

5.7. 2018 - 19 BUDGET REVIEW

REPORT AUTHOR(S)	John Rehn, Manager Finance and IT
GENERAL MANAGER	Darryl Crees, General Manager Corporate Services
DEPARTMENT	Finance and IT

RECOMMENDATION

That Council adopts the 2018/19 Revised Budget.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2018/19 budget for the period ending 31 October 2018 (as reported to the last Ordinary meeting of Council) and also includes 2018/19 revised budget figures. The revised budget:

- includes a number of changes to operating revenue and expenditure, including any items approved by Council since the adoption of the original budget
- allows for the carry forward of uncompleted capital works from last financial year
- includes any items of capital expenditure approved by Council since the adoption of the original budget
- includes a number of capital expenditure adjustments to existing projects that result in a net reduction in proposed capital expenditure
- includes a number of new capital projects, in some cases as a result of new capital grants that have been approved
- makes allowance for the remaining capital revenue and expenditure applicable to Round 2 of the Works for Queensland (W4Q) program
- incorporates revised figures for NDRRA capital revenue and expenditure.

Adoption of the revised figures will provide an updated indication of Council's progress against budget.

BACKGROUND

While there is no legislative requirement to revise Council's budget during the financial year, a revision enables Council to accommodate changing circumstances and adjust the budget for factors that were unknown at the time of the budget's original adoption, thus providing more meaningful results when comparing actual revenue and expenditure against budget.

COMMENT

The 2018/19 annual budget was adopted on 19 June 2018 and the attached financial report details progress against the adopted budget for the period ending 31 October 2018 (as reported to the last ordinary meeting of Council) and also includes the proposed 2018/19 revised budget figures.

PROPOSED ADJUSTMENTS TO THE ADOPTED BUDGET (BUDGET REVIEW)

Key points:

- *the net effect of adjustments made to operating revenue and expenditure is an improvement in Council's overall budgeted operating result*
- *increases in capital revenue and expenditure incorporate carry forward items, adjustments and new projects which result in a significant increase in Council's capital works program*
- *revised budget figures accommodate the remainder of Round 2 of the W4Q program and updated NDRRA estimates*

A detailed review of Council's 2018/19 budget has been undertaken and proposes the following changes:

- an increase in operating revenue and an increase in operating expenditure
- inclusion of carry forward budget amounts relating to uncompleted capital works from the 2017/18 financial year (including the majority of the first half of Round 2 of the W4Q program)
- adjustments to a number of existing capital expenditure items that result in a net reduction in proposed capital expenditure
- addition of a number of new capital projects, in some cases as a result of new capital grants that have been approved
- removal of a portion of a capital grant forgone due to the estimated underspend on an existing capital project
- allowance for the remaining capital revenue and expenditure applicable to Round 2 of the W4Q program
- revised figures for NDRRA capital revenue and expenditure.

Adjustments to Operating Revenue and Operating Expenditure

Adjustments netting \$479k have been made to operating revenue and adjustments netting \$316k have been made to operating expenditure, based on revised estimates of likely changes in revenue and expenditure for the remainder of the 2018/19 financial year.

Adjustments to operating revenue are as follows:

- Grants and subsidies +\$479k (due to an increase in Council's Financial Assistance Grant \$98k, NDRRA emergent works \$275k, balance of the Coastal Hazard Adaptation Grant (CHAS) \$63k and new grants \$43k)

Adjustments to operating expenditure are as follows:

- Employee benefits -\$72k (staff vacancies)
- Materials and services +\$388k (contribution to Mossman Mill \$250k, Daintree Ferry Traffic Analysis \$39k, contribution towards new grants \$58k and other materials expenditure \$41k)

These adjustments will address a number of the variances currently identified in Council's monthly financial reporting.

Uncompleted 2017/18 Capital Works Carried Forward

A number of capital works items included in the 2017/18 budget were not completed prior to 30 June 2018. The revised budget figures make allowance for the unspent budget amounts from 2017/18 to be carried forward to 2018/19 (where required) for the completion of these works. In some instances additional funds are required for this purpose and these funds have also been identified for inclusion in the revised budget.

