

### 6.03. NOTICE OF MOTION - REVISION OF FINANCIAL REPORTING

**COUNCILLOR:** Cr Terry Melchert

#### **NOTICE OF MOTION:**

I hereby give Notice of my intention to move the following Motion at the Council meeting scheduled for Tuesday 23rd February 2016:-

**"That Council move to revise its monthly financial reporting as soon as possible to include more information about its financial performance generally in line with the attached statements prepared by Cairns Regional Council the template of which is quite common in Queensland Local Government. In particular the revised reports include revised graphs showing the monthly budgeted estimated for the full year and actual results, for the Operating Position, Operating Revenue, Operating Expenditure and Capital Expenditure with relevant comments. The report also include a Statement of Financial Position and a Statement of Cash Flows."**

#### **BACKGROUND:**

I have raised at a few meetings that the current financial reporting does not necessarily give sufficient financial management information to all Councillors and our community to allow them to form a view about the true financial position of the organisation. The situation comes from the way the reports are provided and while it may appear in the early part of the year (and it has in the past) that Council is performing well ahead of expectations, the situation is that the result comes not because of savings but because works programmed for completion in the period for one reason or another were not completed.

The template used by Cairns and other Councils serves to reduce this "top drawing" effect.

The Council's financial management information systems is used widely across many local governments and if the facility does not already exist in our system, the required reporting software is readily available.

#### **OFFICER'S COMMENT:**

In accordance with section 204 of the *Local Government Regulation 2012* the Chief Executive Officer must present a monthly financial report to Council stating the progress that has been made in relation to the budget and the report must cover the period up to a day as near as practicable to the end of the preceding month.

The legislation does not prescribe a required format for this report. The commentary to the legislation states that the report "*.. is an ongoing operational tool. Its purpose being made clear by subsection (3) as being to allow Councillors to be meaningfully informed as to how actual revenues and expenditures are "tracking" against the budget*". Accordingly, the format that is used and the amount of information that is presented can be determined by each individual council and in some cases will also be dependent upon the level of resources available within any given council.

When initially developing Council's monthly report staff adopted the ethos of being concise, contemporary and compliant and have enhanced this report over the last two years with ongoing refinements. The result is a report that provides relevant information in a format that is suitable for all readers / users of Council's reports.

In addition to being tabled at Council, a copy of each monthly financial report is also provided to the Queensland Audit Office as part of their audit process and they have not raised any concerns in relation to the format or content of the reports (as they are compliant with legislative requirements).

The monthly financial report is also supplemented by the regular NDRRA Progress Report and the quarterly Capital Works Progress Report, which both provide detailed information on progress with Council's capital works program. During the last two financial years Council has also undertaken a budget review which clearly identifies the values of any carryover / uncompleted capital works from the prior financial year carried into the current financial year, together with the funding sources for such works. Such carry forward capital works do not directly impact upon Council's operating result.

Whilst the monthly financial report is a snapshot in time and is likely to always contain some form of timing differences, unexpected movements in revenue and expenditure, and can potentially be impacted by factors beyond Council's control (such as weather events), it should become possible over successive budgets to minimise some of these issues as more data becomes available and trends become more apparent.

It is also important to note that in the interests of transparency, accountability and readability the financial report continues to be refined and refinements made over the last two years include the following:

- Inclusion of graphs for materials and services expenditure and capital works expenditure which show both actual and committed expenditure and the balance of budget unspent
- Inclusion of an operating result graph which compares the year to date budgeted and actual operating result on a month by month basis
- Inclusion of key points in the major sections of the report to assist with the interpretation of the information presented
- More concise explanations of revenue and expenditure variations
- Comments on the impact of any budget reviews
- Improved and expanded presentation of the financial report attachment, including separate identification of NDRRA revenue and expenditure

The three reports mentioned above together with Council's adopted budget (and any subsequent budget revisions), annual financial statements, community financial report (included in Council's annual report), finance related policies adopted by Council and reports prepared by the Queensland Audit Office and Queensland Treasury Corporation provide considerable information about Council's financial position, financial performance and financial management practices and also provide a blend of technical accounting information (as required by legislation and accounting standards) and information that can be easily understood by the community.

Accordingly, staff are of the opinion that the current level of reporting to Council and the community is quite appropriate and that the changes to the monthly financial report suggested by this Notice of Motion are not required.

