

3.10. STATEMENT OF ESTIMATED FINANCIAL POSITION

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DEPARTMENT: Finance and IT

RECOMMENDATIONS

1. Pursuant to section 205 of the *Local Government Regulation 2012*, the statement of the financial operations and financial position of the Council in respect of the 2017/18 financial year ("the Statement of Estimated Financial Position") be received and its contents noted.
2. The Financial Report for the period ended 31 May 2018 be noted.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2017/18 budget for the period ended 31 May 2018 and provides a "statement of estimated financial position" for the 2017/18 financial year. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$1m.
- operating expenditure is under budget by \$949k.
- the operating surplus is currently \$664k compared to a budgeted deficit of \$1.3m.

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 Council's budget for the financial year. 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. Accordingly, the attached financial report also includes the estimated financial position for the financial year ending 30 June 2018 based on the budget adopted by Council in June 2017 and subsequently revised in December 2017.

COMMENT

The 2017/18 annual budget was adopted on 27 June 2017 and revised on 12 December 2017 and the attached financial report details progress against budget for the period ended 31 May 2018. 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.

PROGRESS AGAINST BUDGET FOR THE PERIOD ENDING 31 MAY 2018

Operating Revenue and Expenditure

Key points:

- *Council has received 93% of its annual budgeted operating revenue*
- *Year to date operating expenditure is currently under budget*

Overall year to date operating revenue is ahead of budget, with a number of variations occurring within the various categories as follows:

- Net rates utility charges are \$20k under budget as a result of a combination of less than anticipated revenue from growth, a refund of sewerage charges raised in error over a number of years and greater than anticipated revenue from water usage charges.
- Fees and charges are \$28k under budget due to the following variations:
 - Ferry fares \$18k
 - Building and property related fees -\$19k (due to a \$53k partial refund of fees relating to a withdrawn development application)
 - Licences and Other fees and charges -\$27k (due to a timing difference with the raising of Trade Waste fees)
- Interest received has exceeded budget expectations and is \$12k ahead of budget.
- Other recurrent income is \$1.1m ahead of budget mainly as a result of:
 - An additional \$63k received in rental income
 - Funds received for RMPC work undertaken \$74k (budget timing difference)
 - Receipt of \$823k from the Department of Natural Resources and Mines (DNRM), representing Council's revenue share from the sale of operational trust land, as per the DNRM Revenue Share Policy.

On the operating expenditure side, year to date expenditure variations to budget are as follows:

- Employee benefits expenditure is \$585k under budget and can be impacted by various factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure.
- Materials and Services expenditure is over budget by \$670k and is impacted by a number of timing differences and by the use of agency staff where necessary to cover staff vacancies (offset by under expenditure on employee benefits). It is also impacted by the following specific factors, which will result in an overspend on materials and services for the financial year (as evidenced in the graph shown below):
 - Emergent works due to recent weather events \$417k (will be offset by future funding)
 - Council expenses related to the dry docking of the Daintree Ferry \$121k
 - RMPC work \$175k (contract work offset by revenue)

While committals currently equal \$2.1m it should be noted that approximately \$1m of these committals relate to annual expenditure contracts. These committals are regularly reviewed and as we approach the end of financial year they should reduce much further.

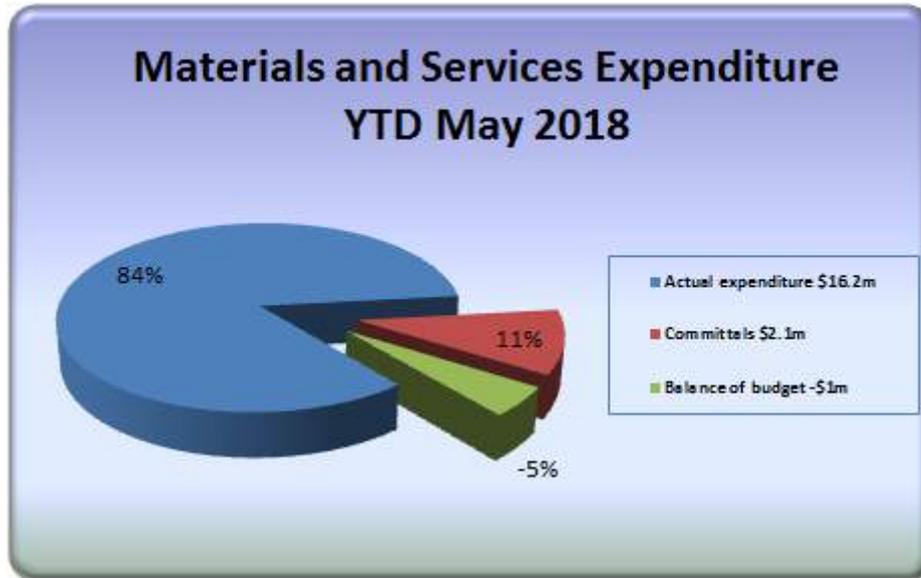


Figure 1.

- The depreciation budget was adjusted in the budget review, primarily as a result of the flow-on effect of the 2016/17 asset revaluations. Depreciation expense is currently \$1m under budget and while this expense is expected to move closer to budget as we approach the end of the financial year (and capital projects continue to be completed, capitalised and depreciated), overall depreciation is now anticipated to be under budget due to a delay in the completion of some projects (such as the new reservoir).

Capital Revenue and Expenditure

Key point:

- *Council has received 51% of its annual budgeted capital grants and subsidies, which mainly relates to the reservoir project, Works for Queensland and NDRRA funding.*

Significant adjustments were made to capital revenue and expenditure in the budget review with the inclusion of carry forwards (uncompleted works) from the previous financial year, capital project adjustments and new capital projects, the Works for Queensland (W4Q) program and NDRRA restoration works.

