

5.6. FINANCIAL REPORT FOR THE PERIOD ENDED 31 JANUARY 2018

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DEPARTMENT:	Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 January 2018.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2017/18 budget for the period ended 31 January 2018. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$1.4m.
- operating expenditure is under budget by \$1.9m.
- the operating surplus is currently \$10.3m compared to a budgeted surplus of \$7.1m.

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 current financial year's 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 2017/18 annual budget was adopted on 27 June 2017 and revised on 12 December 2017 and the attached financial report details progress against budget for the period ended 31 January 2018. 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, including the provision of relevant graphs.

Operating Revenue and Expenditure

Key points:

- *Council has received 82% 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, with a number of variations occurring within the various categories as follows:

- Net rates and utility charges are \$15k under budget primarily as a result of less than anticipated revenue from growth, offset by greater than anticipated revenue from water usage charges.

- Fees and charges are ahead of budget by \$313k due to the following variations:
 - Ferry fares \$17k
 - Building and property related fees \$131k
 - Licences and Other fees and charges \$165k (mainly due to budget timing differences)
- Grants and subsidies are \$34k ahead of budget due to the unexpected receipt of \$25k in Come & Try Grants.
- Other recurrent income is \$1.03m ahead of budget mainly as a result of:
 - Funds received for RMPC work undertaken \$142k (budget timing difference)
 - Receipt of \$832k from the Department of Natural Resources and Mines (DNRM), representing Council's share of revenue received by DNRM from the sale of operational trust land, as per the DNRM Revenue Share Policy relating to such land.

On the operating expenditure side, year to date expenditure variations to budget are as follows:

- Employee benefits expenditure is \$613k under budget and can be impacted by various factors, such as staff vacancies, the amount and timing of leave taken (particularly over the Christmas / New Year period) and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$570k (which is partially due to a number of timing differences) and while committals currently equal \$3.8m it should be noted that \$2.2m of these committals relate to annual expenditure contracts.

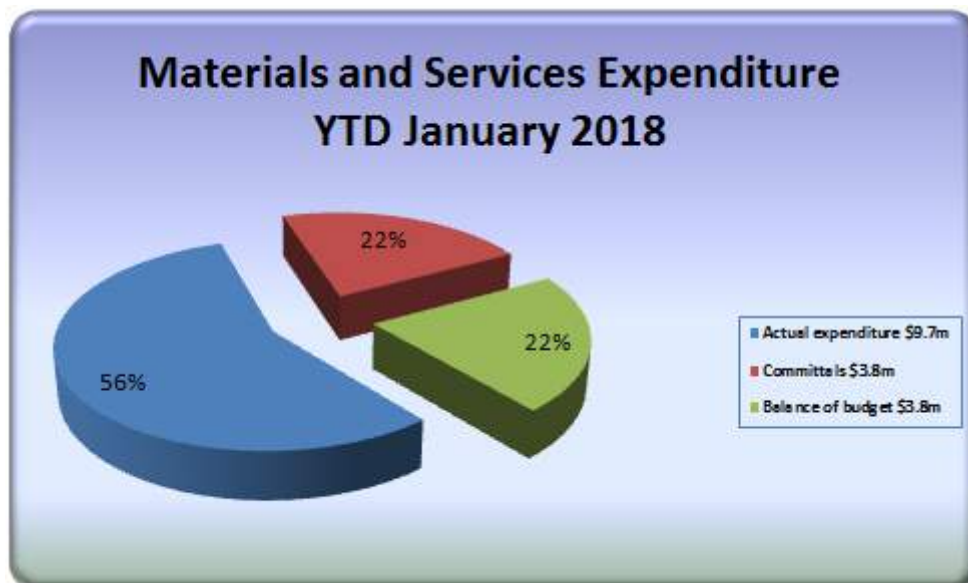


Figure 1.

- The depreciation budget was adjusted in the budget review, primarily as a result of the flow-on effect of the 2016/17 asset revaluations. Although depreciation expense is currently \$700k under budget, this expenditure will progressively increase as a result of the ongoing capitalisation of Council's capital projects.

Capital Revenue and Expenditure

Key point:

- *Council has received 37% of its annual budgeted capital grants and subsidies, which mainly relates to the reservoir project, Works for Queensland and NDRRA funding.*

Significant adjustments were made to capital revenue and expenditure in the budget review with the inclusion of carry forwards (uncompleted works) from the previous financial year, capital project adjustments and new capital projects, the Works for Queensland (W4Q) program and NDRRA restoration works.

It should be noted that in addition to year to date capital expenditure a further \$11.5m had been committed as at the end of January.

