

SPECIAL BUDGET MEETING 24 JUNE 2015	3.8
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FINANCIAL REPORT FOR PERIOD ENDING 31 MAY 2015

Darryl Crees – General Manager Corporate Services

RECOMMENDATION:

That Council notes the Financial Report for the period ending 31 May 2015.

EXECUTIVE SUMMARY:

The attached Financial Report details the progress of the 2014/15 budget (as revised by Council on 24 March 2015) for the period ending 30 May 2015 and provides a statement of estimated financial position for the current financial year.

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.

Additionally section 205 of the *Local Government Regulation 2012* requires the Chief Executive Officer to present to the annual budget meeting a statement of estimated financial position. The attached monthly report provides the expected financial position for the financial year ending 30 June 2015 based on the budget adopted by Council in June 2014 and revised in March 2015.

COMMENT:

The 2014/15 annual budget was adopted on 27 June 2014 and revised on 24 March 2015 and the attached financial report details progress against budget for the period ending 31 May 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.

Committals represent goods and/or services for which an order has been raised but cannot be expensed until those goods and/or services are received by Council. In many instances orders are raised to cover known expenditure for the full financial year and are expensed progressively throughout the year as the goods and/or services are received eg existing contracts such as waste collection.

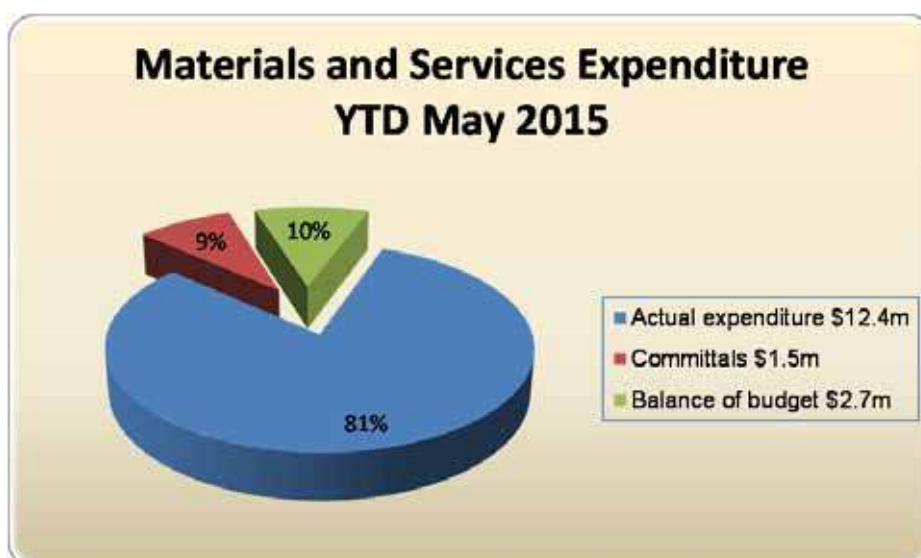
Operating Revenue and Expenditure

Whilst many timing differences have occurred throughout the year most of these were corrected as part of the revised budget process, however Council's operating revenue continues to exceed budget expectations and all categories of actual revenue now exceed the year to date budget and all categories, with the exception of rates and utility charges, also now exceed the annual budget. With the forthcoming issue of the water usage notices, rates and utility charges will also exceed the annual budget.

- Some of the key operating revenue budget variations are as follows:
 - Rates and utility charges:
 - General rates \$97k (supplementary rate notices / growth)
 - Sewerage \$30k
 - Fees and charges:
 - Building and property related fees \$86k
 - Ferry fares \$131k
 - Other fees and charges \$203k (camping, cemetery, facility hire etc)
 - Grants, subsidies, contributions & donations:
 - Other grants and subsidies \$16k
 - Interest received:
 - From outstanding rates and utility charges \$47k
 - From funds invested \$84k
 - Other recurrent income:
 - Rental income \$49k
 - Other operating revenue \$100k (receipt of additional reimbursements)

On the operating expenditure side most categories of actual operating expenditure continue to be under the year to date budget as follows:

- Employee benefits expenditure can be impacted by various factors, such as staff vacancies, the timing of leave taken and the allocation of costs to capital expenditure. As a result, expenditure is currently \$367k under budget, including:
 - Capitalised wages allocation greater than anticipated \$147k
 - Accrual of workers compensation premium into the previous financial year \$94k
- Materials and Services expenditure is under budget by \$2m however committals equal \$1.5m and include annual orders for some services. These committals reduced by approximately \$400k over the last month and as we approach the end of the financial year they should reduce much further.



