

5.9. FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2017

REPORT AUTHOR(S): John Rehn, Manager Finance and IT
GENERAL MANAGER: Darryl Crees, General Manager Corporate Services
DEPARTMENT: Finance and IT

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- operating revenue currently exceeds budget expectations by \$65k.
- operating expenditure is under budget by \$1.3m.
- the operating surplus is currently \$4.8m compared to a budgeted surplus of \$3.5m.

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 the attached financial report details progress against budget for the period ended 31 October 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 44% 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 \$53k ahead of budget primarily as a result of greater than anticipated revenue from water usage charges.
- Fees and charges are under budget by \$42k due to the net effect of the following variations:
 - Ferry fares -\$46k
 - Building and property related fees -\$64k

- Licences and Other fees and charges \$68k
- Grants and subsidies are \$117k ahead of budget mainly due to the receipt of funds related to NDRRA emergent works.
- Interest received has not reached budget expectations and is \$33k under budget.
- Other recurrent income is \$31k under budget mainly as a result of less than anticipated income from reimbursements for private works.

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

- Employee benefits expenditure is \$423k 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 \$845k and while committals currently equal \$4.4m it should be noted that a large portion of these committals relate to annual expenditure contracts.

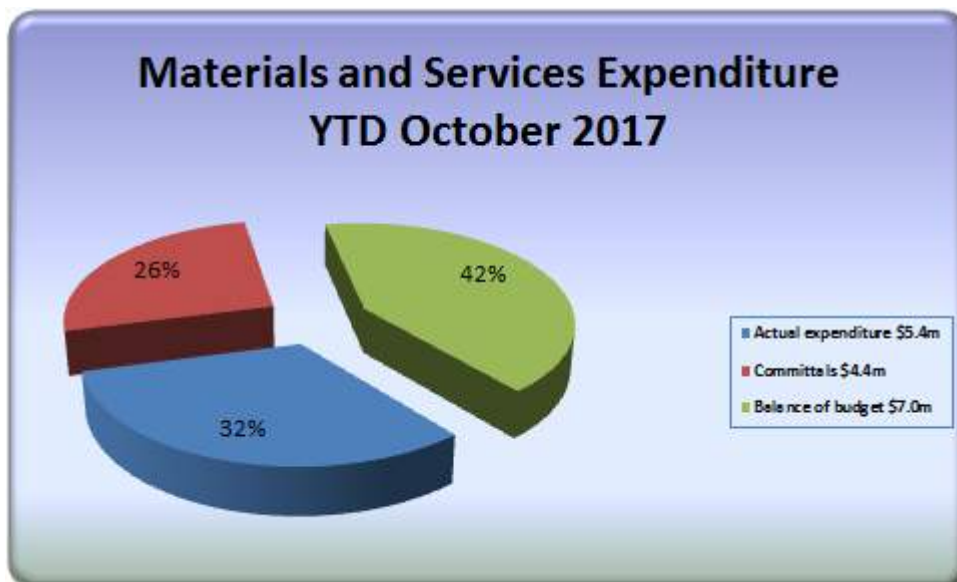


Figure 1.

- Depreciation expense has been accrued based on the budget forecast, as the asset register is still being finalised as part of the 2016/17 end of financial year process and cannot be updated with actual depreciation for the new financial year until this process is completed.

Capital Revenue and Expenditure

Key point:

- *Council has received 34% of its annual budgeted capital grants and subsidies, which mainly relates to the reservoir project, Works for Queensland and NDRRA funding.*

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 will be subsequently adjusted next month as part of a budget review to take

into account carry forwards (uncompleted works) from the previous financial year and any new capital projects.

It should be noted that in addition to year to date capital expenditure a further \$10.2m (excluding carry forwards) had been committed as at the end of October.

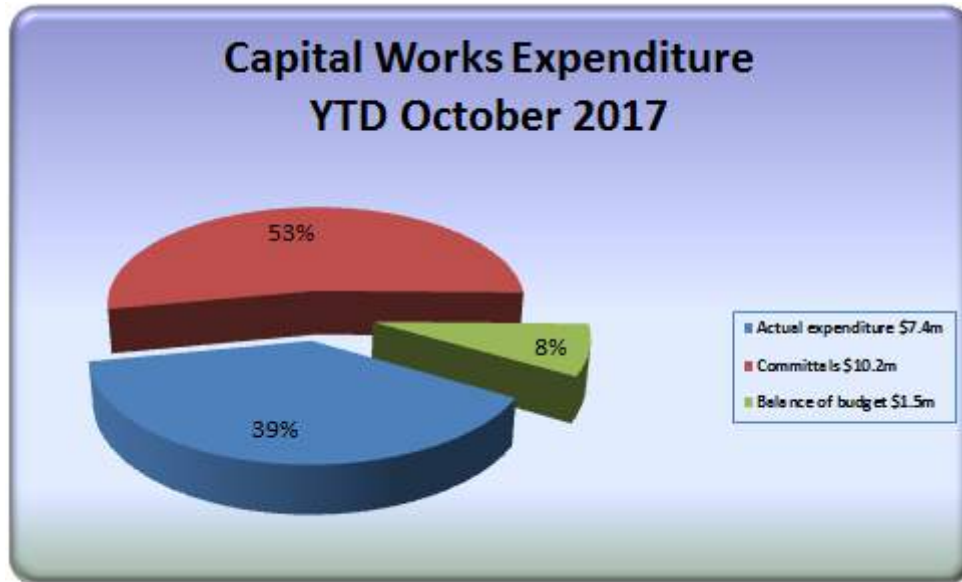


Figure 2.