<b>ORDINARY MEETING</b> <b>27 JANUARY 2016</b>	6
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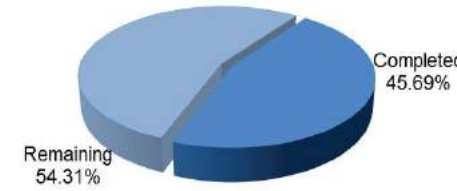
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 DECEMBER 2015

Jolene Tonizzo | 17/49/9-06 | #4986226

**RECOMMENDATION:**

**That Council notes the financial statements for the period ended 25 December 2015.**

**EXECUTIVE SUMMARY:**

DECEMBER FINANCIAL STATEMENTS AT A GLANCE			
	Actual YTD \$000	Original Budget YTD \$000	Variance YTD \$000
Total operating revenue	140,031	141,224	(1,193)
Total operating expenses	132,555	138,857	6,302
<b>Operating position</b>	<b>7,476</b>	<b>2,367</b>	<b>5,109</b>
Capital revenue	12,499	12,431	68
<b>Net result</b>	<b>19,975</b>	<b>14,798</b>	<b>5,177</b>
Capital Works Program (\$000)			
YTD actual expenditure	\$65,324		
Unspent capital expenditure	\$77,431		
Full year capital expenditure	\$142,755		

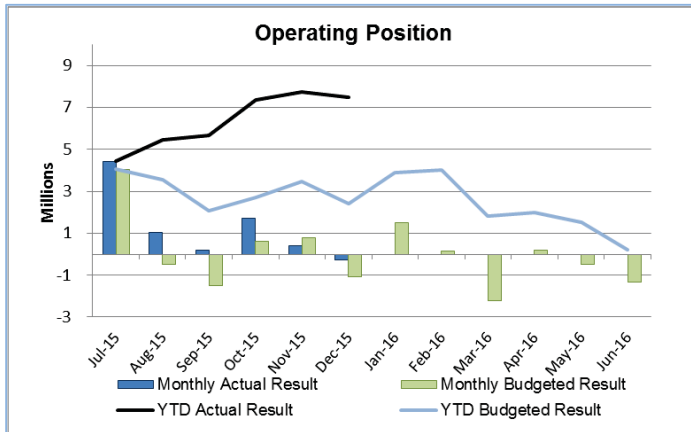
This report contains the financial statements for the period ended 25 December 2015. Council's operating position at month end is a \$7.5M surplus, \$5.1M favourable to Council's 2015/16 Budget.

This favourable variance is driven by less than anticipated materials and services (\$3.9M) and depreciation expense (\$3.9M) which is offset by an increase in employee benefits related to a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$1.7M), as well as less than anticipated miscellaneous revenue (\$926K) and revenue from fees and charges (\$469K).

**BACKGROUND:**

Each month, year to date financial statements are prepared in order to monitor actual performance against budget. Attached are the financial statements for the period ended 25 December 2015. Actual amounts are compared against year to date Budget 2015/16 figures. (See Appendix 1 for detailed financial statements).

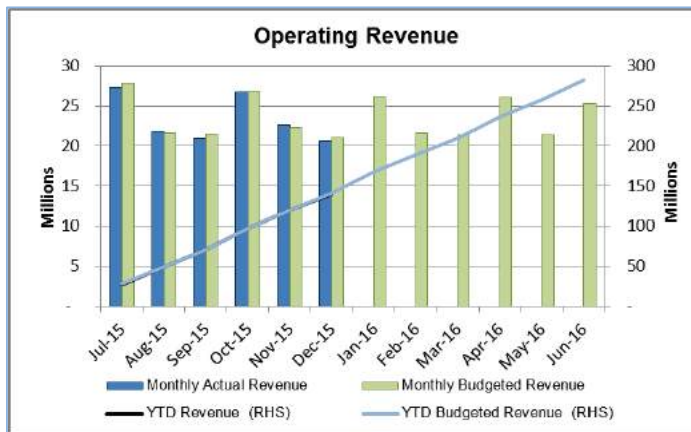
**OPERATING POSITION**



Council's operating position at the end of December was an operating surplus of \$7.5M.

