JULY 2015 MONTHLY FINANCIAL REPORT

Objective Reference: A234585

**Reports and Attachments (Archives)**

**Attachment:** **[Monthly Financial Report July 2015](https://edrms-prd.rccprd.redland.qld.gov.au:443/id:A255089)**

**Authorising/ Responsible Officer:**

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Chief Financial Officer

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PURPOSE

The purpose is to present the July 2015 Monthly Financial Performance Report to Council and explain the content and analysis of the report. Section 204(2) of the *Local Government Regulation 2012* requires the Chief Executive Officer of a local government to present statements of its accounts to the local government on a monthly basis.

BACKGROUND

Council adopts an annual budget and then reports on performance against the budget on a monthly basis. This is not only a legal requirement but enables the organisation to periodically review its financial performance and position and respond to changes in community requirements, market forces or other outside influences. The Corporate Financial Reporting Team compiled the attached document following end of month accruals, deferrals, allocation journals and reconciliations.

Issues

*New format of monthly financial reports*

As per previous years, the Corporate Financial Reporting Team has taken the opportunity of a new financial year to propose a new look and feel format for the monthly financial report. The intent of the revised document is to

* Improve understanding of the financials in a blend of statements, graphics and supporting commentary;
* Respond to requests from council’s Audit Committee for more non-financial information and comparatives on the Statement of Cash Flows. Of note, project reporting will be included once the Portfolio Management Office is fully resourced and operational;
* Streamline reporting to reduce duplication and respond to Councillor feedback – removal of previous charts and the glossary for example.

The Asset Consumption Ratio has also been removed as the asset key performance indicators are subject to review as part of Council’s comprehensive asset project. Officers are currently liaising with the Queensland Audit Office and other relevant statutory bodies with respect to indicators that would complement the Asset Sustainability Ratio to evidence how the community’s assets are being used and replaced.

*End of Year Accounts Finalisation*

Finance officers are presently finalising the 2014-2015 annual financial statements for the Queensland Audit Office review in September. As per previous years, end of year accounts finalisation involves

* accruals;
* deferrals;
* asset revaluation finalisation;
* capitalisation of work in progress to assets; and
* provision calculations and other updates.

The July monthly financial report includes balance sheet items that will be finalised over the coming weeks: changes to the 2014-2015 closing assets and liabilities will flow through to the opening balances of 2015-2016.

Strategic Implications

Council has either achieved or favourably exceeded the following Key Financial Stability and Sustainability Ratios as at the end of July 2015:

* Ability to pay our bills – current ratio;
* Ability to repay our debt – debt servicing ratio;
* Cash balance;
* Cash balances – cash capacity in months;
* Longer term financial sustainability – debt to asset ratio;
* Operating surplus ratio;
* Net financial liabilities; and
* Interest cover ratio.

The following ratios did not meet the target at the end of July:

* Level of dependence on general rate revenue;
* Operating Performance; and
* Asset sustainability ratio.

The first two ratios above are cyclical with the rating cycle. Rates were levied in July so dependence on this revenue stream increased during the month. Cash outflows exceeded cash inflows in July as rates are not due until August so the operating performance target was missed in July.

The asset sustainability ratio was not met as at the end of July 2015 and Council continues to monitor its renewal spend and depreciation expense to improve performance against this stretch target. Council’s asset project will consider appropriate measures to evidence utilisation and replacement of assets.

Legislative Requirements

The July 2015 financials are presented in accordance with the legislative requirement of section 204(2) of the *Local Government Regulation 2012*, requiring the Chief Executive Officer to present the financial report to a monthly Council meeting.

Risk Management

July 2015 revenues and expenditures have been noted by the Executive Leadership Team and relevant officers who can provide further clarification and advice around actual to budget variances.

Financial

There are no direct financial impacts to Council resulting from this report; however it provides an indication of financial outcomes at the end of July 2015.

People

Nil impact expected as the purpose of the attached report is to provide financial information to Council based upon actual versus budgeted financial activity.

Environmental

Nil impact expected as the purpose of the attached report is to provide financial information to Council based upon actual versus budgeted financial activity.

Social

Nil impact expected as the purpose of the attached report is to provide financial information to Council based upon actual versus budgeted financial activity.

Alignment with Council's Policy and Plans

This report has a relationship with the following items of the 2015-2020 Corporate Plan:

8. Inclusive and Ethical Governance: Deep engagement, quality leadership at all levels, transparent and accountable democratic processes and a spirit of partnership between the community and Council will enrich residents’ participation in local decision-making to achieve the community’s Redlands 2030 vision and goals.

8.2 Council produces and delivers against sustainable financial forecasts as a result of best practice Capital and Asset Management Plans that guide project planning and service delivery across the city.

Consultation

Consultation has taken place amongst Council departmental officers, Financial Services Group Officers and the Executive Leadership Team.

OPTIONS

1. Council resolves to note the End of Month Financial Reports for July 2015 and explanations as presented in the attached Monthly Financial Performance Report.

2. Council requests additional information.

OFFICER’S RECOMMENDATION

Council resolves to note the End of Month Financial Reports for July 2015 and explanations as presented in the attached Monthly Financial Performance Report.