

5.8. FINANCIAL REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2018

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DEPARTMENT:	Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 28 February 2018.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2017/18 budget for the period ended 28 February 2018. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$1.1m.
- operating expenditure is under budget by \$1.2m.
- the operating surplus is currently \$6.9m compared to a budgeted surplus of \$4.7m.

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 28 February 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 83% 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 \$32k under budget as a result of a combination of less than anticipated revenue from growth, a refund of sewerage charges raised in error over a number of years and greater than anticipated revenue from water usage charges.

- Fees and charges are ahead of budget by \$130k due to the following variations:
 - Ferry fares \$17k
 - Building and property related fees, Licences and Other fees and charges \$113k.
- Grants and subsidies are \$10k under budget due to timing differences.
- Interest received has not reached budget expectations and is \$18k under budget.
- Other recurrent income is \$1m ahead of budget mainly as a result of:
 - Funds received for RMPC work undertaken \$137k (budget timing difference)
 - Receipt of \$823k from the Department of Natural Resources and Mines (DNRM), representing Council's share of revenue received from the sale of operational trust land, as per the DNRM Revenue Share Policy.

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

- Employee benefits expenditure is \$591k 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 over budget by \$217k and is impacted by a number of timing differences and also by the use of agency staff where necessary to cover staff vacancies. While committals currently equal \$3.1m it should be noted that \$2.1m of these committals relate to annual expenditure contracts.

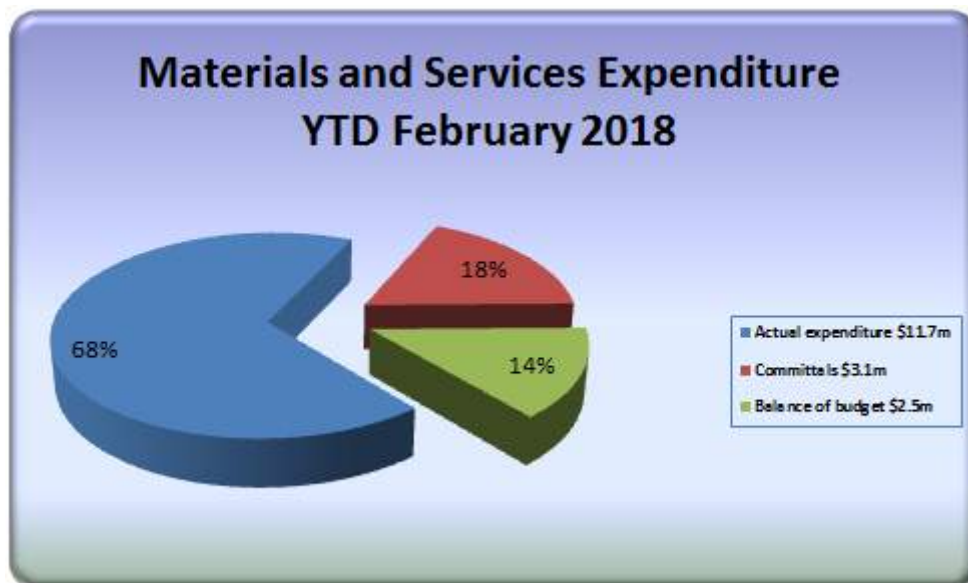


Figure 1.

- The depreciation budget was adjusted in the budget review, primarily as a result of the flow-on effect of the 2016/17 asset revaluations. Depreciation expense is currently \$798k under budget, however this expense is expected to move closer to budget as we approach the end of the financial year and more capital projects are completed, capitalised and depreciated.

Capital Revenue and Expenditure

Key point:

- *Council has received 43% 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 \$8.7m had been committed as at the end of February.