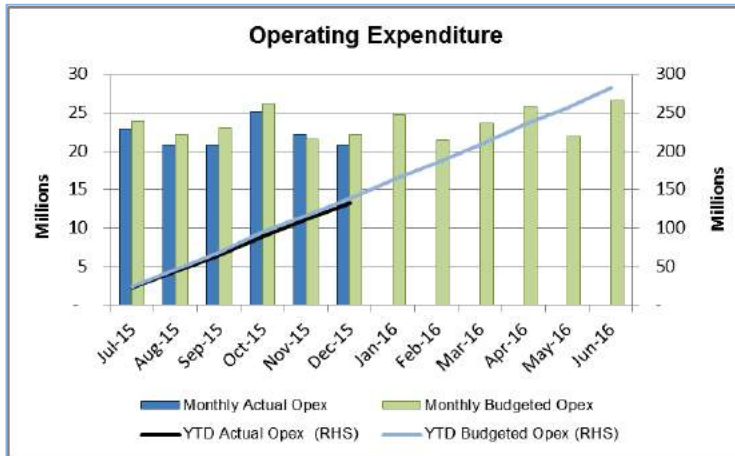
This result is favourable to budget by \$5.1M. This variance is due to less than anticipated materials and services (\$3.9M) and depreciation (\$3.9M), offset by an increase in employee benefits due to a one-off payment (\$1.7m) and less than anticipated revenue (\$1.2M).

**OPERATING REVENUE**



Operating revenue is less than budget by \$1.2M. This result is due to less than anticipated external contract works within Cairns Works Construction (\$858K) and fees and charges (\$469K).

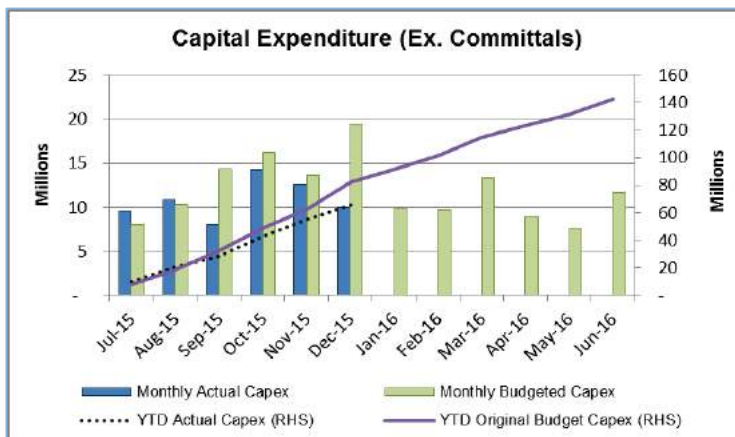
## OPERATING EXPENDITURE



Operating expenditure is \$6.3M favourable to budget year to date.

This result is due to less than anticipated materials and services (\$3.9M) and depreciation expense (\$3.9M) offset by an increase in employee benefits due to a one-off payment (\$1.7M).

## CAPITAL EXPENDITURE



Actual capital expenditure for December 2015 year to date is \$65.2M, a \$16.6M favourable variance to budget of \$81.8M.

The following table illustrates Council's 2015/16 capital expenditure against the year to date and full year budgets.

Department	Year To Date Actual \$000	Year to Date Budget \$000	Full Year Budget \$000
Executive	-	-	-
Finance	2,382	3,424	5,803
Planning and Environment	1,257	2,465	2,875
Community, Sport & Cultural Services	27,277	30,099	50,945
Infrastructure Services	27,053	29,199	48,784
Cairns Resource Recovery	269	1,770	2,178
Cairns Water	6,988	14,830	32,171
<b>TOTAL</b>	<b>65,226</b>	<b>81,786</b>	<b>142,755</b>

**DEPARTMENTAL VARIANCE ANALYSIS - YTD vs BUDGET**

The table below indicates the departmental year to date variances, ending 25 December 2015. Detailed Statements of Comprehensive Income and the Department Reports are attached at appendix 2. Explanations for the major variances are below.

	Revenue \$000	Operating Expenditure \$000	Operating Result \$000	Appendix Reference	Ref
Executive	8	(99)	(91)	2A	
Finance	(53)	(907)	(960)	2B	1
Human Resources	26	352	378	2C	2
Planning and Environment	(467)	1,752	1,285	2D	3
Community, Sport and Cultural Services	(136)	(27)	(163)	2E	4
Infrastructure Services	129	3,194	3,323	2F	5
Cairns Works Construction	(858)	621	(237)	2G	6
Cairns Water	69	1,386	1,455	2H	7
Cairns Resource Recovery	86	31	117	2I	
<b>Year to Date Variance</b>	<b>(1,193)</b>	<b>6,302</b>	<b>5,109</b>		