Any applicable capital grant revenue relating to these carried forward capital works items that has not already been accounted for during the 2017/18 financial year is also included.

The above information is shown in one of the separate attachments to this report and that attachment also includes the completion status of each item as at 20 November 2018. The dollar value of these budget changes is summarised in a table later in this report.

Adjustments and Proposed Additions to Council's Capital Works Program

Details of adjustments made to a number of existing capital expenditure items that will result in a net reduction in proposed capital expenditure and details of the addition of a number of new capital projects (in some cases as a result of new external capital grants that have been approved) are also shown in separate attachments to this report. The dollar value of these adjustments and additions is also summarised in a table later in this report.

Works for Queensland (W4Q) Program

Council received 50% of its approved capital funding for Round 2 of the W4Q Program during the 2017/18 financial year and the remaining 50% is included in the current budget, together with a corresponding amount for capital expenditure.

The revised budget figures make allowance for any unspent capital expenditure from 2017/18 to be carried forward to 2018/19 (where required) for the completion of works under the program.

NDRRA

The revised budget includes an estimate of revenue to be received and expenditure incurred during the 2018/19 financial year in relation to weather events that occurred during prior financial years, as part of Council's NDRRA Restoration of Essential Public Assets (REPA) submissions.

Summary of Proposed Budget Adjustments

The following table provides a summary of all the proposed capital adjustments to Council's 2018/19 budget figures.

Table 1.

CAPITAL REVENUE	\$
Capital grants and subsidies	
- Carry forward capital grants	4,219,996
- Portion of grant foregone - Diggers Bridge (under budget)	-439,000
- New capital grants	177,000
- NDRRA asset restoration work	3,612,816
Adjustments to Total Capital Revenue	7,570,812
CAPITAL EXPENSES	\$
Capital expenses	
- Uncompleted 2017/18 Capital works projects carried forward including W4Q round 2	5,296,597
- Estimated additional budget required for 2017/18 Capital works projects carried forward	741,174
- Capital works adjustments	-1,616,313
- New capital projects	1,517,000
- NDRRA asset restoration work	3,276,085
Adjustments to Total Capital Expenses	9,214,543

The Financial Statement for the Period Ending 31 October 2018 is attached to this report and incorporates three additional columns which show the abovementioned proposed adjustments, the resulting revised budget figures for the 2018/19 financial year and actual year to date revenue and expenditure as a percentage of the revised budget figures. The proposed adjustments are summarised in the following table.

Table 2.

CATEGORY	2018/19 ADOPTED BUDGET \$	BUDGET ADJUSTMENT \$	2018/19 REVISED BUDGET \$
Operating Revenue	43,317,904	478,652	43,796,556
Operating Expenses	44,075,458	315,714	44,391,172
Operating Result	-757,554	162,938	-594,616
Capital revenue	4,069,250	7,570,812	11,640,062
Net result	3,311,696	7,733,750	11,045,446
Capital works program	16,499,000	9,214,543	25,713,543
NDRRA portion of Capital Works Program (included above)			
Capital grants and subsidies	0	3,612,816	3,612,816
Capital additions	0	3,276,085	3,276,085
Net position (NDRRA)	0	336,731	336,731

PROPOSAL

That Council adopts the 2018/19 Revised Budget figures.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of October 2018 did not reveal any significant negative impacts on the 2018/19 budget.

RISK MANAGEMENT IMPLICATIONS

The budget revision process enables Council to accommodate changing circumstances and adjust the budget for factors that were unknown at the time of the budget's original adoption, thus providing more meaningful results when comparing actual revenue and expenditure against budget.