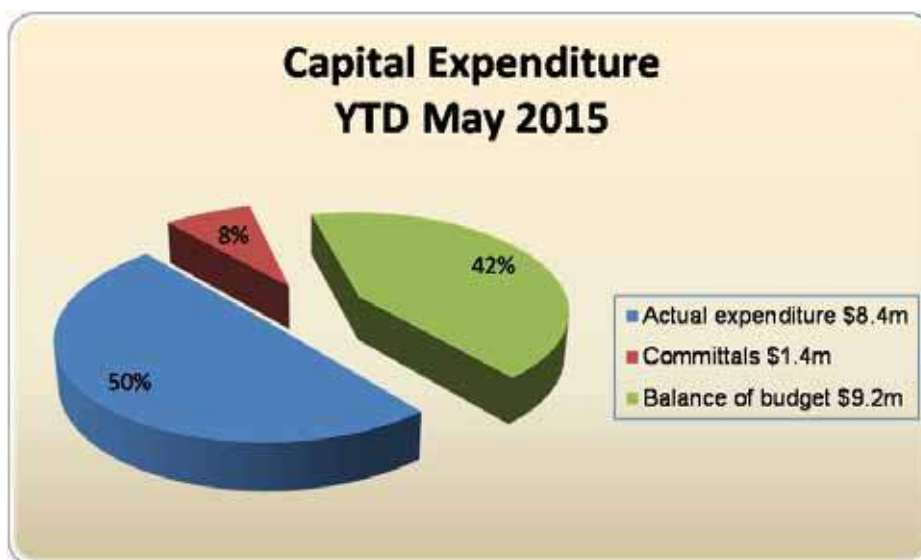
- Depreciation is currently \$22k under budget and small variances are likely to occur each month, dependent upon the timing of the completion, capitalisation and depreciation of capital expenditure.

- Finance costs exceed budget by \$10k as a result of a reallocation of expenditure from materials and services relating to merchant fees.

Capital Revenue and Expenditure

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 were subsequently adjusted as part of the budget review to take into account carry forwards from the previous financial year, new capital projects and NDRRA asset restoration work.

- Capital revenue from grants and subsidies is well under budget and this is mainly due to:
 - Timing of the NDRRA asset restoration work and receipt of the associated revenue \$2.3m
 - Revenue associated with the partial carryover of some projects
- Capital contributions have exceeded budget expectations by \$324k and this is due to greater than anticipated developer contribution revenue.
- Capital expenditure is also well under budget and this is partly due to the timing of the NDRRA asset restoration work and also due to the expected partial carryover of certain projects which will be completed after the end of June (as detailed in a previous report to Council). It should be noted that in addition to year to date expenditure a further \$1.4m had been committed as at the end of May.



As reflected in the attached report, total operating revenue at the end of May was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating surplus of \$992k compared to a budgeted deficit of \$2.1m. As mentioned above however, this result does not include committals of \$1.5m in materials and services.

PROPOSAL:

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

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE:

