

ORDINARY MEETING 31 JULY 2015	5.7
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INTERIM FINANCIAL REPORT FOR PERIOD ENDING 30 JUNE 2015

Darryl Crees – General Manager Corporate Services

RECOMMENDATION:

That Council notes the Interim Financial Report for the period ended 30 June 2015.

EXECUTIVE SUMMARY:

The attached Interim Financial Report details the progress of the 2014/15 budget (as revised by Council on 24 March 2015) for the period ending 30 June 2015. Key points to note include the following:

- operating revenue has continued to exceed budget expectations and all categories of actual operating revenue now exceed the annual budget.
- most categories of actual operating expenditure continue to be under budget.
- the interim operating deficit is currently \$278k compared to a budgeted deficit of \$3.8m
- all figures presented are interim and are still subject to any adjustments that may be required as part of the end of financial year and audit processes.

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 revised on 24 March 2015 and the attached financial report details progress against budget for the period ending 30 June 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.

In reviewing this financial report the following should be noted:

- The figures presented are interim and are subject to any adjustments that may be required as part of the end of financial year and audit processes. These adjustments will include:
 - Accrual of any revenue earned but not yet received.
 - Review of all expenditure committals recorded via the purchase requisition process in Council's financial system and expensing of these committals where appropriate.
 - Allocation of any June expenses yet to be invoiced (that are not normally part of the purchase requisition process), for example utility charges such as electricity and telephone.

- Any revenue and expenditure adjustments that may be required between operating and capital.
- Determination of final depreciation expenditure once all asset additions and disposals are finalised.
- In order to provide as up to date figures as possible, the interim financial report already includes a number of quantifiable estimates, such as accrued investment interest, accrued salaries and wages up to 30th June and accrued revenue from water usage.

Operating Revenue and Expenditure

Key points:

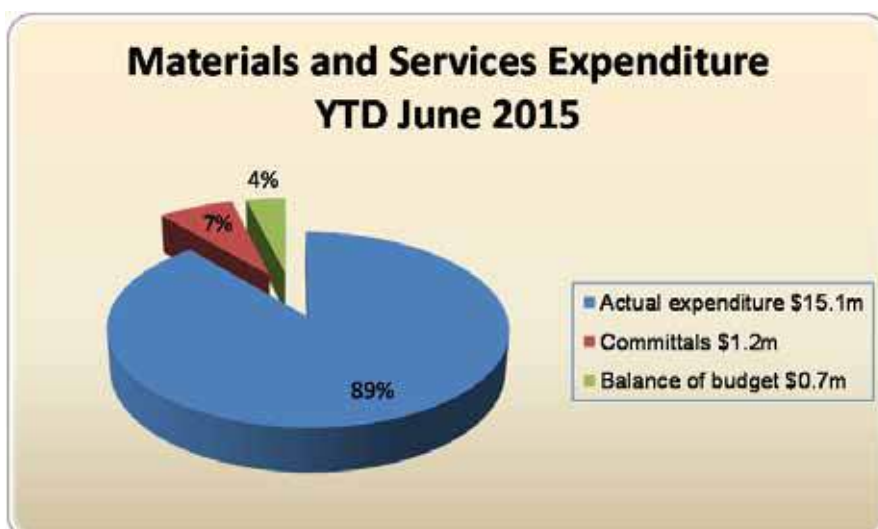
- *actual operating revenue exceeds the annual budget by 3%*
- *actual operating expenditure is under budget by 6%*

Whilst many timing differences have occurred throughout the year most of these were corrected as part of the revised budget process, however Council's operating revenue has continued to exceed budget expectations and all categories of actual revenue now exceed the annual budget.

