

## 5.6. FINANCIAL REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2017

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**DEPARTMENT:** Finance and IT

### RECOMMENDATION

**That Council notes the Financial Report for the period ended 28 February 2017.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2016/17 budget for the period ended 28 February 2017. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$47k.
- operating expenditure is under budget by \$481k.
- the operating surplus is currently \$7.4m compared to a budgeted surplus of \$6.8m.

### 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 revised on 7 March 2017 and the attached financial report details progress against budget for the period ended 28 February 2017. 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 88% 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 only minor variations occurring in most categories of revenue following the budget review. Other recurrent income is \$32k ahead of budget due to the timing of revenue from private works.

On the operating expenditure side all categories of year to date operating expenditure are under budget as follows:

- Employee benefits expenditure is \$26k 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 \$442k, which is partially due to a number of timing differences. A further \$2.4m had been committed as at the end of February, with approximately 50% relating to a number of annual expenditure contracts.



- Depreciation expense was adjusted in the budget review based on a re-assessment of anticipated depreciation resulting from NDRRA asset restoration work and from the impact of asset revaluations and is currently under budget by \$11k.

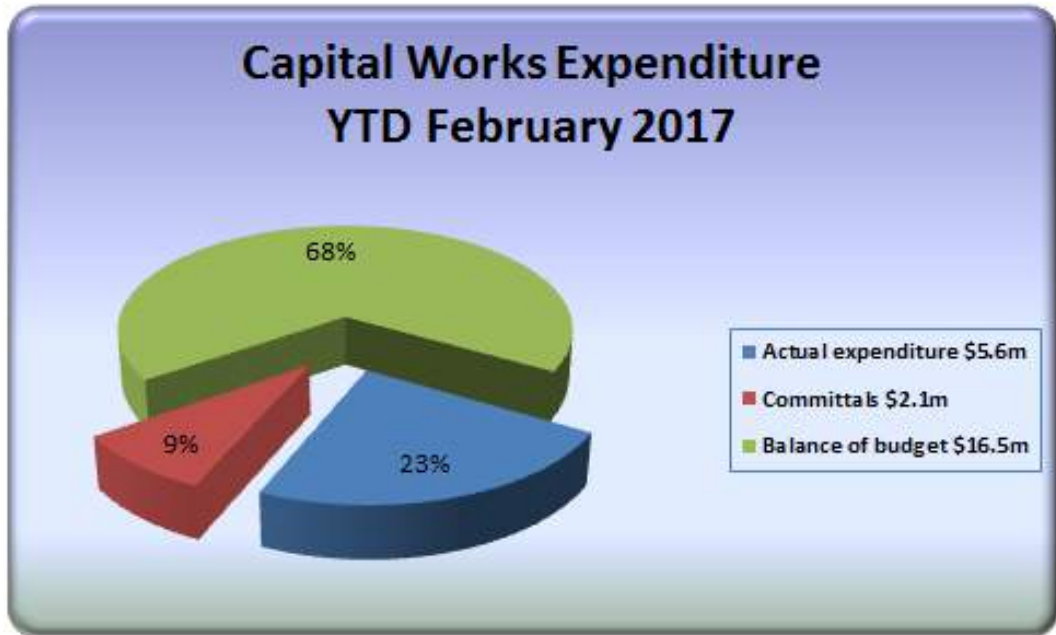
### Capital Revenue and Expenditure

#### Key point:

- Council has received 38% of its annual budgeted capital grants and subsidies, which mainly relates to the new reservoir project and NDRRA funding

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

It should be noted that in addition to actual capital expenditure of \$5.6m a further \$2.1m had been committed as at the end of February.



### Operating Result

Key point:

- the operating result is \$528k ahead of budget

As reflected in the attached report, total operating revenue at the end of February was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$7.4m compared to a budgeted surplus of \$6.8m. As mentioned above however, this result does not include any committals for materials and services.



## PROPOSAL

The Financial Report for the period ended 28 February 2017 be received and noted by Council.

## FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of February 2017 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 28 February 2017 **[5.6.1]**

<b>Douglas Shire Council Statement of Comprehensive Income For the month of February 2017</b>	<b>Actual YTD '17 \$</b>	<b>Budget YTD '17 \$</b>	<b>Variance \$</b>	<b>Budget 16/17 \$</b>	<b>Actual as % of Budget 16/17</b>
<b>Operating Revenue</b>					
Net rates and utility charges	27,751,964	27,751,141	823	30,418,213	91%
Fees and charges	3,783,900	3,784,495	(595)	4,985,511	76%
Grants, subsidies, contributions and donations	1,126,123	1,118,825	7,298	1,485,926	76%
Interest received	629,623	622,125	7,498	903,790	70%
Other recurrent income	705,935	674,067	31,868	808,940	87%
<b>Total Operating Revenue</b>	<b>33,997,545</b>	<b>33,950,653</b>	<b>46,892</b>	<b>38,602,380</b>	<b>88%</b>
<b>Operating Expenses</b>					
Employee benefits	8,753,586	8,779,293	25,707	13,227,685	66%
Materials and services	10,529,274	10,971,128	441,854	16,184,004	65%
Depreciation	7,243,662	7,254,992	11,330	10,876,189	67%
Finance costs	115,552	117,500	1,948	214,000	54%
<b>Total Recurrent Expenses</b>	<b>26,642,074</b>	<b>27,122,913</b>	<b>480,839</b>	<b>40,501,878</b>	<b>66%</b>
<b>Operating Result</b>	<b>7,355,471</b>	<b>6,827,740</b>	<b>527,731</b>	<b>(1,899,498)</b>	<b>(387%)</b>
<b>Capital revenue</b>					
Capital grants and subsidies	4,875,108	12,695,485	(7,820,377)	12,695,485	38%
<b>Total capital revenue</b>	<b>4,875,108</b>	<b>12,695,485</b>	<b>(7,820,377)</b>	<b>12,695,485</b>	<b>38%</b>
<b>Net result</b>	<b>12,230,579</b>	<b>19,523,225</b>	<b>(7,292,646)</b>	<b>10,795,987</b>	<b>113%</b>
<b>Capital works program</b>					
Capital additions	5,631,907	24,267,938	18,636,032	24,267,938	23%
<b>Total capital additions</b>	<b>5,631,907</b>	<b>24,267,938</b>	<b>18,636,032</b>	<b>24,267,938</b>	<b>23%</b>
<b>NDRRA portion of Capital Works Program (included above)</b>					
Capital grants and subsidies	2,995,692	-	2,995,692	4,945,470	
Capital additions	410,380	-	(410,380)	2,892,243	
<b>Net position</b>	<b>2,585,312</b>	<b>-</b>	<b>2,585,312</b>	<b>2,053,227</b>	