In reviewing this financial report the following should be noted:

- 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 \$510k from the Natural Disaster Relief and Recovery Arrangements (NDRRA) for funding of expenditure incurred during the 2013/14 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.

- Revenue from fees and charges currently exceeds budget by \$417k and includes the following variations:
  - Building and property related fees \$98k
  - Licences \$106k
  - Private works \$58k
  - Refuse tipping fees \$44k
  - Ferry fares \$109k
- Interest received has exceeded budget as a result of greater than anticipated revenue from interest on outstanding rates and utility charges (\$28k) and from funds invested (\$56k).
- 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 currently under budget.
- Materials and Services expenditure is under budget by \$1.03m 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 October.
  - Capital revenue has exceeded budget as a result of the receipt of a 30% advance (\$3.2m) 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 October was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$2.6m compared to a budgeted surplus of \$0.24m. As mentioned above however, this result is subject to a number of variables.

### **PROPOSAL:**

The Financial Report for the period ending 31 October 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 October 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:**

Financial Report

## ATTACHMENT – FINANCIAL REPORT

## Douglas Shire Council

## Statement of Comprehensive Income

For the month of OCTOBER 2014

	Actual YTD '15 \$	Budget YTD '15 \$	Variance \$	Budget 14/15 \$	Actual as % of Budget 14/15
<b>Operating Revenue</b>					
Net rates and utility charges	11,813,681	12,048,251	(234,570)	27,775,175	43%
Fees and charges	2,082,799	1,665,468	417,331	3,703,494	56%
Grants, subsidies, contributions and donations	938,200	155,472	782,728	800,536	117%
Interest received	295,442	211,073	84,369	633,240	47%
Other recurrent income	310,629	218,403	92,226	800,663	39%
<b>Total Operating Revenue</b>	<b>15,440,751</b>	<b>14,298,667</b>	<b>1,142,084</b>	<b>33,713,108</b>	<b>46%</b>
<b>Operating Expenses</b>					
Employee benefits	3,965,175	4,180,429	215,254	12,048,582	33%
Materials and services	5,548,214	6,582,152	1,033,938	16,799,535	33%
Depreciation	3,243,624	3,243,624	-	9,730,868	33%
Finance costs	47,678	56,630	8,952	202,570	24%
<b>Total Recurrent Expenses</b>	<b>12,804,691</b>	<b>14,062,835</b>	<b>1,258,144</b>	<b>38,781,555</b>	<b>33%</b>
<b>Operating Result</b>	<b>2,636,061</b>	<b>235,832</b>	<b>2,400,229</b>	<b>(5,068,447)</b>	<b>(52%)</b>
<b>Capital revenue</b>					
Capital Grants and Subsidies	3,569,966	952,000	2,617,966	952,000	375%
Capital Contributions	151,090	200,000	(48,910)	200,000	76%
<b>Total capital revenue</b>	<b>3,721,056</b>	<b>1,152,000</b>	<b>2,569,056</b>	<b>1,152,000</b>	<b>323%</b>
<b>Net result</b>	<b>6,357,117</b>	<b>1,387,832</b>	<b>4,969,285</b>	<b>(3,916,447)</b>	<b>(162%)</b>
<b>Capital expenses</b>					
Capital expenses	1,574,564	8,821,525	(7,246,961)	8,821,525	18%
<b>Total capital expenses</b>	<b>1,574,564</b>	<b>8,821,525</b>	<b>(7,246,961)</b>	<b>8,821,525</b>	<b>18%</b>