- 1 The unfavourable variance in Finance relates to lower than anticipated rates income and an increase in employee benefits due to unscheduled leave and a one off payment in lieu of a pay increase and an increase in depreciation expense due to the timing of project completion and capitalisations.
- 2 The favourable variance in Human Resources is mainly due to delivery availability and the re-scheduling of other training events.
- 3 The favourable variance in Planning and Environment relates to employee vacancies as well as lower than expected utilisation of materials and services.
- 4 The unfavourable variance in Community, Sport and Cultural Services is due to less than anticipated revenue caused by the temporary closure of the Civic Theatre.
- 5 Infrastructure Services is tracking marginally over budget, with the exception of a favourable variance in depreciation.
- 6 The unfavourable variance in Cairns Works Construction is the net result of less than anticipated external contract works revenue, and associated expenditure.
- 7 The favourable variance in Cairns Water is largely attributable to a favourable depreciation variance along with a number of small favourable materials and services variances across the department.

DEPARTMENT OF INFRASTRUCTURE, LOCAL GOVERNMENT AND PLANNING (DILGP) FINANCIAL SUSTAINABILITY RATIOS

In accordance with s169 (5) of the *Local Government Regulation 2012*, the DILGP financial sustainability ratios have been provided. The ratios are designed to provide an indication of the performance of Council against key financial sustainability criteria which must be met to ensure the prudent management of financial risks.

As the information required for the net financial liabilities ratio and asset sustainability ratio is based on full year results, it is not feasible to report these ratios on a monthly basis. These ratios will be provided in the budget and annual financial statements as regulated.

DLGCR Sustainability Ratios						
Ratio	Description	Formula	YTD Actual Result	Benchmark	Within limits	FY Budget
Operating surplus ratio	This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes.	Net Operating Surplus	5.34%	0-10%	<input checked="" type="checkbox"/>	0%
		Total Operating Revenue				
Net financial liabilities ratio	This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	Total Liabilities less Current Assets	N/A	< 60%	N/A	15%
		Total Operating Revenue				
Asset sustainability ratio	This is an approximation of the extent to which the infrastructure assets managed by Council are being replaced as these reach the end of their useful lives.	Capital expenditure on renewals	N/A	> 90%	N/A	104% (long-term)
		Depreciation expense				

**CONSIDERATIONS:**

Risk Management:

Financial statements report on a historical basis, therefore there are no financial implications or risk on decisions or options. DILGP ratios are submitted with financial statements which provide an indication of the performance of Council to ensure prudent management of financial risks.

In terms of financial performance and risk, the approach taken sees the Finance Team working with the various business departments to understand and report on financial outcomes whilst also considering what those outcomes indicate for the future, particularly the requirement to deliver a balanced position at year end. It is expected this forward looking approach will allow the management team to implement timely rectification actions to emerging trends.

**CONSULTATION:**

Variance explanations have been compiled from those provided in the departmental variance reports.

**ATTACHMENTS:**

- Appendix 1: Financial Statements
- Appendix 2: Departmental Reports

Lisa Whitton  
 Manager Finance



John Andrejic  
 Chief Financial Officer



## APPENDIX 1 – FINANCIAL STATEMENTS

Attached are the financial statements for the period ended 25 December 2015. Actual amounts are compared against the year to date Budget figures.

Financial statements included:

- **Statement of Comprehensive Income** - Displays Council's year to date profit and loss up to the period end.
- **Statement of Financial Position** - Displays the Assets (what we own), Liabilities (what we owe) and Community Equity (our net worth).
- **Statement of Cash Flows** - Reports how income received and expenses paid impacts on Council's cash balances.

