

## 5.08. FINANCIAL REPORT FOR THE PERIOD ENDING 31 OCTOBER 2015

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**DEPARTMENT:** Finance and IT

### RECOMMENDATION

**That Council notes the Financial Report for the period ended 31 October 2015.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2015/16 budget for the period ending 31 October 2015. Key points to note include the following:

- operating revenue currently exceeds budget expectations, mainly due to the unexpected early receipt of Grants Commission funds.
- operating expenditure is well under budget.
- the operating surplus is currently \$3.8m compared to a budgeted surplus of \$1.2m

### 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 2015/16 annual budget was adopted on 24 June 2015 and the attached financial report details progress against budget for the period ending 31 October 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.

### Operating Revenue and Expenditure

#### Key points:

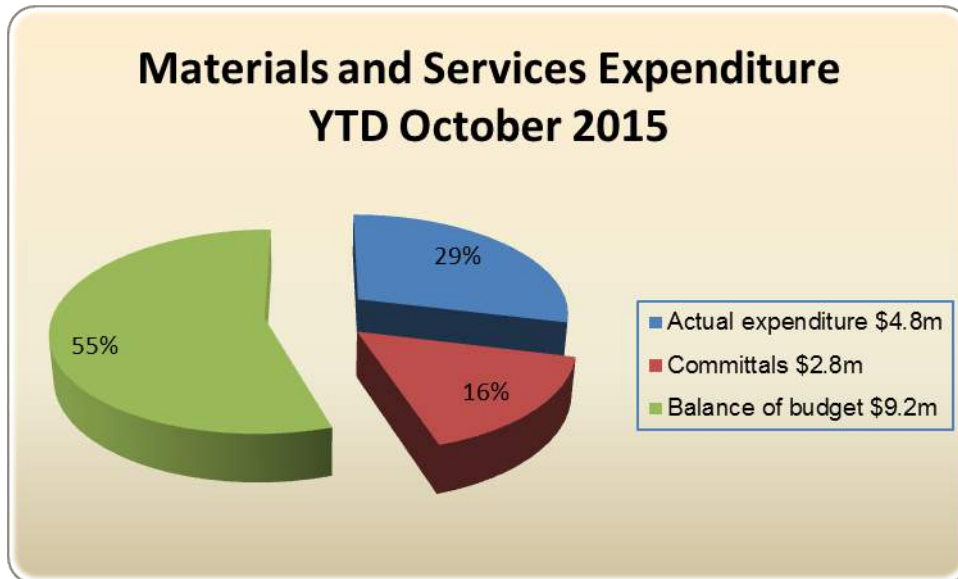
- *Council has received 44% of its annual budgeted operating revenue, including the early receipt of 50% of its annual allocation of Grants Commission funds*
- *year to date operating expenditure is currently well under budget*

Most categories of year to date operating revenue are close to budget, with the exception of:

- Grants and subsidies which are currently well ahead of budget as a result of the unexpected early receipt of 50% of Council's allocated Grants Commission funds.
- Fees and charges which are currently \$176k ahead of budget

On the operating expenditure side all categories of year to date operating expenditure are under or equal to budget as follows:

- Employee benefits expenditure is under budget by \$210k and can be impacted by various factors, such as staff vacancies, the amount of leave taken and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$1.7m and whilst committals equal \$2.8m it should be noted that many of these committals relate to annual expenditure contracts.



- Depreciation expense has been accrued based on the budget forecast, as the asset register is still to be rolled into 2015/16 and cannot be updated with actual depreciation for the new financial year until this process is completed.

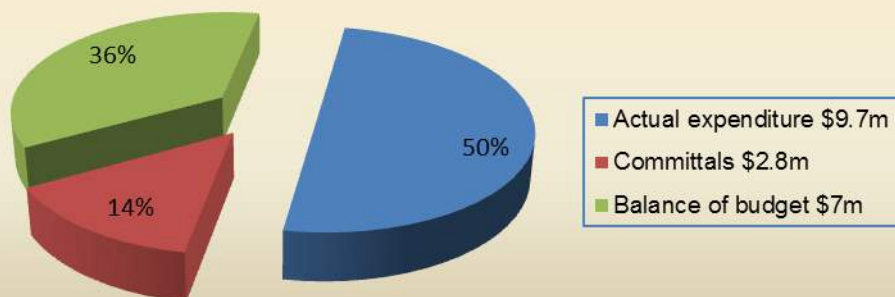
## Capital Revenue and Expenditure

### Key point:

- *Council has received 39% of its annual budgeted capital grants and subsidies, which mainly relates to NDRRA work*

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 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. Hence both capital revenue and expenditure are both well under budget at this early stage of the financial year. It should be noted that in addition to year to date expenditure a further \$2.8m had been committed as at the end of October.

