



AGENDA

Victoria Daly Shire Finance Meeting

9:00am, Tuesday, 20th September 2010

Victoria Daly Shire Council Head Office,
Ground Floor Randazzo Building, 14 Katherine Terrace, Katherine

Present

Apologies

Disclosure of interest – Councillors and Staff

Confirmation of Minutes

Finance - 20 July 2010 3

Call for Items of General Business

Correspondence In & Out

Reports to Committee

1 Finance Report Month Ending 31st August 20105

General Business

Confidential



Minutes of the Finance Committee Meeting, held at the Victoria Daly Shire Council
Conference Room, 14 Katherine Terrace, Katherine on
Tuesday, 20 July 2010 at 9:07am

PRESENT: Mr. Greg Arnott, Director of Corporate & Community Services
Ms. Sandra Cannon, Chief Executive Officer
Cr. Wilson - Mayor
Cr. King – Deputy Mayor
Cr. Hennessy
Mr. Dave Heron, Shire Services Manager, Wadeye - teleconference

APOLOGIES: Cr. Dumoo
Moved: Cr. Hennessy
Seconded: Cr. Wilson
Resolution: Carried Unanimously

ABSENT:

OFFICERS: Ms. Rose Peckham, Office Manager

VISITORS: Cr. Minjin
Cr. Kurungaiyi
Cr. Murielle

DISCLOSURES OF INTEREST – COUNCILLORS AND STAFF

There were no declarations of interest at this Finance meeting.

CONFIRMATION OF MINUTES

Minutes of the Finance Committee held on 18 May 2010

RECOMMENDATION:

That the confirmation of these minutes be deferred till the next meeting of the finance committee.

CALL FOR ITEMS OF GENERAL BUSINESS

- Palumpa Takeaway
Moved: Cr. King
Seconded: Cr. Hennessy
Resolution: Carried Unanimously

REPORTS TO COUNCIL

1) Finance Report Period Ending 30th June 2010

Motion:

That Council receives and notes the Finance Report for the period ending 30th June 2010.

Moved: Cr. Hennessy
Seconded: Cr. King
Resolution: Carried Unanimously

2) Acceptance of various Funding Agreements to be signed under the Common Seal

Motion:

1. That Council accept a total of \$677,170 (GST exclusive) for the Municipal and Essential Services program funding by affixing the seal and have a Council member sign the agreements between Victoria Daly Shire and the Department of Housing, Local government and Regional Services.
2. That Council accept a total of \$73,000 for the Leadership for Indigenous Women by affixing the seal and have a Council member sign the agreement between Victoria Daly Shire and the Department of Families, Housing, Community Services and Indigenous Affairs.

Moved: Cr. King
Seconded: Cr. Hennessy
Resolution: Carried Unanimously

GENERAL BUSINESS

3 PALUMPA TAKEAWAY

It is recommended that council not support the additional expenditure on the Palumpa Store.

Moved: Cr. Hennessy
Seconded: Dave Heron
Resolution: Carried Unanimously

DISCUSSIONS

REMEDIATION

The system is now live with the old data being brought across for accuracy. Will be able to get financial acquittals done once completed. Happy with the system overall as remediation was successful. The Tech1 technician for report writing was unavailable prior but is now available and working on the reports.

CASH

Currently in a positive position. Rates income 4.65% - delay in getting notices out last year, not all income for this financial year. Current ratio is at 10.48. Have received a small portion of the NT Housing funding. P&L positive.

The meeting finished at 9:33 am.

This page and the preceding page are the minutes of the Meeting of Finance Committee held on Tuesday, 20 July 2010 and are to be confirmed on Tuesday, 21 September 2010.



VICTORIA DALY SHIRE COUNCIL

FOR THE MEETING OF FINANCE COMMITTEE OF 21 SEPTEMBER 2010

Report for Agenda Item No 1

Prepared by **Paul Kent, Chief Finance Officer**

Finance Report Month Ending 31st August 2010

Purpose

To provide Council with the Shire's financial management, income, expenditure and debtors report for the period ending 31st August 2010.

Background

The implementation of the remediated Tech One system remains positive, with high expectations now being placed on the ability to accurately enquire and report upon all 2009/2010 data entered into the remediated system with a high degree of accuracy.

The remediated finance system will ensure accuracy of data entry and retrieval for the entire 2010/11 financial year.