<b>Statement of Comprehensive Income</b>				
<b>For the Period Ended 25 December 2015</b>				
	<b>Notes</b>	<b>Actual YTD</b>	<b>Original Budget YTD</b>	<b>Variance</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Income</b>				
<b>Revenue</b>				
<b>Operating Revenue</b>				
Net rates and utility charges		118,004	117,990	14
Fees and charges		10,074	10,543	( 469)
Interest received		2,510	2,372	138
Miscellaneous Revenue		4,575	5,501	( 926)
Grants, subsidies, contributions and donations		4,868	4,818	50
<b>Total Operating revenue</b>		<b>140,031</b>	<b>141,224</b>	<b>( 1,193)</b>
<b>Expenses</b>				
<b>Operating Expenses</b>				
Employee benefits		48,979	47,531	( 1,448)
Materials and services		40,440	44,382	3,942
Depreciation		39,981	43,901	3,920
Finance costs		3,155	3,043	( 112)
<b>Total Expenses</b>		<b>132,555</b>	<b>138,857</b>	<b>6,302</b>
<b>Operating Position Before Capital Items</b>		<b>7,476</b>	<b>2,367</b>	<b>5,109</b>
<b>Capital Revenue</b>				
Loss on disposal of property, plant and equipment		( 89)	-	( 89)
Contributions		5,669	4,771	898
Grants and subsidies		6,652	7,660	( 1,008)
Other capital contributions		267	-	267
		<b>12,499</b>	<b>12,431</b>	<b>68</b>
<b>Net result attributable to Council in period</b>		<b>19,975</b>	<b>14,798</b>	<b>5,177</b>
<p>Council's operating position at month end is a \$7.5M surplus, \$5.1M favourable to budget. This favourable variance is driven mainly by less than anticipated material and services expense (\$3.9M) and depreciation expense (\$3.9M). This has been offset by less than anticipated revenue (\$1.2M) and an unfavourable variance in employee benefits related to a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$1.7M).</p> <p>Operating revenue is \$1.2M (-0.84%) unfavourable to budget driven by less than anticipated miscellaneous revenue (\$926K) which is unfavourable to budget due to less than anticipated external contract works within Cairns Works Construction (\$858K). Also contributing to this variance is less than anticipated fees and charges revenue (\$469K).</p> <p>Operating expenses are \$6.3M favourable to budget due to lower than anticipated depreciation expense (\$3.9M) as well as materials and services (\$3.9M), attributable mostly to timing. This has been offset by an unfavourable variance in Employee benefits related to a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$1.7M).</p>				

<b>Statement of Financial Position as at 25 December 2015</b>			
	<b>Actual YTD</b>	<b>Original Budget 30 June 2016</b>	<b>Variance</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash assets and cash equivalents	14,554	29,046	( 14,492)
Cash investments	61,000	35,000	26,000
Receivables	34,268	31,433	2,835
Inventories	2,897	3,083	( 185)
	<b>112,720</b>	<b>98,562</b>	<b>14,158</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	3,549,179	3,338,636	210,543
	<b>3,549,179</b>	<b>3,338,636</b>	<b>210,543</b>
<b>Total Assets</b>	<b>3,661,899</b>	<b>3,437,198</b>	<b>224,701</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	32,639	50,382	17,744
Borrowings	4,181	4,979	798
Provisions	3,800	1,781	( 2,019)
Other	2,872	-	( 2,872)
	<b>43,492</b>	<b>57,143</b>	<b>13,651</b>
<b>Non-Current Liabilities</b>			
Borrowings	72,833	69,821	(3,012)
Provisions	12,369	12,928	559
	<b>85,202</b>	<b>82,749</b>	<b>( 2,452)</b>
<b>Total Liabilities</b>	<b>128,694</b>	<b>139,892</b>	<b>11,199</b>
<b>NET COMMUNITY ASSETS</b>	<b>3,533,205</b>	<b>3,297,306</b>	<b>235,899</b>
<b>Community Equity</b>			
Capital account	2,487,496	2,524,583	( 37,087)
Retained surplus/deficit	18,161	8,000	10,161
Asset revaluation surplus	982,814	730,378	252,436
Other reserves	44,734	34,344	10,389
<b>TOTAL COMMUNITY EQUITY</b>	<b>3,533,205</b>	<b>3,297,306</b>	<b>235,899</b>

Statement of Cash Flows For the Period Ended 25 December 2015		
	Actual YTD	Original Budget 30 June 2016
	\$000	\$000
<b>Cash Flows from Operating Activities:</b>		
Receipts from customers	137,406	276,809
Payments to suppliers and employees	(99,214)	(184,581)
Interest received	3,081	220
Borrowing costs	(2,825)	(5,501)
<b>Net cash inflow (outflow) from operating activities</b>	<b>38,448</b>	<b>86,946</b>
<b>Cash Flows from Investing Activities</b>		
Net transfer (to) from cash investments	(15,500)	-
Grants, subsidies and contributions for capital acquisitions	12,588	23,655
Proceeds from disposal of property, plant and equipment	272	900
Payments for property, plant, equipment and CWIP	(63,875)	(142,755)
<b>Net cash inflow (outflow) from investing activities</b>	<b>(66,515)</b>	<b>(118,200)</b>
<b>Cash Flows from Financing Activities:</b>		
Repayment of borrowings	(2,036)	(4,468)
<b>Net cash inflow (outflow) from financing activities</b>	<b>(2,036)</b>	<b>(4,468)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(30,103)</b>	<b>(35,722)</b>
Cash at beginning of year	29,658	95,493
Cash investments	76,000	35,000
<b>CASH AT END OF PERIOD</b>	<b>75,554</b>	<b>94,771</b>

