

Explanation of Significant Differences 2015/16 Budget to 2015/16 Estimated Actual Results.

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Executive Summary:

Table A below shows a summary of estimated operating and capital revenues and expenditures incurred in 2015/16 compared with the adopted operating and capital budgeted amounts for that year.

Percentage differences are noted in the column marked variance and explanations have been provided in the notes below where the differences are greater than 5%. The estimated actuals are mostly a reflection of the 9 monthly review that was undertaken at the end of the 3rd quarter.

Overall Council's estimated final operating position for 2015/16 is a higher surplus than budgeted.

Recommendation:

“That the report be received by Council.”

Table A

	<i>Adopted Budget year Ended 30/06/2016</i>	<i>Estimated Actuals year ended 30/06/2016</i>	<i>Variance to Original Budget +ve/-ve</i>	<i>Note Reference</i>
Operating Revenue				
Net rates & utility charges	61,469,053	61,757,852	0.47%	
Fees and Charges	3,065,191	3,152,143	2.84%	
Rental income	602,155	646,155	7.31%	1
Interest	2,441,300	2,185,300	(10.49%)	2
Sales - contract & recoverable works	557,600	728,006	30.56%	3
Other	1,643,552	1,448,297	(11.88%)	4
Grants, subsidies, contributions & donations	4,155,080	4,513,650	8.63%	5
Total Operating Revenues	73,933,930	74,431,403		
Operating Expenditure				
Employee Costs	24,131,482	23,936,723	0.81%	
Goods and Services	25,066,624	24,321,272	2.97%	
Finance	1,451,153	1,421,603	2.04%	
Depreciation	23,280,024	24,624,936	(5.78%)	6
Total Operating Expenditure	73,929,283	74,304,533		
INCR/(DECR) IN OPERATING CAPABILITY	4,648	126,870		
Capital Items				
Contributions & donations	0	29,576	n/a	
Grants & Subsidies	3,840,583	8,302,472	(116.18%)	7
Sale/Disposal of non-current assets	0	(2,700,426)	n/a	8
NET RESULT	3,845,231	5,758,492		

With reference to the table above and the items in excess of 5% variance -

1. Rental income relates to an increase in lease rental income after the Housing Services rental review.
2. Interest revenue reduction is a reflection of the current market trend and further rates reduction by the Reserve Bank has resulted in lower interest revenue for Council.
3. Income for contract and recoverable works was increased based on the revised figure associated with the Road Maintenance Performance Contract (RMPC).
4. Other revenue relates to Quarry Management, this was reduced due to changes in leasing arrangements and lower demand.
5. Increase in operational grants mainly relates to additional Financial Assistance Grant (FAG) and Queensland Reconstruction Authority (QRA) payments.
6. Increase in depreciation is mainly related to the removal of residual values assigned to assets previously, revaluation changes and additional assets identified this financial year.
7. Capital Grants increased due to additional Roads to Recovery (R2R) and QRA payments.
8. Sale/Disposal of non-current assets relates to the proceeds received from the sale of property, plant and equipment offset by assets disposed or written off during the year.

Effect of the 2015/16 Estimated Actual Results on the 2016/17 Budget.

No allocation has been made in the 2016/17 capital budget for NDRRA complimentary works, however, Council has budgeted for one significant event operationally.

Cash balances have remained stable and should do for the foreseeable future.

Council's estimated operating position at 30/06/2016 provides a challenging basis to move forward into the 2016/17 budget. These challenges will continue as external funding streams reduce and environmental factors become increasingly challenging.

Link to Corporate Plan:

A Customer Focused Organisation

1.3 Responsible financial management

- a) Ensure operating surpluses in Council's annual budget.
- b) Manage debt within financially sustainable levels.
- d) Achieve equitable rating policies across the region.

Consultation:

Directors, Managers and Finance Staff.

Legal Implications (Statutory basis, legal risks):

Compliance with financial management policies as set down in the Local Government Regulation and requirements of the *Local Government Act*.

Policy Implications:

Compliance with Financial Management Policies

Financial & Resource Implications:

The report indicates a small positive financial result for Council.

Report prepared by:

Gurbindar Singh - Manager Finance

Report authorised by:

Peter Cochrane - Acting Chief Executive Officer