We continue to analyse existing system information, resulting in journaling and applying miscoded allocations against their correct cost centres. These misallocations occurred as a result of the work order system. This process remains a time consuming and detailed process, however will enable the printing of meaningful acquittal reports for the current financial year.

The data conversion for the 2008/09 financial year remains ongoing, which will enable the production of comparative data reports from 01 July 2008.

Impact for Council

The Cash-flow is as follows:
Account Balances as at 31st Aug 2010.

Operating Account	\$682,840.64
Trust Account	\$2,402,121.26
Savings Account	\$12,131,842.98
	\$15,216,804.88

	MTD Cash Income	MTD Cash Expenditure
Jul-10	\$1,109,610.58	-\$4,209,105.33

Aug-10	\$2,236,960.45	-\$2,941,822.83
	\$3,346,531.03	-\$7,150,928.16

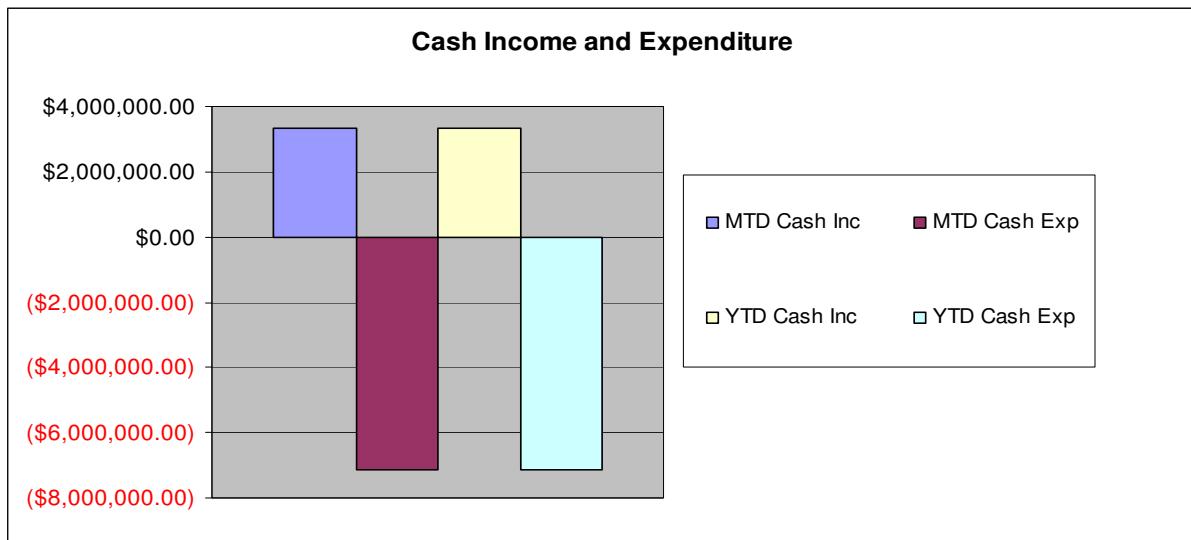
	YTD Cash Income	YTD Cash Expenditure
TOTAL YTD	\$3,346,531.03	-\$7,150,928.16

Year to date income totalling \$3.3M is under budget by \$5.3M (\$8.6M-\$3.3M), primarily due to timings of grant income received to date. Grant income received in the month of August totals \$1.9M and includes:

- Department of Infrastructure (\$428K)
- Department of Local Government & Housing (\$372)

Year to date expenditure of \$7.2M is under budget by \$1.4M, (\$8.6M-\$7.2M) while expenditure for the month of August includes creditor payments of:

- Australian Tax Office (\$141k)
- Power & Water (\$56K)
- Power Projects NT (\$50K)