## APPENDIX 2 –DEPARTMENTAL REPORTS

Departmental operating statements provide information on the performance of each department for the period ended 25 December 2015.

The following are the departmental operating statements included in this report (in order):

- A. Executive
- B. Finance
- C. Human Resources
- D. Planning & Environment
- E. Community, Sport & Cultural Services
- F. Infrastructure Services (Excluding Cairns Works Construction)
- G. Cairns Works Construction
- H. Cairns Water
- I. Cairns Resource Recovery

## Appendix 2A

<b>Operating Statement</b> For the Period Ended 25 December 2015				
<b>Department Executive</b>				
	YTD Actual	YTD Budget	Variance	Variance
	\$000	\$000	\$000	%
<b>Operating Revenue</b>				
Miscellaneous revenue	8	-	8	100 %
<b>Total Operating Revenue</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>100 %</b>
<b>Operating Expenditure</b>				
Employee Benefits	1,123	1,018	(104)	(10)%
Materials and services	198	204	6	3 %
<b>Total Expenses</b>	<b>1,321</b>	<b>1,222</b>	<b>(99)</b>	<b>(8)%</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>	<b>(1,313)</b>	<b>(1,222)</b>	<b>(91)</b>	<b>7 %</b>

## Appendix 2B

<b>Operating Statement</b> For the Period Ended 25 December 2015				
<b>Department Finance</b>				
	YTD Actual	YTD Budget	Variance	Variance
	\$000	\$000	\$000	%
<b>Operating Revenue</b>				
Net rates and utility charges	50,672	50,896	( 224)	(0) %
Fees and charges	230	232	( 2)	(1) %
Interest	1,937	1,756	181	10 %
Miscellaneous revenue	128	124	4	3 %
Grants, Subsidies and Contributions	4,198	4,208	( 12)	(0) %
<b>Total Operating Revenue</b>	<b>57,165</b>	<b>57,216</b>	<b>( 53)</b>	<b>(0) %</b>
<b>Operating Expenditure</b>				
Employee benefits	6,849	6,289	( 560)	(9) %
Materials and services	( 3,766)	( 3,681)	85	2 %
Depreciation and amortisation expenses	1,871	1,438	( 433)	(30) %
Finance Costs	262	263	1	0 %
<b>Total Expenses</b>	<b>5,216</b>	<b>4,309</b>	<b>( 907)</b>	<b>(21) %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>	<b>51,949</b>	<b>52,907</b>	<b>( 958)</b>	<b>(2) %</b>
<p>The unfavourable variance in operating revenue is largely due to rates. The unfavourable variance in operating expenditure is largely due to employee benefits (unscheduled leave \$360K and one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure \$251K). In addition, depreciation is \$433K unfavourable to budget, largely due to timing in project completion and capitalisation.</p>				

## Appendix 2C

<b>Operating Statement</b>				
<b>For the Period Ended 25 December 2015</b>				
<b>Department Human Resources</b>				
	YTD Actual	YTD Budget	Variance	Variance
	\$000	\$000	\$000	%
<b>Operating Revenue</b>				
Miscellaneous revenue	11	-	11	100 %
Grants, Subsidies and Contributions	97	82	15	18 %
<b>Total Operating Revenue</b>	<b>108</b>	<b>82</b>	<b>26</b>	<b>32 %</b>
<b>Operating Expenditure</b>				
Employee benefits	2,167	2,132	( 35)	(2) %
Materials and services	2,457	2,847	390	14 %
Depreciation and Amortisation Expenses	196	193	( 3)	(2) %
<b>Total Expenses</b>	<b>4,820</b>	<b>5,172</b>	<b>352</b>	<b>7 %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>	<b>( 4,712)</b>	<b>( 5,090)</b>	<b>378</b>	<b>7 %</b>
<p>The favourable variance for Human Resources relates mainly to Certificate IV Water Operations and Diploma of Local Government training rescheduled to 2016 due to delivery availability and the re-scheduling of other training events. There are also a number of other small favourable variances within materials and services. Offsetting this, there has been a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$58K).</p>				