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 31 October 2018 + 2018.19 Budget Review **[5.7.1]**
2. 18.19 BR Capex Carry Forwards **[5.7.2]**
3. 18.19 BR Capex Adjustments **[5.7.3]**
4. 18.19 BR New Capex **[5.7.4]**

Douglas Shire Council Statement of Comprehensive Income For the month of October 2018						BUDGET ADJUSTMENT	REVISED BUDGET	Actual as % of Revised Budget
	Actual YTD 19 \$	Budget YTD 19 \$	Variance \$	Budget 18/19 \$	Actual as % of Budget 18/19	\$	\$	
Operating Revenue								
Net rates and utility charges	15,763,732	15,732,346	31,386	34,088,348	46%	-	34,088,347	46%
Fees and charges	2,528,847	2,568,425	(39,578)	5,408,334	47%	-	5,408,334	47%
Grants and subsidies	353,471	520,916	(167,445)	2,102,043	17%	478,652	2,580,695	14%
Interest received	277,224	300,326	(23,102)	842,895	33%	-	842,895	33%
Other recurrent income	300,363	281,035	19,328	876,284	34%	-	876,284	34%
Total Operating Revenue	19,223,637	19,403,048	(179,411)	43,317,904	44%	478,652	43,796,555	44%
Operating Expenses								
Employee benefits	4,451,299	4,586,424	135,125	14,428,112	31%	(72,000)	14,356,112	31%
Materials and services	5,492,283	6,541,838	1,049,555	17,428,359	32%	387,714	17,816,073	31%
Depreciation	3,753,667	4,044,072	290,405	12,132,286	31%	-	12,132,286	31%
Finance costs	29,353	29,118	(235)	86,700	34%	-	86,700	34%
Total Recurrent Expenses	13,726,602	15,201,452	1,474,850	44,075,458	31%	315,714	44,391,171	31%
Operating Result	5,497,035	4,201,596	1,295,439	(757,554)	(726%)	162,938	(594,616)	(924%)
Capital Revenue								
Capital grants and subsidies	3,707,109	3,819,250	(112,141)	3,819,250	97%	7,570,812	11,390,062	33%
Contributions from developers	-	250,000	(250,000)	250,000	0%	-	250,000	0%
Total capital revenue	3,707,109	4,069,250	(362,141)	4,069,250	91%	7,570,812	11,640,062	32%
Net Result	9,204,143	8,270,846	933,297	3,311,696	278%	7,733,750	11,045,446	83%
Capital Works Program								
Capital additions	5,630,391	16,499,000	10,868,609	16,499,000	34%	9,214,543	25,713,543	22%
Total capital additions	5,630,391	16,499,000	10,868,609	16,499,000	34%	9,214,543	25,713,543	22%
NDRRA portion of Capital Works Program (included above)								
Capital grants and subsidies	494,044	-	494,044	-		3,612,816	3,612,816	14%
Capital additions	217,667	-	(217,667)	-		3,276,085	3,276,085	7%
Net position	276,377	-	276,377	-		336,731	336,731	

2017/18 Capex Carry Forwards										
<u>Department</u>	<u>W/O #</u>	<u>Name of Project</u>	<u>New, Renewal or Upgrade</u>	<u>Revised 17/18 Budget</u>	<u>Expenditure at 30 June 2018</u>	<u>Agreed Carry Forward Amount</u>	<u>Overspent / 18/19 Extra Budget Required</u>	<u>Reason for modifying</u>	<u>Agreed Carry Forward Grant</u>	<u>Project Complete / Incomplete</u>
Building Facilities										
	2948	Daintree Ferry - land based boom gates	N	\$ 50,000.00	\$ 2,830.63	\$ 47,169.37				Incomplete
	2947	Mossman Depot - Lunchroom	U	\$ 100,000.00	\$ 81,912.73	\$ 18,087.27	\$ 25,448.51	Over budget due to fitout and electrical costs		Complete
	3058	W4Q Public Toilet Renewals	R	\$ 335,000.00	\$ 7,022.15	\$ 327,977.85		Grant funding		Incomplete
	3025	W4Q Renewal of Picnic Areas at Thornton Beach Shelter Sheds	R	\$ 27,500.00	\$ 107.65	\$ 27,392.35		Grant funding		Incomplete
Property Services										
	2931	Diwan Sound Shell	R	\$ 120,000.00	\$ 7,359.86	\$ 112,640.14				Incomplete
	2936	Port Douglas Sports Complex - Kitchen Upgrade	U	\$ 60,000.00	\$ 6,842.72	\$ 23,534.59				Complete
	2966	Port Douglas Waterfront - Masterplan for Lot 96 & surrounding areas	N	\$ 80,000.00	\$ 46,969.86	\$ 33,030.14	\$ 80,000.00	Grant funding approved for \$80,000	\$ 60,000.00	Incomplete
	2933	Mossman Pool - Sport & Rec Masterplan	U	\$ 50,000.00	\$ 39,971.41	\$ 10,028.59				Incomplete
	2934	Mossman Pool - regROUT tiles, repair water leaks and sand filter	R	\$ 200,000.00	\$ 142,072.96	\$ 57,927.04	\$ 32,354.41	Works completed early July, over budget due to unforeseen works discovered when the pool was drained.		Complete
	2929	Wonga Beach Caravan Park - construction of reception/ office/ meeting room	N	\$ 120,000.00	\$ 378.29	\$ 119,621.71				Incomplete
Fleet										
	3049	Water tank on truck for Leachate	U	\$ 50,000.00	\$ 12,803.25	\$ 37,196.75				Incomplete
Civil Works										
	2967	Lot 96 Fishermans	U	\$ 75,000.00	\$ 944.58	\$ 74,055.42				
	2900	Upper Daintree Road culvert renewal	R	\$ 155,000.00	\$ 42,060.69	\$ 112,939.31		Extra budget was approved in 18/19 budget adoption		Incomplete
	2957	Warner Street drainage and footpaths works design	U	\$ 120,000.00	\$ 46,544.32	\$ 73,455.68	\$ 15,355.57	Already \$5,355.57 over budget, extra \$10,000 required for project management costs		Incomplete
	2961	Gorge Road Reconstruction	R	\$ 50,000.00	\$ 2,189.65	\$ 47,810.35				Incomplete
	2952	Kerb & Channel Program	R	\$ 200,000.00	\$ 12,806.26	\$ 117,193.74				Incomplete