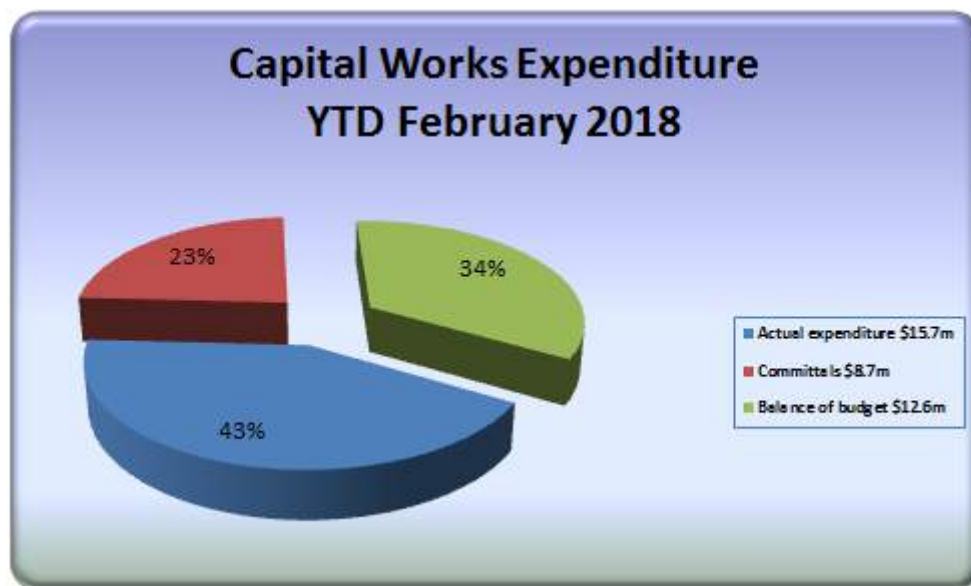


Figure 2.

Operating Result

Key point:

- *the operating result is \$2.2m 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 \$6.9m compared to a budgeted surplus of \$4.7m. As mentioned above however, this result does not include any committals for materials and services.

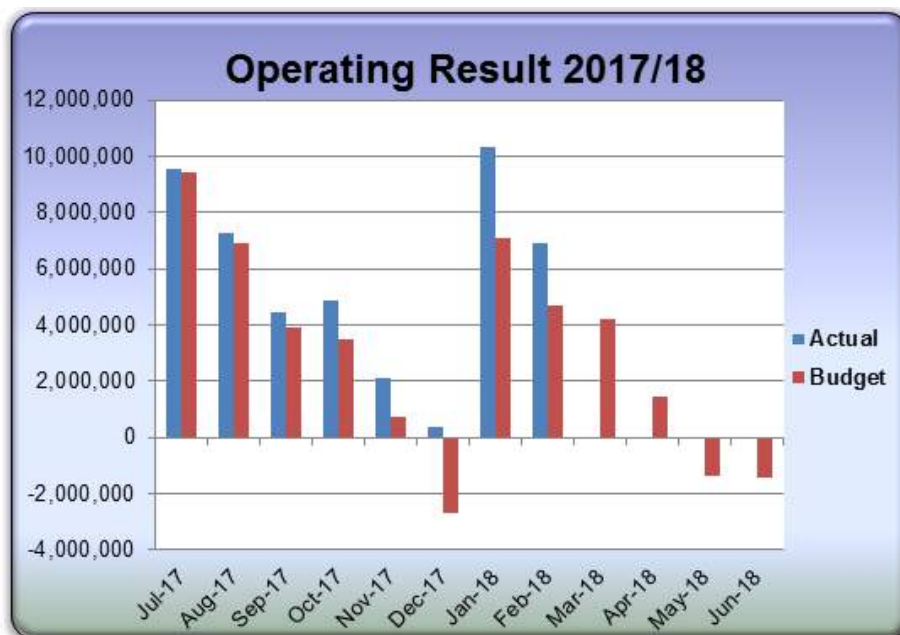


Figure 3.

PROPOSAL

The Financial Report for the period ended 28 February 2018 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of February 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 28 February 2018 [5.8.1]

Douglas Shire Council Statement of Comprehensive Income For the month of February 2018	Actual YTD 18 \$	Budget YTD 18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	27,534,386	27,566,733	(32,347)	32,563,015	85%
Fees and charges	3,918,057	3,787,810	130,247	5,176,949	76%
Grants, subsidies, contributions and donations	922,595	932,401	(9,806)	1,937,852	48%
Interest received	564,696	583,135	(18,439)	873,790	65%
Other recurrent income	1,361,828	357,964	1,003,864	648,327	210%
Total Operating Revenue	34,301,561	33,228,043	1,073,518	41,199,933	83%
Operating Expenses					
Employee benefits	8,446,284	9,036,998	590,714	13,709,083	62%
Materials and services	11,734,678	11,518,087	(216,591)	17,301,003	68%
Depreciation	7,152,855	7,950,840	797,985	11,526,237	62%
Finance costs	49,419	48,819	(600)	85,000	58%
Total Recurrent Expenses	27,383,236	28,554,744	1,171,508	42,621,323	64%
Operating Result	6,918,325	4,673,299	2,245,026	(1,421,390)	(487%)
Capital revenue					
Capital grants and subsidies	7,248,108	16,878,020	(9,629,912)	16,878,020	43%
Total capital revenue	7,248,108	16,878,020	(9,629,912)	16,878,020	43%
Net result	14,166,433	21,551,319	(7,384,886)	15,456,630	92%
Capital works program					
Capital additions	15,748,720	37,060,020	21,311,300	37,060,020	42%
Total capital additions	15,748,720	37,060,020	21,311,300	37,060,020	42%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	1,074,801	4,243,700	(3,168,899)	4,243,700	25%
Capital additions	1,361,189	3,638,870	2,277,681	3,638,870	37%
Net position	(286,388)	604,830	(891,218)	604,830	