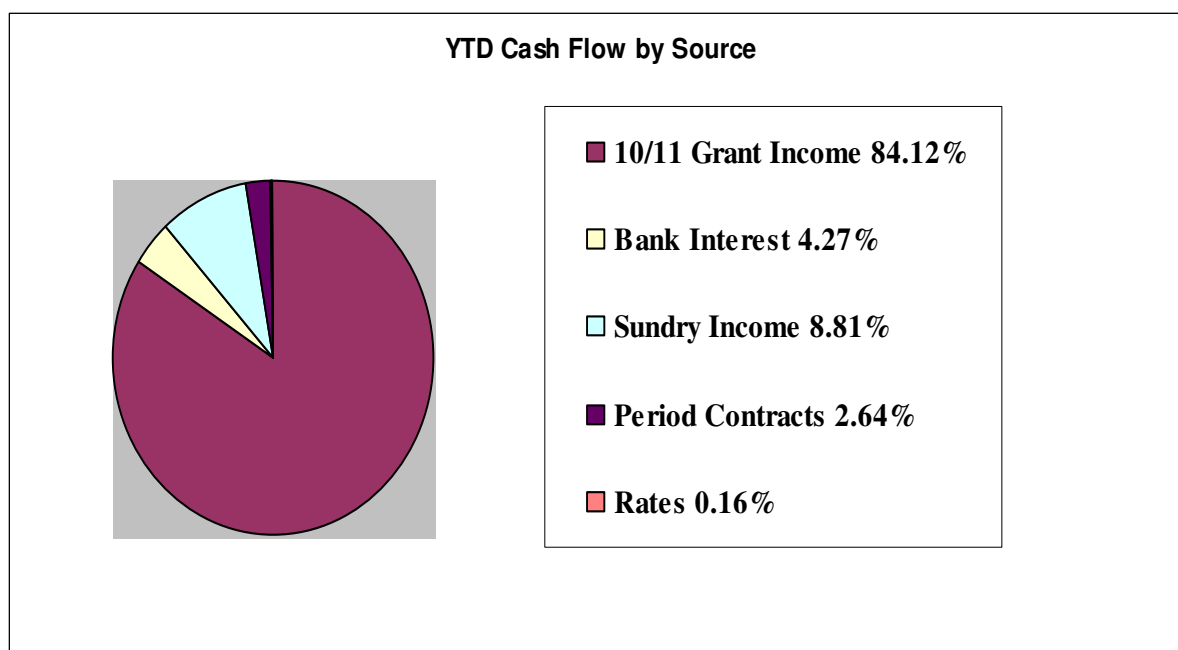
At the time of writing this report, bank reconciliations have made significant progress as at August 2010, with debits and credits continually being reconciled to ensure accuracy – particularly in regard to grant payments received.

An educational initiative will be under way in the coming months to educate staff in the remote communities on how to code payments correctly to ensure the General Ledger accurately reflects the transactions of Council.

The focal point of the education program is how account strings work that link location, program, fund and natural account; in particular the relationship between grant funding (income received) and expenditure that relate to a specific program.

YTD CASHFLOW BY SOURCE

The **\$3,346,531** income received this financial year is broken down as follows:

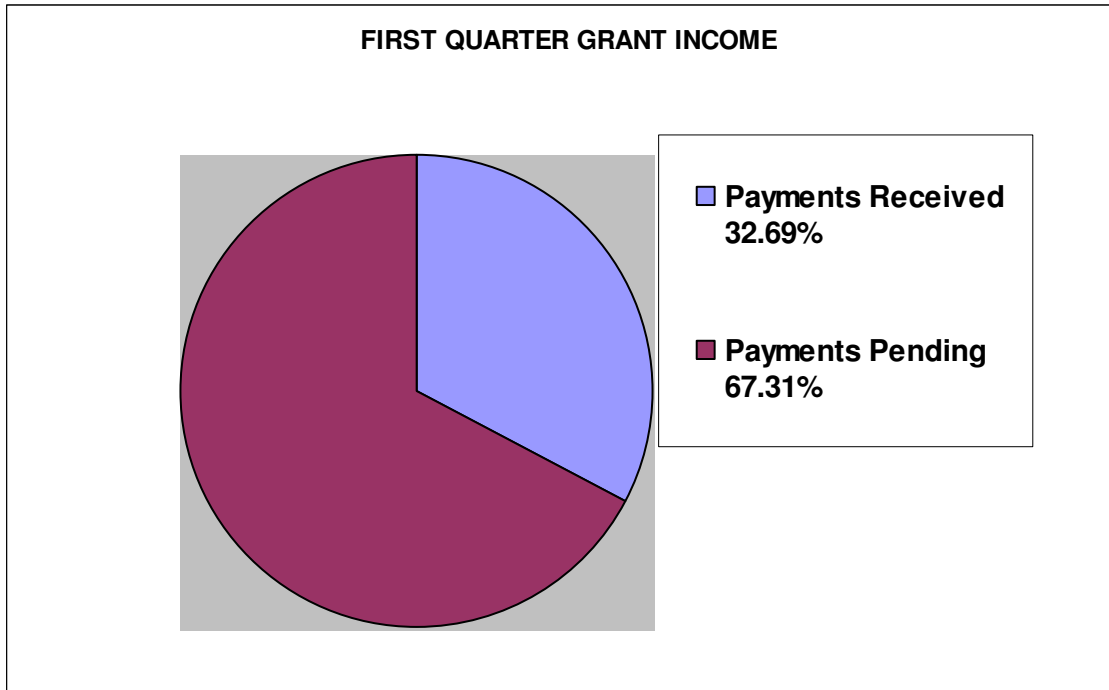


The cash-flow by source includes Rate income of \$5,353 for August year to date. The total anticipated rate income 2010/11 is budgeted at \$575,000 which represents 1.1% ($\$575,000/\$51,593,093$) of total budgeted income for the financial year.

FIRST QUARTER GRANT INCOME

Grant funding clearly remains our strongest income stream (84% of total Income). The Shire has received \$1,972,769 in grant income in August. This difference between actual and budgeted income is expected as funding agreements are not all in place.

In addition to the funding received in July, the early release funding for FAG Road and FAG General Purpose Grants totalling \$675k was received in June 2010. This takes the true grant received figure to \$2,647,769.



CURRENT RATIO

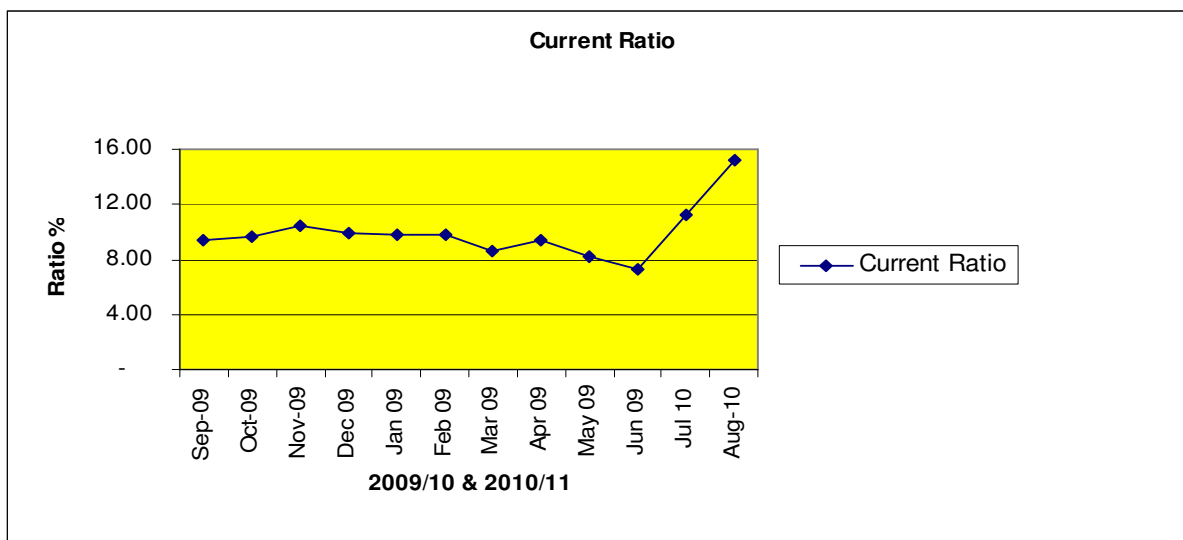
The Current Ratio (or working capital ratio) identifies the Council’s ability to meet short term financial obligations. The higher the ratio, the more liquid we are.

This calculation uses the current assets over current liabilities and represents outstanding creditors of \$1,003,982. However outstanding orders have been *excluded* from July onwards due to the non recognition of liabilities since invoices are not being presented for payment to Council¹. When compared to cash at hand, the ratio is as follows:

$$\frac{\$15,216,805}{\$1,003,982} = 15.16$$

The result of 15.16 shows that for every \$1 owed by the Council to its creditors, both external and internal (employees); \$15 can be used from “current assets” to meet its obligations.

¹ In order for a liability to exist, there must be a legal obligation to pay which comes in the form of an invoice issued from a creditor.



The liabilities *do not* include unexpended grant funding, therefore this figure will be further adjusted once the end of year processing has been finalised.

Income & Expenditure

The Financial Variance Commentary will detail variances greater than \$5,000

The Income and Expenditure Report (attachment 1) does not contain a Budget breakdown at the moment, however the Finance Department is in the process of uploading budgets for each Service Delivery area.