2017/18 Capex Carry Forwards										
<u>Department</u>	<u>W/O #</u>	<u>Name of Project</u>	<u>New, Renewal or Upgrade</u>	<u>Revised 17/18 Budget</u>	<u>Expenditure at 30 June 2018</u>	<u>Agreed Carry Forward Amount</u>	<u>Overspent / 18/19 Extra Budget Required</u>	<u>Reason for modifying</u>	<u>Agreed Carry Forward Grant</u>	<u>Project Complete / Incomplete</u>
	2991	Grays Creek Terrace drainage easement upgrade	U	\$ 14,000.00	\$ 2,427.32	\$ 11,572.68	\$ 8,927.24	Over budget due to re-profiling of the easement to suit the new pipe level and turfing to prevent scouring		Complete
	3066	Old Forestry Road Culvert Refurbishment	R	\$ 30,000.00	\$ 450.00	\$ 26,486.23				Complete
	2951	17/18 Asphalt Reseal Program	R	\$ 1,230,000.00	\$ 1,123,754.09	\$ 106,245.91	\$ 11,588.28			Complete
	3047	Diggers Bridge	R/U	\$ 2,678,500.00	\$ 127,075.77	\$ -		Rebudgeted in 18/19 Capex Budget		Incomplete
	3046	Noah Bridge	R/U	\$ 1,500,000.00	\$ 154,518.21	\$ -		Rebudgeted in 18/19 Capex Budget		Incomplete
	3021	W4Q Additional renewal to Zig Zag track	R	\$ 50,000.00	\$ 38,397.29	\$ 11,602.71		Grant funding		Incomplete
	3042	W4Q Footpath Renewals Johnston Road	R	\$ 82,500.00	\$ 107.65	\$ 82,392.35		Grant funding		Incomplete
	3043	W4Q Footpath Renewals Davidson Street	R	\$ 82,500.00	\$ -	\$ 82,500.00		Grant funding		Incomplete
Public Spaces										
	2972	Streetscape Master Plans for Macrossan St & Front St	R	\$ 100,000.00	\$ 35,215.52	\$ 30,146.44				Complete
Sewerage										
	2719	Mossman WWTP Upgrade of plant to meet flow requirements in EHP licence and quality requirements for recycled water	U	\$ 55,000.00	\$ 14,170.00	\$ 40,830.00				Incomplete
	1972	Mossman WWTP Inlet works, screening and grit removal	U	\$ 272,586.94	\$ 201,410.52	\$ 71,176.42	\$ 40,000.00			Incomplete
	2912	Sheraton Mirage Flow Meter Installation	U	\$ 160,000.00	\$ 1,139.07	\$ -				Incomplete
	2974	Construction of 2nd Clarifier at Mossman Waste Water Treatment Plant	U	\$ 750,000.00	\$ 22,054.75	\$ 727,945.25		Extra budget was approved in 18/19 budget adoption		Incomplete
Water Reticulation										
	2980	Mossman - Whyanbeel Water Mains Interconnection (Phase 1-2)	U	\$ 287,500.00	\$ 217,497.53	\$ 70,002.47	\$ 25,000.00			Incomplete