- Some of the key operating revenue budget variations are as follows:
 - Rates and utility charges:
 - Water rates \$202k (increased revenue from water usage charges)
 - Fees and charges:
 - Building and property related fees \$94k
 - Ferry fares \$193k
 - Other fees and charges \$243k (camping, cemetery, facility hire etc)
 - Interest received:
 - From outstanding rates and utility charges \$49k
 - From funds invested \$97k
 - Other recurrent income:
 - Rental income \$67k
 - Other operating revenue \$146k (receipt of additional reimbursements)

On the operating expenditure side most categories of actual operating expenditure continue to be under budget as follows:

- Employee benefits expenditure can be impacted by various factors, such as staff vacancies, the amount of leave taken and the allocation of costs to capital expenditure. As a result, expenditure is currently \$370k under budget, including:
 - Capitalised wages allocation greater than anticipated \$209k
 - Accrual of workers compensation premium into the previous financial year \$94k
- Materials and Services expenditure is under budget by \$1.9m however committals equal \$1.2m. These committals reduced by approximately \$235k over the last month and are expected to reduce much further as part of the end of financial year process, with a portion likely to be expensed.



- Depreciation is currently \$39k under budget, however the capitalisation and depreciation of capital additions for the financial year is yet to be completed.

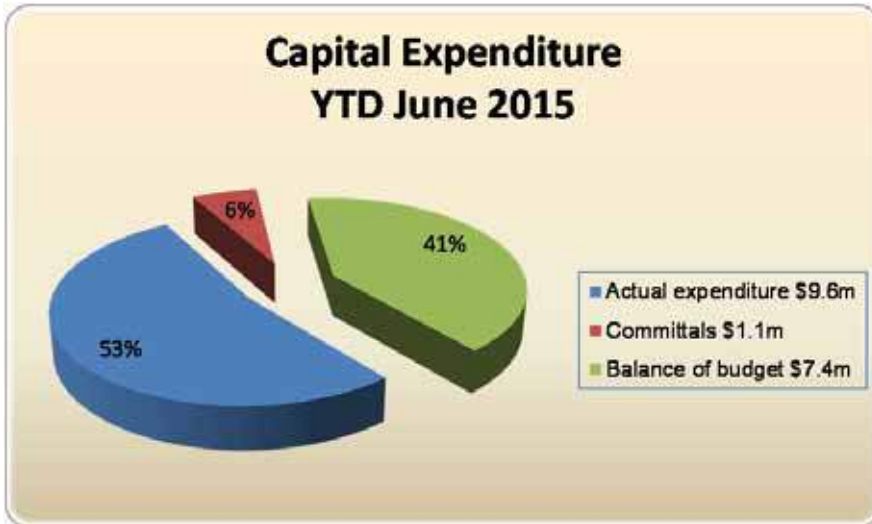
Capital Revenue and Expenditure

Key points:

- capital grants and subsidies and capital expenditure are both under budget, partly due to the timing of the NDRRA work and also the expected partial carryover of certain projects
- capital contributions now exceed the annual budget by 180%
- the interim net result is \$485k ahead of budget

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 were subsequently adjusted as part of the budget review to take into account carry forwards from the previous financial year, new capital projects and NDRRA asset restoration work.

- Capital revenue from grants and subsidies is well under budget and this is mainly due to:
 - Timing of the NDRRA asset restoration work and receipt of the associated revenue \$2.3m
 - Revenue associated with the partial carryover of some projects
- Capital contributions have exceeded budget expectations by \$630k and this is due to greater than anticipated developer contribution revenue.
- Capital expenditure is also well under budget and this is partly due to the timing of the NDRRA asset restoration work and also due to the expected partial carryover of certain projects which will be completed after the end of June (as detailed in a previous report to Council). It should be noted that in addition to year to date expenditure a further \$1.1m had been committed as at the end of June.