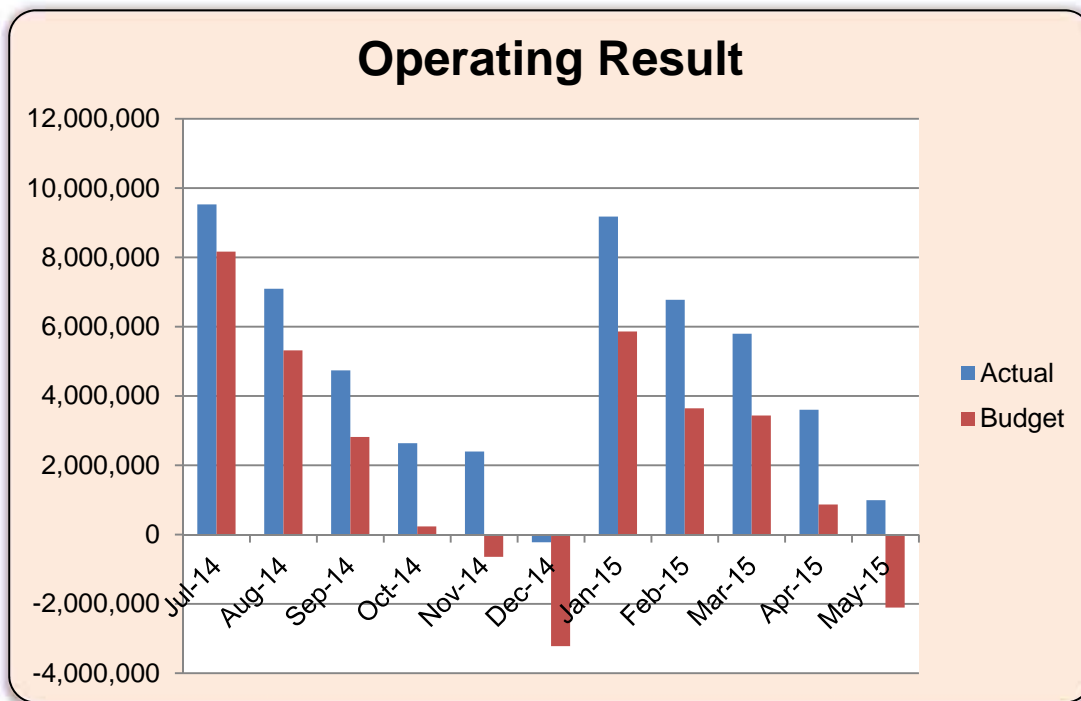
The preparation of this financial report aligns with Council's Corporate Plan –

Theme 5 Governance, Goal 1 “To develop a financially sustainable organisation through sound strategic planning” 5.1.1 “Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs”.

Theme 5 Governance, Goal 2 “To demonstrate leadership in local government through sound, transparent, accountable and equitable decision making” 5.2.1 “Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making”.

FINANCIAL/RESOURCE IMPLICATIONS:

The results as at the end of May 2015 have not revealed any significant negative impacts on the 2014/15 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.

ATTACHMENTS:

Financial Report

Douglas Shire Council					
Statement of Comprehensive Income					
For the month of MAY 2015					
	Actual YTD '15	Budget YTD '15	Variance	Budget 14/15	Actual as % of
	\$	\$	\$	\$	Budget 14/15
Operating Revenue					
Net rates and utility charges	26,862,716	26,858,903	3,813	27,782,564	97%
Fees and charges	4,140,209	3,723,526	416,683	4,057,959	102%
Grants, subsidies, contributions and donations	2,178,788	2,162,197	16,591	2,166,530	101%
Interest received	1,033,732	902,974	130,758	977,240	106%
Other recurrent income	729,883	579,226	150,657	613,306	119%
Total Operating Revenue	34,945,329	34,226,826	718,503	35,597,599	98%
Operating Expenses					
Employee benefits	10,755,325	11,122,645	367,320	12,048,582	89%
Materials and services	13,786,792	15,789,127	2,002,335	17,017,963	81%
Depreciation	9,238,219	9,259,853	21,634	10,093,415	92%
Finance costs	172,862	162,730	(10,132)	202,570	85%
Total Recurrent Expenses	33,953,198	36,334,355	2,381,157	39,362,530	86%
Operating Result	992,131	(2,107,529)	3,099,660	(3,764,931)	(26%)
Capital revenue					
Capital Grants and Subsidies	5,438,246	9,217,744	(3,779,498)	9,217,744	59%
Capital Contributions	673,742	350,000	323,742	350,000	192%
Total capital revenue	6,111,988	9,567,744	(3,455,756)	9,567,744	64%
Net result	7,104,119	7,460,215	(356,096)	5,802,813	122%
Capital expenses					
Capital expenses	8,966,921	18,064,240	9,097,319	18,064,240	50%
Total capital expenses	8,966,921	18,064,240	9,097,319	18,064,240	50%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	4,653,622	6,960,189	(2,306,567)	6,960,189	67%
Capital expenses	2,887,047	6,960,189	4,073,142	6,960,189	41%
Net position	1,766,575	-	1,766,575	-	