## Appendix 2D

<b>Operating Statement</b> For the Period Ended 25 December 2015				
<b>Department Planning &amp; Environment</b>				
	YTD Actual	YTD Budget	Variance	Variance
	\$000	\$000	\$000	%
<b>Operating Revenue</b>				
Fees and charges	5,729	6,102	( 373)	(6) %
Miscellaneous revenue	460	555	( 95)	(17) %
Grants, subsidies, contributions and donations	22	21	1	5 %
<b>Total Operating Revenue</b>	<b>6,211</b>	<b>6,678</b>	<b>( 467)</b>	<b>(7) %</b>
<b>Operating Expenditure</b>				
Employee Benefits	5,238	5,394	156	3 %
Materials and services	4,197	5,793	1,596	28 %
Depreciation and amortisation expenses	355	330	( 25)	(8) %
Finance Costs	35	60	25	42 %
<b>Total Expenses</b>	<b>9,825</b>	<b>11,577</b>	<b>1,752</b>	<b>15 %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>	<b>( 3,614)</b>	<b>( 4,899)</b>	<b>1,284</b>	<b>26 %</b>
<p>The favourable variance for Planning and Environment relates to lower than expected utilisation of materials and services due to timing of payments associated with one off events and other exercises, expected to be made in the coming months. There have also been unanticipated employee vacancies due to timing of recruitment. This has been offset by less than anticipated fees and charges income (mainly operational works applications) as well as a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$151K).</p>				

## Appendix 2E

<b>Operating Statement</b>					
<b>For the Period Ended 25 December 2015</b>					
<b>Department Community, Sport and Cultural Services</b>					
	Note	YTD Actual	YTD Budget	Variance	Variance
		\$000	\$000	\$000	%
<b>Operating Revenue</b>					
Fees and charges		740	784	( 44)	(6) %
Miscellaneous revenue		1,150	1,278	( 128)	(10) %
Grants, subsidies, contributions and donations		534	498	36	7 %
<b>Total Operating Revenue</b>		<b>2,424</b>	<b>2,560</b>	<b>( 136)</b>	<b>(5) %</b>
<b>Operating Expenditure</b>					
Employee benefits		7,970	7,717	( 253)	(3) %
Materials and services		9,779	9,954	175	2 %
Depreciation and amortisation expenses		5,168	5,219	51	1 %
<b>Total Expenses</b>		<b>22,917</b>	<b>22,890</b>	<b>( 27)</b>	<b>(0) %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>		<b>( 20,493)</b>	<b>( 20,330)</b>	<b>( 163)</b>	<b>(1) %</b>
<p>Community, Sport and Cultural Services has performed unfavourably to budget expectations by (-\$163K). This is due to less than anticipated revenue caused by the temporary closure of the Civic Theatre and a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (-\$266K), offset by a number of small favourable variances across the department.</p>					

## Appendix 2F

<b>Operating Statement</b>					
<b>For the Period Ended 25 December 2015</b>					
<b>Department Infrastructure Services (Excluding Cairns Works Construction)</b>					
Note	YTD Actual	YTD Budget	Variance	Variance	
	\$000	\$000	\$000	%	
<b>Operating Revenue</b>					
Fees and charges	9	10	( 1)	(10)%	
Miscellaneous revenue	889	768	121	16 %	
Grants, Subsidies and Contributions	17	8	9	113 %	
<b>Total Operating Revenue</b>	<b>915</b>	<b>786</b>	<b>129</b>	<b>16 %</b>	
<b>Operating Expenditure</b>					
Employee benefits	12,468	12,043	( 425)	(4)%	
Materials and services	8,318	8,416	98	1 %	
Depreciation and amortisation expenses	16,272	19,793	3,521	18 %	
<b>Total Expenses</b>	<b>37,058</b>	<b>40,252</b>	<b>3,194</b>	<b>8 %</b>	
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>	<b>( 36,143)</b>	<b>( 39,466)</b>	<b>3,323</b>	<b>8 %</b>	
<p>Infrastructure services is tracking marginally over budget, with the exception of a favourable variance in depreciation. An unfavourable variance exists for employee benefits as a result of a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$472K). This has been partially offset by a favourable variance in miscellaneous revenue and materials and services.</p>					