INCOME

Income received of \$3,687,921 as reported in the Income & Expenditure Report differs from the cash at bank figure of \$3,346,531 by \$341,390. All income is being allocated as part of the bank reconciliation process. The total grant income received for the financial year 2010/11 YTD is \$2,810,665.

EXPENDITURE

Operating expenditure as reported in the Income & Expenditure Report is \$4,307,466 differs to the expenditure drawn from the bank statement of \$7,150,928 (a variance of \$2,843,462). This is primarily due to timing differences in invoices paid in the current year that relate to the previous financial year.

NET PROFIT / LOSS

In all, Council is reflecting a year to date loss of **(\$619,545)** which is primarily due to large creditor payments of (\$250k) to the Australian Tax Office and various NT projects. The early release funding received in June 2010 of \$675k and the expected \$2.786m in grant income identifies that the income streams remain strong and the net effect to Council remains positive.

CAPITAL EXPENDITURE

Capital works expenditure as at August YTD is \$392,834 for motor vehicle purchases.

NET INCOME / EXPENDITURE

The total net result highlights that Council remains in a strong fiscal position, with \$15.2 million cash at bank.

When viewing the Profit and Loss Statement, it must be noted that variances to budget are often reflected in red or in brackets – this can be positive or negative, depending on whether it refers to income or expenditure. For example, a saving in expenses will show in red brackets, because it is in credit. These variances will be noted in the financial variance commentary as required.

Identification of relevant legislation, Council policy and plans

Section 18 of the Local Government Accounting Regulations 2008 outlines the requirements for financial reporting to Council. In particular it states that the actual income and expenditure for the commencement of the financial year to the end of the previous month should be reported plus a statement of the debts owed to the Council.

Consultation

Not applicable

Other Considerations

As outlined in previous Finance Reports to Council, elected members need to remain aware that whilst the Income and Expenditure Statement for this period aligns closely with the remediated Technology One Financial Management System, the sanitisation of the data remains ongoing.

Funding Implications

Council received sufficient grant and sundry income during the period and successfully paid staff and creditors.

Conclusion

The estimated income and expenditure statement shows that Victoria Daly Shire Council has met its financial obligations for the month and has the cash flow to ensure that the delivery of services continues in communities.

Recommendation

That Council receives and notes the Finance Report for the period ending 31st August 2010.

Attachments

1 VDSC - Income Expenditure Report - Aug 10 (2).pdf

Victoria Daly Shire Council
Income and Expenditure Report for the Month Ending 31st August 2010

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	Year to Date		Variance	Revenue	Original Budget	Total Year				
	Actual	Budget				Current Budget	Forecast Budget	Forecast EOY	Forecast Change	
	16,126	0	(16,126)	Rates and Annual Charges	0	0	0	0	0	
	3,302,458	0	(3,302,458)	Grants and Subsidies	0	0	0	0	0	
	53,472	0	(53,472)	User Fees and Charges	0	0	0	0	0	
	70,307	0	(70,307)	Interest	0	0	0	0	0	
	245,558	0	(245,558)	Other Current Income	0	0	0	0	0	
Total Revenue	3,687,921	0	(3,687,921)		0	0	0	0	0	
Operating Expenditure										
	2,744,640	0	(2,744,640)	Employees	0	0	0	0	0	
	38,686	0	(38,686)	Councillors	0	0	0	0	0	
	1,522,287	0	(1,522,287)	Materials and Contracts	0	0	0	0	0	
	1,852	0	(1,852)	Current and Capital Transfer Expenses	0	0	0	0	0	
	0	0	0	SUSPENSE ACCOUNT	0	0	0	0	0	
Total Expenses	4,307,466	0	(4,307,466)		0	0	0	0	0	
Net Profit / (Loss)	(619,545)	0	619,545		0	0	0	0	0	

Victoria Daly Shire Council
Income and Expenditure Report for the Month Ending 31st August 2010

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	Year to Date		Variance	Capital Expenditure	Original Budget	Total Year		
	Actual	Budget				Current Budget	Forecast EOY	Forecast Change
	0	0	0	WIP Purchase Land	0	0	0	0
	392,075	0	(392,075)	WIP Purchase Motor Vehicles	0	0	0	0
	759	0	(759)	WIP Upgrade Motor Vehicles	0	0	0	0
	392,834	0	(392,834)		0	0	0	0
	(1,012,379)	0	1,012,379	Net Income / (Expenditure)	0	0	0	0