

5.8. FINANCIAL REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2017

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DEPARTMENT: Finance and IT

RECOMMENDATION

That Council notes the Financial Report for the period ended 30 November 2017.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2017/18 budget for the period ended 30 November 2017. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$247k.
- operating expenditure is under budget by \$1.2m.
- the operating surplus is currently \$2.1m compared to a budgeted surplus of \$712k.

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 30 November 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 46% 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 under budget by \$48k due to the net effect of the following variations:
 - Ferry fares -\$53k
 - Building and property related fees -\$74k

- Licences and Other fees and charges \$79k
- Grants and subsidies are \$218k ahead of budget mainly due to the receipt of funds related to NDRRA emergent works and new grants received.
- Interest received has not reached budget expectations and is \$33k under budget.
- Other recurrent income is \$53k ahead of budget mainly as a result of income received from the sale of scrap metal.

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

- Employee benefits expenditure is \$460k 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 \$704k and while committals currently equal \$4.1m it should be noted that approximately half of these committals relate to annual expenditure contracts.

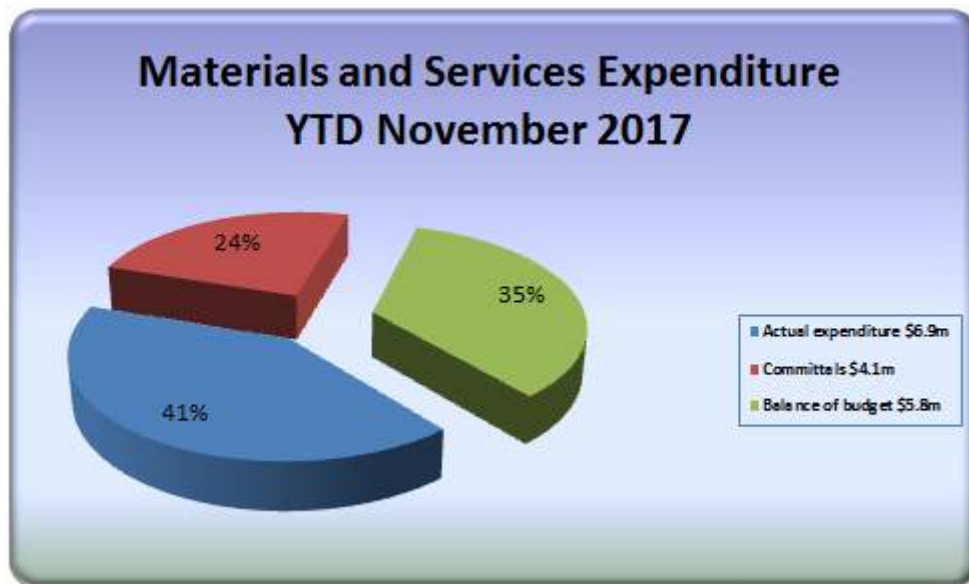


Figure 1.

- 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.

A number of adjustments will be made in the budget review to address some of the variations in operating revenue and expenditure outlined above.

Capital Revenue and Expenditure

Key point:

- *Council has received 39% of its annual budgeted capital grants and subsidies, which mainly relates to the reservoir project, Works for Queensland and NDRRA funding.*

Significant adjustments will be made to capital revenue and expenditure in the budget review including 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.

Operating Result

Key point:

- the operating result is \$1.4m ahead of budget

As reflected in the attached report, total operating revenue at the end of November was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$2.1m compared to a budgeted surplus of \$712k. As mentioned above however, this result does not include any committals for materials and services.



Figure 2.

PROPOSAL

The Financial Report for the period ended 30 November 2017 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of November 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 30 November 2017 **[5.8.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of November 2017					
	Actual YTD '18 \$	Budget YTD '18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	14,968,039	14,912,284	55,755	32,563,009	46%
Fees and charges	2,781,244	2,828,930	(47,686)	5,281,946	53%
Grants, subsidies, contributions and donations	619,595	401,172	218,423	1,655,441	37%
Interest received	376,440	409,250	(32,810)	903,790	42%
Other recurrent income	300,113	246,799	53,314	648,327	46%
Total Operating Revenue	19,045,430	18,798,435	246,995	41,052,513	46%
Operating Expenses					
Employee benefits	4,979,821	5,439,334	459,513	13,885,012	36%
Materials and services	6,937,596	7,641,547	703,951	16,810,703	41%
Depreciation	4,969,275	4,969,275	0	11,926,237	42%
Finance costs	33,833	35,848	2,015	85,000	40%
Total Recurrent Expenses	16,920,524	18,086,004	1,165,480	42,706,952	40%
Operating Result	2,124,906	712,431	1,412,475	(1,654,439)	(128%)
Capital revenue					
Capital grants and subsidies	3,154,070	8,139,421	(4,985,351)	8,139,421	39%
Total capital revenue	3,154,070	8,139,421	(4,985,351)	8,139,421	39%
Net result	5,278,976	8,851,852	(3,572,876)	6,484,982	81%
Capital works program					
Capital additions	9,970,122	19,121,001	9,150,879	19,121,001	52%
Total capital additions	9,970,122	19,121,001	9,150,879	19,121,001	52%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	647,173	-	647,173	-	
Capital additions	1,348,244	-	(1,348,244)	-	
Net position	(701,071)	-	(701,071)	-	