

5.6. FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

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DEPARTMENT: Finance and IT

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- operating revenue currently exceeds budget expectations by \$558k.
- operating expenditure is under budget by \$362k.
- the operating deficit is currently \$812k compared to a budgeted deficit of \$1.7m.

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 December 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 51% of its annual budgeted operating revenue
- Year to date operating expenditure is currently under budget

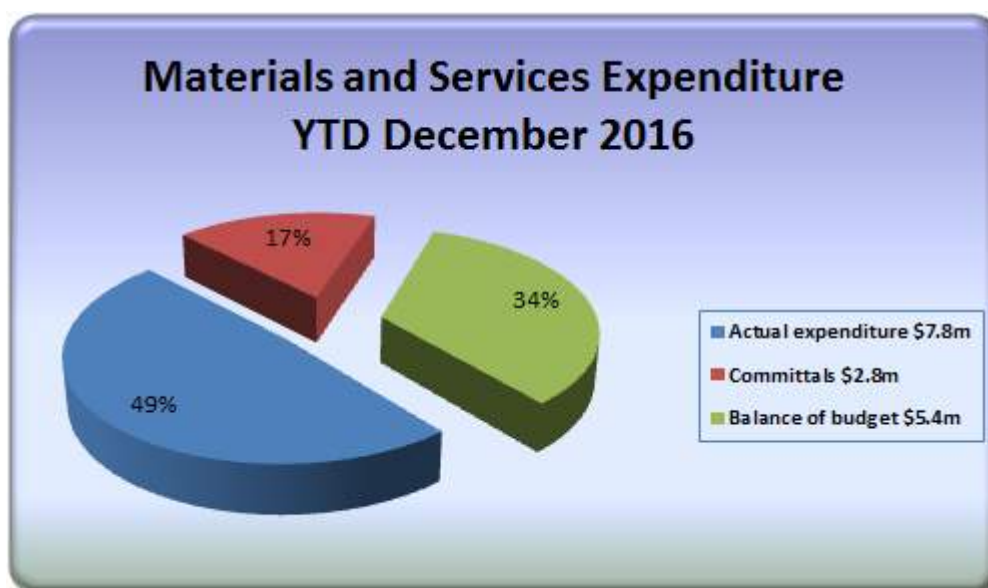
Overall year to date operating revenue is ahead of budget, however there are a number of variations within the different categories as follows:

- Net rates and utility charges are \$16k 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 -\$53k.
- Fees and charges continue to exceed budget expectations and are \$298k ahead of budget due to the following variations:

- Ferry fares \$212k
- Building and property related fees \$45k
- Licences and Other fees and charges \$41k
- 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 slightly 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 \$559k and whilst committals currently equal \$2.8m it should be noted that many of these committals relate to annual expenditure contracts.



- Depreciation expense is over budget by \$199k 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.

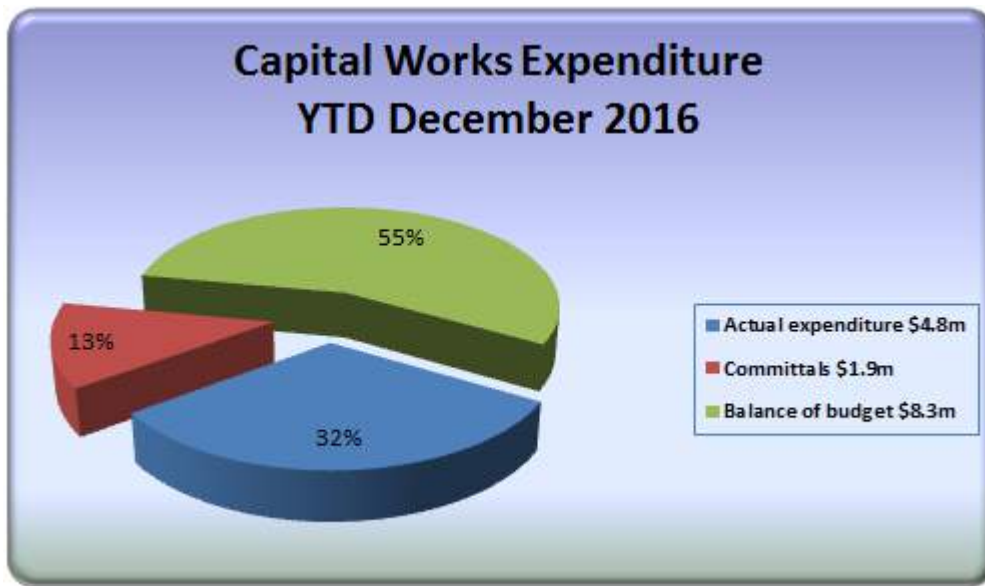
Capital Revenue and Expenditure

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 \$4.7m a further \$1.9m had been committed as at the end of December.



Operating Result

Key point:

- the operating result is \$921k ahead of budget

As reflected in the attached report, total operating revenue at the end of December was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating deficit of \$812k compared to a budgeted deficit of \$1.7m. As mentioned above however, this result does not include any committals for materials and services.



PROPOSAL

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

FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of December 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 December 2016 **[5.6.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of December 2016	Actual YTD '17 \$	Budget YTD '17 \$	Variance \$	Budget 16/17 \$	Actual as % of Budget 16/17
Operating Revenue					
Net rates and utility charges	14,501,037	14,517,221	(16,184)	30,373,670	48%
Fees and charges	3,043,867	2,745,572	298,295	4,698,303	65%
Grants, subsidies, contributions and donations	742,505	742,646	(141)	1,411,949	53%
Interest received	484,428	483,220	1,208	903,790	54%
Other recurrent income	525,425	250,240	275,185	635,907	83%
Total Operating Revenue	19,297,261	18,738,899	558,362	38,023,619	51%
Operating Expenses					
Employee benefits	6,733,051	6,734,419	1,368	13,179,685	51%
Materials and services	7,817,672	8,376,772	559,100	16,028,243	49%
Depreciation	5,450,386	5,250,594	(199,792)	10,501,189	52%
Finance costs	107,769	109,500	1,731	214,000	50%
Total Recurrent Expenses	20,108,878	20,471,285	362,407	39,923,117	50%
Operating Result	(811,617)	(1,732,386)	920,769	(1,899,498)	43%
Capital revenue					
Capital grants and subsidies	4,645,003	5,695,075	(1,050,072)	5,895,075	79%
Total capital revenue	4,645,003	5,695,075	(1,050,072)	5,895,075	79%
Net result	3,833,386	3,962,689	(129,303)	3,995,577	96%
Capital works program					
Capital additions	4,742,701	14,983,000	10,240,299	14,983,000	32%
Total capital additions	4,742,701	14,983,000	10,240,299	14,983,000	32%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	2,995,692	-	2,995,692	-	
Capital additions	557,814	-	(557,814)	-	
Net position	2,437,878	-	2,437,878	-	