

5.8. FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

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DEPARTMENT:	Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 December 2017.

EXECUTIVE SUMMARY

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

- operating revenue currently exceeds budget expectations by \$1.3m.
- operating expenditure is under budget by \$1.7m.
- the operating surplus is currently \$395k compared to a budgeted deficit of \$2.7m.

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 December 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, including the provision of relevant graphs.

Operating Revenue and Expenditure

Key points:

- *Council has received 50% 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 \$56k ahead of budget primarily as a result of greater than anticipated revenue from water usage charges.
- Fees and charges are ahead of budget by \$248k due to the following variations:
 - Ferry fares \$14k
 - Building and property related fees \$128k

- Licences and Other fees and charges \$106k (mainly due to budget timing differences)
- Other recurrent income is \$1m 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 50% share of revenue received by DNRM from the sale of operational trust land (exclusive of any DNRM costs in managing the disposal of the 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 \$584k under budget and can be impacted by various factors, such as staff vacancies, the amount and timing of leave taken (particularly over the Christmas period) and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$493k (which is partially due to a number of timing differences) and while committals currently equal \$3.6m it should be noted that \$2.1m 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 \$644k 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 19% 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 \$12.3m had been committed as at the end of December.

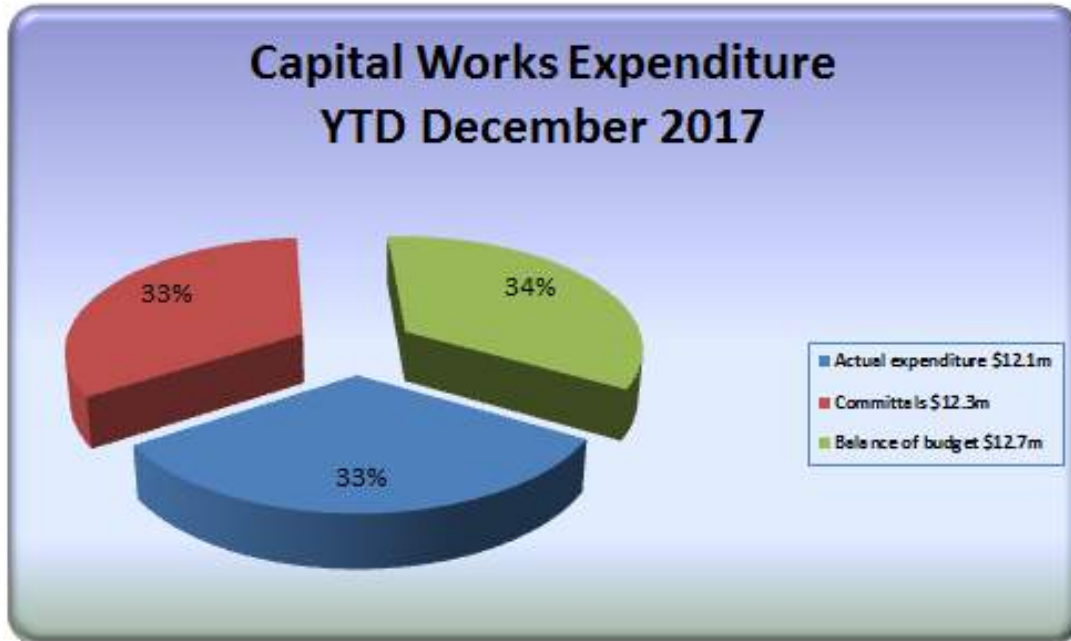


Figure 2.

Operating Result

Key point:

- *the operating result is \$3m 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 surplus of \$395k compared to a budgeted deficit of \$2.7m.

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 December 2017 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of December 2017 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 December 2017 **[5.8.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of December 2017	Actual YTD '18 \$	Budget YTD '18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	14,967,919	14,912,284	55,635	32,563,015	46%
Fees and charges	3,267,434	3,019,014	248,420	5,176,949	63%
Grants, subsidies, contributions and donations	619,594	613,405	6,189	1,937,852	32%
Interest received	441,789	448,355	(6,566)	873,790	51%
Other recurrent income	1,289,326	265,479	1,023,847	648,327	199%
Total Operating Revenue	20,586,062	19,258,537	1,327,525	41,199,933	50%
Operating Expenses					
Employee benefits	6,390,693	6,974,540	583,847	13,709,083	47%
Materials and services	8,440,706	8,933,252	492,546	17,301,003	49%
Depreciation	5,319,503	5,963,130	643,627	11,526,237	46%
Finance costs	39,965	40,960	995	85,000	47%
Total Recurrent Expenses	20,190,868	21,911,882	1,721,014	42,621,323	47%
Operating Result	395,194	(2,653,345)	3,048,539	(1,421,390)	(28%)
Capital revenue					
Capital grants and subsidies	3,189,228	16,878,020	(13,688,792)	16,878,020	19%
Total capital revenue	3,189,228	16,878,020	(13,688,792)	16,878,020	19%
Net result	3,584,422	14,224,675	(10,640,253)	15,456,630	23%
Capital works program					
Capital additions	12,053,665	37,060,020	25,006,355	37,060,020	33%
Total capital additions	12,053,665	37,060,020	25,006,355	37,060,020	33%

NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	647,173	4,243,700	(3,596,527)	4,243,700	
Capital additions	1,357,158	3,638,870	2,281,712	3,638,870	
Net position	(709,985)	604,830	(1,314,815)	604,830	