2017/18 Capex Carry Forwards										
<u>Department</u>	<u>W/O #</u>	<u>Name of Project</u>	<u>New, Renewal or Upgrade</u>	<u>Revised 17/18 Budget</u>	<u>Expenditure at 30 June 2018</u>	<u>Agreed Carry Forward Amount</u>	<u>Overspent / 18/19 Extra Budget Required</u>	<u>Reason for modifying</u>	<u>Agreed Carry Forward Grant</u>	<u>Project Complete / Incomplete</u>
<u>Water Treatment</u>										
	1794	Port Douglas Reservoir, Craiglie	N	\$ 12,796,389.55	\$ 10,837,915.29	\$ 1,958,474.26	\$ 90,000.00	Extra budget required due to cover minor variations identified during commissioning	\$ 4,159,996.00	Complete
	2913	Back wash water discharge package plant at Mossman WTP	R	\$ 771,000.00	\$ 407,524.84	\$ 363,475.16	\$ 277,500.00	Extra budget required due to environmental licence requirements		Incomplete
	2978	Design of Additional Water Extraction Site Mossman	N	\$ 100,000.00	\$ 16,442.94	\$ 83,557.06		Extra budget was approved in 18/19 budget adoption		Incomplete
	2915	Design of Craiglie Reservoir Roof	R	\$ 30,000.00	\$ 29,354.25	\$ 645.75				Incomplete
	2916	Network protection valving associated with new Craiglie Reservoir	N	\$ 25,000.00	\$ 12,962.01	\$ 12,037.99	\$ 49,000.00	Extra budget required due to supply and install required of concrete pit and lid		Complete
	3023	W4Q Whyanbeel WTP Renewals	R	\$ 90,000.00	\$ 9,763.36	\$ 80,236.64		Grant funding		Incomplete
	3022	W4Q Rex Creek Johnson Screens Renewals	R	\$ 165,000.00	\$ 24,097.72	\$ 140,902.28	\$ 86,000.00	Grant funding		Incomplete
	3024	W4Q Whyanbeel Intake Johnson Screen Renewals	R	\$ 137,500.00	\$ 38,568.24	\$ 98,931.76		Grant funding		Incomplete
<u>IT Service</u>										
	2800	Daintree Ferry Cash Register & Wi Fi Refresh	R	\$ 90,000.00	\$ 42,808.66	\$ 47,191.34				Incomplete
<u>Sustainable Communities</u>										
	2382	Develop a Hiking and Mountain Bike Master Plan	N	\$ 12,626.70	\$ 2,443.17	\$ 10,183.53				Incomplete
							\$ 5,296,596.53	\$ 741,174.01	\$ 4,219,996.00	