It should be noted that in addition to year to date expenditure a further \$6.1m had been committed as at the end of May.

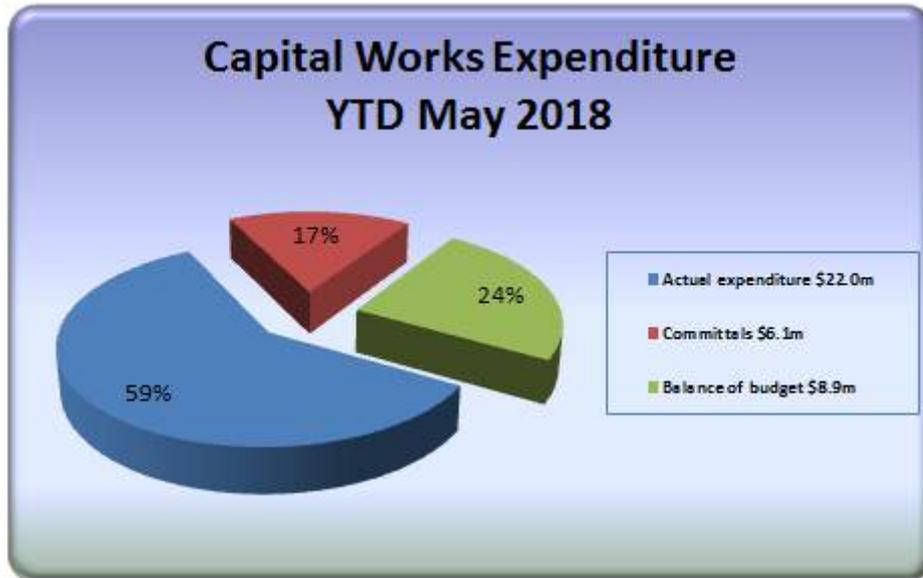


Figure 2.

Operating Result

Key point:

- the operating result is \$2m ahead of budget

As reflected in the attached report, total operating revenue at the end of May was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$664k compared to a budgeted operating deficit of \$1.3m. As mentioned above however, this result does not include any committeds for materials and services.



Figure 3.

ESTIMATED FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDING 30 JUNE 2017

Two columns have been added to the attached financial report to show the estimated financial position and variance to budget for the financial year ending 30 June 2018. This estimate is based on information available (including the variance explanations outlined above) and assumptions made at the time of preparing this report.

Council's estimated financial position as at 30 June 2018 will also be dependent upon the outcomes of the end of financial year and final audit processes.

PROPOSAL

The Financial Report for the period ended 31 May 2018 and the Statement of Estimated Financial Position for the 2017/18 financial year be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of May 2018 have not revealed any significant overall negative impacts on the 2017/18 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.

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 May 2018 + Statement of Estimated Financial Position
[3.10.1]

Douglas Shire Council Statement of Comprehensive Income For the month of May 2018	Actual YTD 18 \$	Budget YTD 18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18	Estimated Position June 2018 Actual \$	Variance \$
Operating Revenue							
Net rates and utility charges	29,962,139	29,982,443	(20,304)	32,563,015	92%	32,563,015	-
Fees and charges	4,757,683	4,785,774	(28,091)	5,176,949	92%	5,148,858	(28,091)
Grants, subsidies, contributions and donations	1,203,856	1,195,471	8,385	1,937,852	62%	1,937,852	-
Interest received	814,660	803,068	11,592	873,790	93%	873,790	-
Other recurrent income	1,657,709	580,920	1,076,789	648,327	256%	1,675,116	1,026,789
Total Operating Revenue	38,396,047	37,347,676	1,048,371	41,199,933	93%	42,198,631	998,698
Operating Expenses							
Employee benefits	11,546,070	12,130,685	584,615	13,709,083	84%	13,124,468	584,615
Materials and services	16,208,946	15,539,680	(669,266)	17,301,003	94%	19,170,269	(1,869,266)
Depreciation	9,898,132	10,932,405	1,034,273	11,526,237	86%	10,891,964	634,273
Finance costs	79,133	78,960	(173)	85,000	93%	85,000	-
Total Recurrent Expenses	37,732,280	38,681,730	949,450	42,621,323	89%	43,271,700	(650,377)
Operating Result	663,767	(1,334,054)	1,997,821	(1,421,390)	(47%)	(1,073,068)	348,322
Capital revenue							
Capital grants and subsidies	8,637,148	16,878,020	(8,240,872)	16,878,020	51%	10,856,831	(6,021,189)
Total capital revenue	8,637,148	16,878,020	(8,240,872)	16,878,020	51%	10,856,831	(6,021,189)
Net result	9,300,915	15,543,966	(6,243,051)	15,456,630	60%	9,783,763	(5,672,867)
Capital works program							
Capital additions	21,993,005	37,060,020	15,067,015	37,060,020	59%	26,459,215	10,600,805
Total capital additions	21,993,005	37,060,020	15,067,015	37,060,020	59%	26,459,215	10,600,805
NDRRA portion of Capital Works Program (included above)							
Capital grants and subsidies	1,074,801	4,243,700	(3,168,899)	4,243,700	25%	1,109,019	(3,134,681)
Capital additions	1,426,311	3,638,870	2,212,559	3,638,870	39%	1,456,311	2,182,559
Net position	(351,510)	604,830	(956,340)	604,830		(347,292)	(952,122)