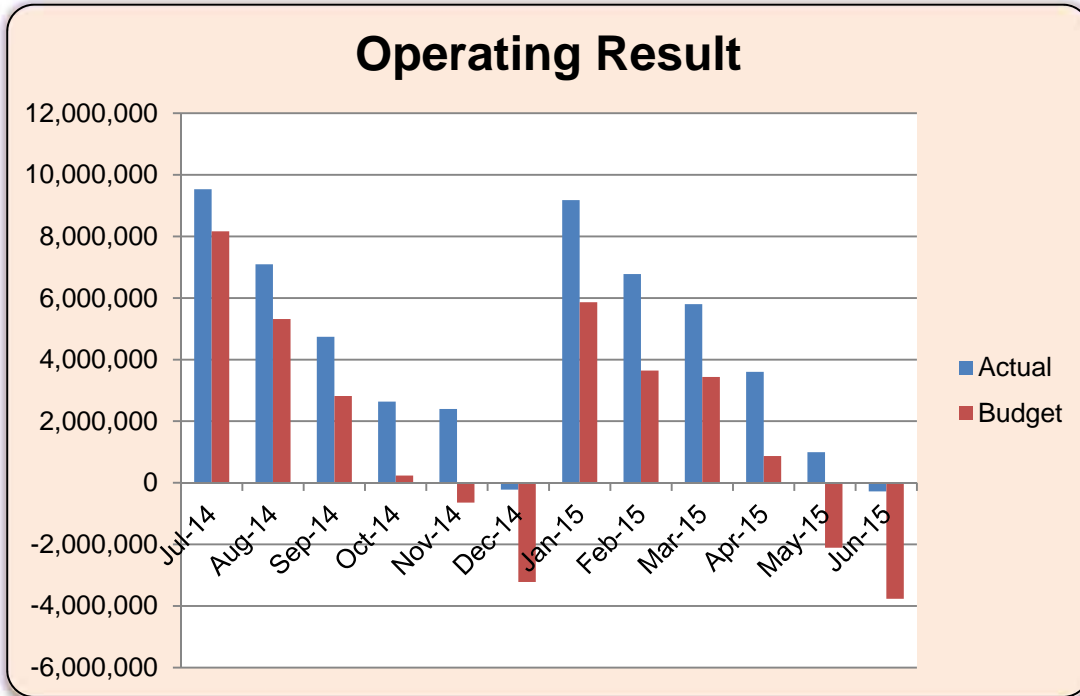


Operating Result

Key point:

- the interim operating result is \$3.5m ahead of budget

As reflected in the attached report, total operating revenue at the end of June was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating deficit of \$278k compared to a budgeted deficit of \$3.8m. As mentioned above however, this result does not include committals of \$1.2m in materials and services and is also an interim result which is still subject to the end of financial year and audit processes.



PROPOSAL:

The Interim Financial Report for the period ending 30 June 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 interim results as at the end of June 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:

Interim Financial Report

Douglas Shire Council					
Statement of Comprehensive Income					
For the month of JUNE 2015 (Interim)					
	Actual YTD '15	Budget YTD '15	Variance	Budget 14/15	Actual as % of
	\$	\$	\$	\$	Budget 14/15
Operating Revenue					
Net rates and utility charges	28,096,046	27,782,564	313,482	27,782,564	101%
Fees and charges	4,569,736	4,057,959	511,777	4,057,959	113%
Grants, subsidies, contributions and donations	2,178,788	2,166,530	12,258	2,166,530	101%
Interest received	1,123,832	977,240	146,592	977,240	115%
Other recurrent income	828,639	613,306	215,333	613,306	135%
Total Operating Revenue	36,797,042	35,597,599	1,199,443	35,597,599	103%
Operating Expenses					
Employee benefits	11,679,053	12,048,582	369,529	12,048,582	97%
Materials and services	15,131,602	17,017,963	1,886,361	17,017,963	89%
Depreciation	10,054,435	10,093,415	38,980	10,093,415	100%
Finance costs	209,809	202,570	(7,239)	202,570	104%
Total Recurrent Expenses	37,074,899	39,362,530	2,287,631	39,362,530	94%
Operating Result	(277,857)	(3,764,931)	3,487,074	(3,764,931)	7%
Capital revenue					
Capital Grants and Subsidies	5,586,563	9,217,744	(3,631,181)	9,217,744	61%
Capital Contributions	979,595	350,000	629,595	350,000	280%
Total capital revenue	6,566,158	9,567,744	(3,001,586)	9,567,744	69%
Net result	6,288,301	5,802,813	485,488	5,802,813	108%
Capital expenses					
Capital expenses	9,563,110	18,064,240	8,501,130	18,064,240	53%
Total capital expenses	9,563,110	18,064,240	8,501,130	18,064,240	53%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	4,653,622	6,960,189	(2,306,567)	6,960,189	67%
Capital expenses	2,933,127	6,960,189	4,027,062	6,960,189	42%
Net position	1,720,495	-	1,720,495	-	