2018/19 Capex Adjustments

<u>Department</u>	<u>W/O #</u>	<u>Name of Project</u>	<u>Reason for modifying</u>	<u>New, Renewal or Upgrade</u>	<u>2018/19 Budget Adopted</u>	<u>\$ Saved / (Overspent)</u>	<u>Grant Foregone</u>
<u>Building Facilities</u>							
	4492	Replace Asbestos Seating at Mossman Show Grounds Grandstand	Contract awarded and project cost will be under budget	R	\$ 80,000.00	\$ 25,000.00	
<u>Civil Works</u>							
	4476	Mudlo Street Intersection Lighting	Expected to be over budget due to latent conditions	U	\$ 135,000.00	\$ (70,000.00)	
	2900	Upper Daintree Road Culvert Renewal	Savings due to construction efficiencies	R	\$ 270,000.00	\$ 150,000.00	
	4477	Design of Ribbon Avenue drainage	Further budget required to carry out interim works associated with design	R	\$ 120,000.00	\$ (230,000.00)	
	4481	Renewal Hutchinson Creek Footbridge	Tenders received and additional budget required	R	\$ 115,000.00	\$ (60,000.00)	
	3047	Diggers Bridge	Contract awarded and project cost will be under budget	R	\$ 2,680,000.00	\$ 878,000.00	\$ 439,000.00
<u>Resource Management</u>							
	4474	Capping and Well Lifts at Killaloe Landfill	Contract awarded and project cost will be under budget	N	\$ 465,000.00	\$ 280,000.00	
<u>Sewerage</u>							
	4466	Sewer Pump Station 4E Upgrade	Insufficient budget for required scope	R	\$ 160,000.00	\$ (90,000.00)	
<u>Water Reticulation</u>							
	4502	Mossman - Whyanbeel Water Mains Interconnection Phase 3	Contract awarded for construction and project will be under budget	U	\$ 500,000.00	\$ 100,000.00	
	4452	Daintree Bore Completion Works Phase 2	Contract awarded for construction and project will be under budget	N	\$ 125,000.00	\$ 15,000.00	

2018/19 Capex Adjustments

<u>Department</u>	<u>W/O #</u>	<u>Name of Project</u>	<u>Reason for modifying</u>	<u>New, Renewal or Upgrade</u>	<u>2018/19 Budget Adopted</u>	<u>\$ Saved / (Overspent)</u>	<u>Grant Foregone</u>
<u>Water Treatment</u>							
	4457	Mossman Water Treatment Plant Ultra Filtration Cartridges	Will be under budget	R	\$ 560,000.00	\$ 20,000.00	
	4458	Mossman Water Treatment Plant Ultra Violet Unit	Project put on hold due to Health Based Targets (HBTs) not yet confirmed by QLD Govt.	R	\$ 400,000.00	\$ 398,312.68	
	4459	Daintree Water Treatment Plant Ultra Violet Unit	Project put on hold due to Health Based Targets (HBTs) not yet confirmed by QLD Govt.	R	\$ 80,000.00	\$ 80,000.00	
	4460	Whyanbeel Water Treatment Plant Ultra Violet Lamp Replacement and Service	Project put on hold due to Health Based Targets (HBTs) not yet confirmed by QLD Govt.	R	\$ 120,000.00	\$ 120,000.00	
						\$ 1,616,312.68	\$ 439,000.00

New Capex					
<u>Department</u>	<u>Name of Project</u>	<u>Reason for inclusion</u>	<u>New, Renewal or Upgrade</u>	<u>Cost</u>	<u>Grants</u>
<u>Building Facilities</u>					
	Port Douglas Sports Complex Netball courts	Public safety - Soil subsidence on one court - WHS issue	R	\$ 20,000.00	
<u>Civil Works</u>					
	Streetlighting in Opal Street, Port Douglas	Public safety and non-compliant issues with existing streetlighting	R	\$ 90,000.00	
	Cape Tribulation Road	Concrete footpath from chainage (approx.) 14.9 to 16.2. TIDS 50% funded in 18/19.	N	\$ 250,000.00	\$ 125,000.00
	Poletti's Bridge	Public Safety - Bridge rated Condition 4. Current posted load limit is 5 tonnes. Design of replacement structure has been completed. This is the last of the top 5 poor condition bridges/culverts.	R	\$ 950,000.00	
	NDRRA Activation	Required for second NDRRA Activation for this year	R	\$ 105,000.00	
<u>Sewerage</u>					
	Port Douglas Wastewater Treatment Plant security fence	WHS Issue - Existing fence requires repairs to ensure crocodiles can not gain access into ponds	R	\$ 50,000.00	
<u>CEO Unit</u>					
	Teamsters Park Masterplan	To develop a masterplan for the Teamsters Park precinct (as per Operational Plan item 1.3.3). 100% grant funded project.	N	\$ 52,000.00	\$ 52,000.00
				\$ 1,517,000.00	\$ 177,000.00