## Capital Works Expenditure YTD October 2015



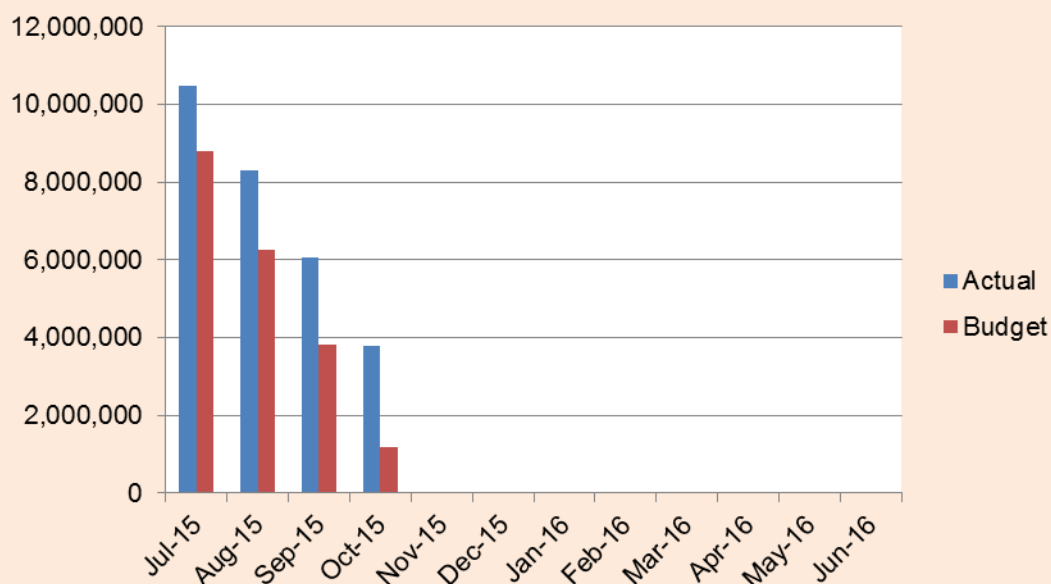
### Operating Result

#### Key point:

- the operating result is \$2.6m 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 well under budget. This has resulted in an operating surplus of \$3.8m compared to a budgeted surplus of \$1.2m. As mentioned above however, this result does not include any committals for materials and services and is also impacted by the early receipt of Grants Commission funds.

## Operating Result



## **PROPOSAL**

The Financial Report for the period ending 31 October 2015 be received and noted by Council.

## **FINANCIAL/RESOURCE IMPLICATIONS**

The results as at the end of October 2015 have not revealed any significant negative impacts on the 2015/16 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**

Attachment 1 - Financial Report

**Douglas Shire Council**  
**Statement of Comprehensive Income**  
**For the month of October 2015**

|  | Actual YTD '16<br>\$ | Budget YTD '16<br>\$ | Variance<br>\$     | Budget 15/16<br>\$ | Actual as % of<br>Budget 15/16 |
|--|----------------------|----------------------|--------------------|--------------------|--------------------------------|
| <b>Operating Revenue</b>                       |                      |                      |                    |                    |                                |
| Net rates and utility charges                  | 12,508,640           | 12,471,790           | 36,850             | 29,149,838         | 43%                            |
| Fees and charges                               | 2,178,971            | 2,002,689            | 176,282            | 4,198,518          | 52%                            |
| Grants, subsidies, contributions and donations | 894,090              | 371,538              | 522,552            | 1,415,891          | 63%                            |
| Interest received                              | 351,574              | 342,693              | 8,881              | 934,220            | 38%                            |
| Other recurrent income                         | 195,734              | 213,866              | (18,132)           | 624,832            | 31%                            |
| <b>Total Operating Revenue</b>                 | <b>16,129,009</b>    | <b>15,402,576</b>    | <b>726,433</b>     | <b>36,323,299</b>  | <b>44%</b>                     |
| <b>Operating Expenses</b>                      |                      |                      |                    |                    |                                |
| Employee benefits                              | 4,028,421            | 4,238,364            | 209,943            | 12,646,644         | 32%                            |
| Materials and services                         | 4,826,551            | 6,488,188            | 1,661,637          | 16,764,742         | 29%                            |
| Depreciation                                   | 3,431,764            | 3,431,764            | -                  | 10,295,283         | 33%                            |
| Finance costs                                  | 61,148               | 69,000               | 7,852              | 238,000            | 26%                            |
| <b>Total Recurrent Expenses</b>                | <b>12,347,885</b>    | <b>14,227,316</b>    | <b>1,879,432</b>   | <b>39,944,669</b>  | <b>31%</b>                     |
| <b>Operating Result</b>                        | <b>3,781,125</b>     | <b>1,175,260</b>     | <b>2,605,865</b>   | <b>(3,621,370)</b> | <b>(104%)</b>                  |
| <b>Capital revenue</b>                         |                      |                      |                    |                    |                                |
| Capital grants and subsidies                   | 3,646,607            | 9,375,000            | (5,728,393)        | 9,375,000          | 39%                            |
| <b>Total capital revenue</b>                   | <b>3,646,607</b>     | <b>9,375,000</b>     | <b>(5,728,393)</b> | <b>9,375,000</b>   | <b>39%</b>                     |
| <b>Net result</b>                              | <b>7,427,732</b>     | <b>10,550,260</b>    | <b>(3,122,528)</b> | <b>5,753,630</b>   | <b>129%</b>                    |
| <b>Capital works program</b>                   |                      |                      |                    |                    |                                |
| Capital additions                              | 9,738,848            | 19,473,500           | 9,734,652          | 19,473,500         | 50%                            |
| <b>Total capital additions</b>                 | <b>9,738,848</b>     | <b>19,473,500</b>    | <b>9,734,652</b>   | <b>19,473,500</b>  | <b>50%</b>                     |

**NDRRA portion of Capital Works Program (included above)**

|                              |                    |                 |                    |                 |     |
|------------------------------|--------------------|-----------------|--------------------|-----------------|-----|
| Capital grants and subsidies | 3,552,827          | 9,000,000       | (5,447,173)        | 9,000,000       | 39% |
| Capital additions            | 8,126,289          | 9,060,000       | 933,711            | 9,060,000       | 90% |
| <b>Net position</b>          | <b>(4,573,462)</b> | <b>(60,000)</b> | <b>(4,513,462)</b> | <b>(60,000)</b> |     |