## Appendix 2G

<b>Operating Statement</b>					
<b>For the Period Ended 25 December 2015</b>					
<b>Business Unit Cairns Works Construction</b>					
	Note	YTD Actual	YTD Budget	Variance	Variance
		\$000	\$000	\$000	%
<b>Operating Revenue</b>					
Miscellaneous revenue		-	858	( 858)	(100)%
<b>Total Operating Revenue</b>		<b>-</b>	<b>858</b>	<b>( 858)</b>	<b>(100)%</b>
<b>Operating Expenditure</b>					
Employee benefits		442	487	45	9 %
Materials and services		( 553)	23	576	2,504 %
<b>Total Expenses</b>		<b>( 111)</b>	<b>510</b>	<b>621</b>	<b>122 %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>		<b>111</b>	<b>348</b>	<b>( 237)</b>	<b>(68)%</b>
<p>The underlying unfavourable variance in Cairns Works Construction is the net result of less than anticipated external contract works revenue, and associated expenditure. An unfavourable variance exists for employee benefits due to a one-off payment in lieu of a pay increase in response to uncertainty over the Local Government Award structure (\$54K).</p>					

## Appendix 2H

<b>Operating Statement</b>					
<b>For the Period Ended 25 December 2015</b>					
<b>Business Unit Cairns Water</b>					
	Note	YTD Actual	YTD Budget	Variance	Variance
		\$000	\$000	\$000	%
<b>Operating Revenue</b>					
Net rates and utility charges		55,178	54,984	194	0 %
Fees and charges		2,280	2,285	( 5)	(0) %
Interest		462	508	( 46)	(9) %
Miscellaneous revenue		325	399	( 74)	(19) %
<b>Total Operating Revenue</b>		<b>58,245</b>	<b>58,176</b>	<b>69</b>	<b>0 %</b>
<b>Operating Expenditure</b>					
Employee benefits		10,873	10,716	( 157)	(1) %
Materials and services		10,265	11,147	882	8 %
Depreciation and amortisation expenses		15,794	16,593	799	5 %
Finance Costs		2,769	2,631	( 138)	(5) %
<b>Total expenses</b>		<b>39,701</b>	<b>41,087</b>	<b>1,386</b>	<b>3 %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS &amp; INCOME TEST</b>		<b>18,544</b>	<b>17,089</b>	<b>1,455</b>	<b>9 %</b>
<p>Cairns Water's operating position is \$1.5M favourable to budget which is largely attributable to a favourable depreciation and materials and services variances across the department combined with favourable fixed access charges (\$251K). This is partially offset by a variance in employee benefits due to a one-off payment (\$350K) in lieu of a pay increase in response to uncertainty over the Local Government Award structure.</p>					

## Appendix 2I

<b>Operating Statement</b>					
<b>For the Period Ended 25 December 2015</b>					
<b>Business Unit Cairns Resource Recovery</b>					
	Note	YTD Actual	YTD Budget	Variance	Variance
		\$000	\$000	\$000	%
<b>Operating Revenue</b>					
Net Rates and utility charges		12,154	12,110	44	0 %
Fees and charges		1,086	1,130	( 44)	(4) %
Interest		111	109	2	2 %
Miscellaneous revenue		1,603	1,519	84	6 %
<b>Total Operating Revenue</b>		<b>14,954</b>	<b>14,868</b>	<b>86</b>	<b>1 %</b>
<b>Operating Expenditure</b>					
Employee benefits		1,850	1,735	( 115)	(7) %
Materials and services		9,544	9,679	135	1 %
Depreciation and amortisation expense		325	336	11	3 %
Finance Costs		89	89	-	0 %
<b>Total Expenses</b>		<b>11,808</b>	<b>11,839</b>	<b>31</b>	<b>0 %</b>
<b>OPERATING CAPABILITIES BEFORE CAPITAL ITEMS</b>		<b>3,146</b>	<b>3,029</b>	<b>117</b>	<b>4 %</b>
<p>Cairns Resource Recovery is \$117K favourable to budget, which is made up of (\$70K) in sales of scrap metal and a number of small favourable variances within materials and services across the department. This is partially offset by a variance in employee benefits which relates to agency staff covering Christmas leave for employees and a one-off payment (\$44K) in lieu of a pay increase in response to uncertainty over the Local Government Award structure.</p>					