Operating Result

Key point:

- *the operating result is \$1.3m ahead of budget*

As reflected in the attached report, total operating revenue at the end of October was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$4.8m compared to a budgeted surplus of \$3.5m. As mentioned above however, this result does not include any committals for materials and services.

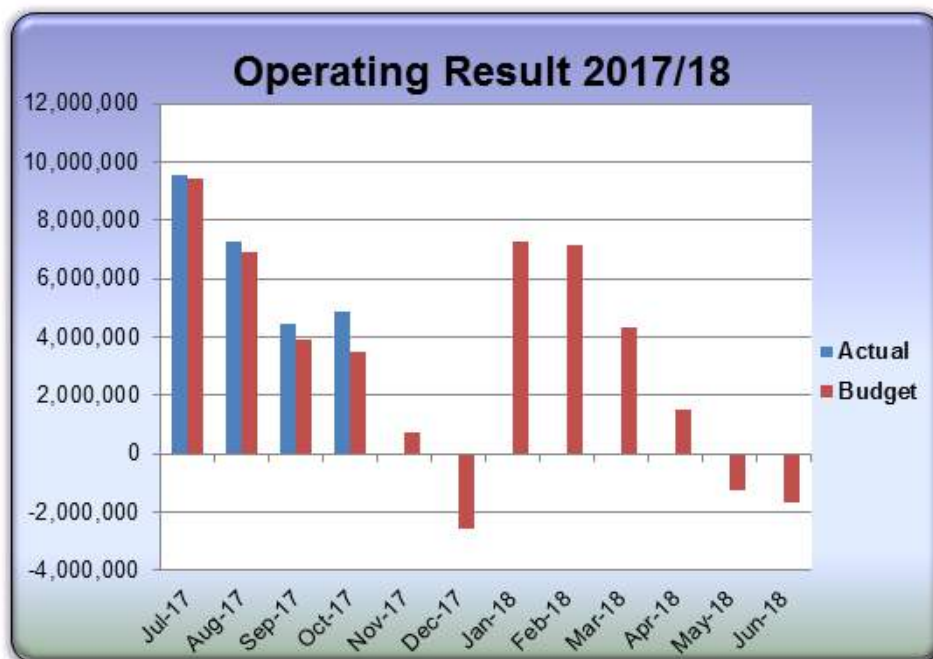


Figure 3.

PROPOSAL

The Financial Report for the period ended 31 October 2017 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of October 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 October 2017 [5.9.1]

Douglas Shire Council Statement of Comprehensive Income For the month of October 2017	Actual YTD '18 \$	Budget YTD '18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	14,965,777	14,912,284	53,493	32,563,009	46%
Fees and charges	2,400,705	2,442,408	(41,703)	5,281,946	45%
Grants, subsidies, contributions and donations	341,935	224,625	117,310	1,655,441	21%
Interest received	305,270	338,293	(33,023)	903,790	34%
Other recurrent income	199,939	230,856	(30,917)	648,327	31%
Total Operating Revenue	18,213,627	18,148,466	65,161	41,052,513	44%
Operating Expenses					
Employee benefits	3,968,979	4,391,513	422,534	13,885,012	29%
Materials and services	5,396,366	6,241,631	845,265	16,810,703	32%
Depreciation	3,975,420	3,975,420	-	11,926,237	33%
Finance costs	29,963	32,983	3,020	85,000	35%
Total Recurrent Expenses	13,370,728	14,641,547	1,270,820	42,706,952	31%
Operating Result	4,842,900	3,506,919	1,335,981	(1,654,439)	(293%)
Capital revenue					
Capital grants and subsidies	2,790,876	8,139,421	(5,348,545)	8,139,421	34%
Total capital revenue	2,790,876	8,139,421	(5,348,545)	8,139,421	34%
Net result	7,633,775	11,646,340	(4,012,565)	6,484,982	118%
Capital works program					
Capital additions	7,388,628	19,121,001	11,732,373	19,121,001	39%
Total capital additions	7,388,628	19,121,001	11,732,373	19,121,001	39%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	647,173	-	647,173	-	
Capital additions	1,139,692	-	(1,139,692)	-	
Net position	(492,519)	-	(492,519)	-	