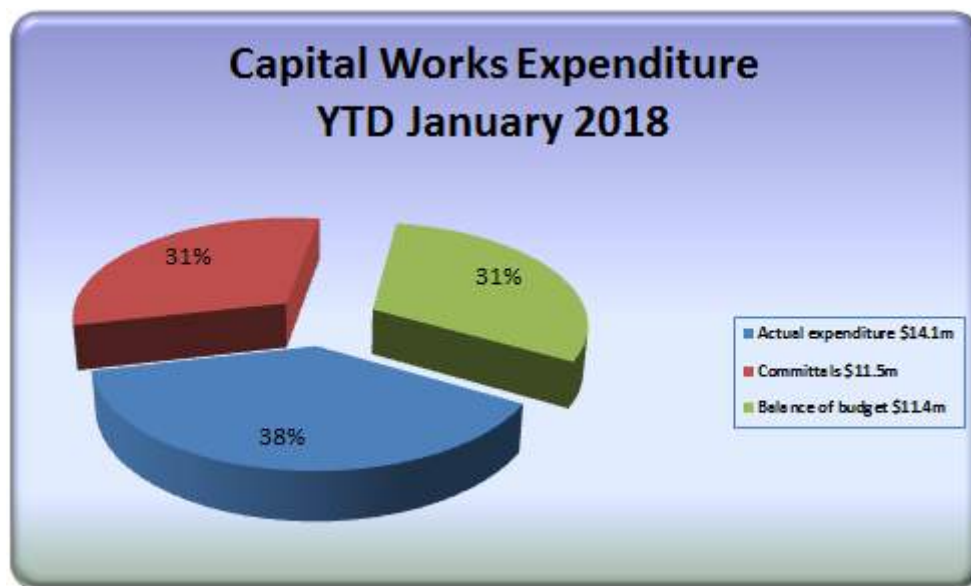


Figure 2.

Operating Result

Key point:

- *the operating result is \$3.2m 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 \$10.3m compared to a budgeted surplus of \$7.1m.

As mentioned above however, this result does not include any committals for materials and services.

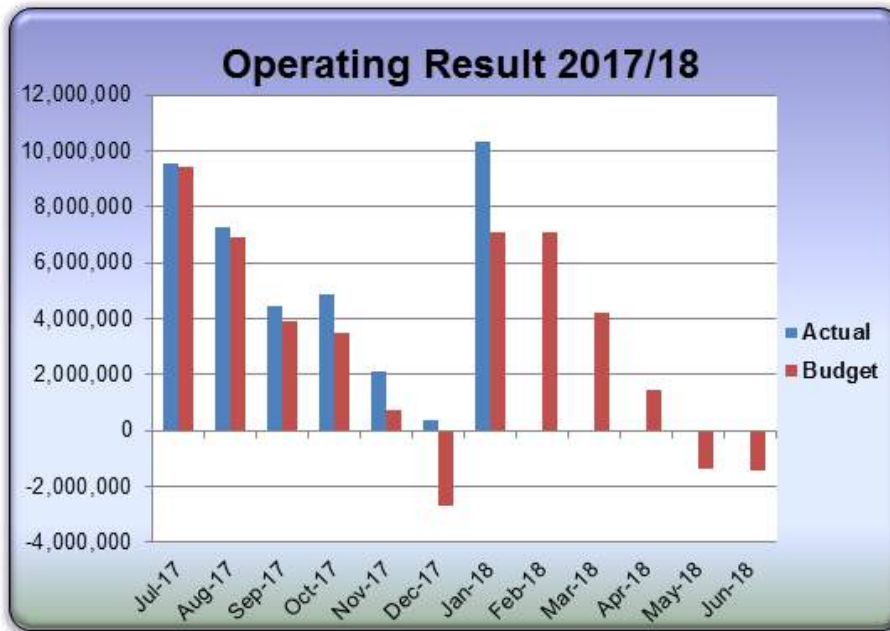


Figure 3.

PROPOSAL

The Financial Report for the period ended 31 January 2018 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of January 2018 have not revealed any significant negative impacts on the 2017/18 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 2018 [5.6.1]

Douglas Shire Council Statement of Comprehensive Income For the month of January 2018	Actual YTD 18 \$	Budget YTD 18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	27,554,680	27,570,004	(15,324)	32,563,015	85%
Fees and charges	3,695,742	3,383,099	312,643	5,176,949	71%
Grants, subsidies, contributions and donations	667,221	632,997	34,224	1,937,852	34%
Interest received	515,143	516,064	(921)	873,790	59%
Other recurrent income	1,309,216	281,563	1,027,653	648,327	202%
Total Operating Revenue	33,742,002	32,383,727	1,358,275	41,199,933	82%
Operating Expenses					
Employee benefits	7,392,901	8,005,769	612,868	13,709,083	54%
Materials and services	9,735,641	10,306,062	570,421	17,301,003	56%
Depreciation	6,257,020	6,956,985	699,965	11,526,237	54%
Finance costs	45,642	45,324	(318)	85,000	54%
Total Recurrent Expenses	23,431,204	25,314,140	1,882,936	42,621,323	55%
Operating Result	10,310,798	7,069,587	3,241,211	(1,421,390)	(725%)
Capital revenue					
Capital grants and subsidies	6,321,985	16,878,020	(10,556,035)	16,878,020	37%
Total capital revenue	6,321,985	16,878,020	(10,556,035)	16,878,020	37%
Net result	16,632,783	23,947,607	(7,314,824)	15,456,630	108%
Capital works program					
Capital additions	14,126,314	37,060,020	22,933,706	37,060,020	38%
Total capital additions	14,126,314	37,060,020	22,933,706	37,060,020	38%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	1,074,801	4,243,700	(3,168,899)	4,243,700	
Capital additions	1,354,047	3,638,870	2,284,823	3,638,870	
Net position	(279,246)	604,830	(884,076)	604,830	