

## **5.09. FINANCIAL REPORT FOR THE PERIOD ENDING 30 NOVEMBER 2015, INCLUDING 2015/16 REVISED BUDGET FIGURES**

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**DEPARTMENT:** Finance and IT

### **RECOMMENDATION**

**That Council:**

- 1. Notes the Financial Report for the period ended 30 November 2015; and**
  - 2. Adopts the 2015/16 Revised Budget figures.**
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### **EXECUTIVE SUMMARY**

The attached Financial Report details the progress of the 2015/16 budget for the period ending 30 November 2015 and also includes 2015/16 revised budget figures. The revised budget:

- allows for the carry forward of uncompleted capital works (and associated revenue) from the 2014/15 financial year
- includes a few items of capital expenditure approved by Council since the adoption of the original budget
- incorporates revised figures for NDRRA revenue and expenditure
- corrects a few timing issues relating to operating revenue, for example the budget timing of the receipt of Grants Commission funds.

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

Key points to note include the following:

- operating revenue currently exceeds budget expectations, mainly due to the unexpected early receipt of Grants Commission funds.
- operating expenditure is well under budget.
- the operating surplus is currently \$2.9m compared to a budgeted surplus of \$371k

### **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 the budget. 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.

### **COMMENT**

The 2015/16 annual budget was adopted on 24 June 2015 and the attached financial report details progress against budget for the period ending 30 November 2015. The report is

prepared on an accrual basis and includes revenue earned and expenditure incurred during this period. A high level review of the budget has been undertaken and the report also includes proposed revisions to the capital revenue, capital expenditure and NDRRA areas of the budget.

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. The report also includes a number of tables relating to the revised budget.

## PROGRESS AGAINST YEAR TO DATE BUDGET FOR THE PERIOD ENDING 30 NOVEMBER 2015 (BASED ON THE ADOPTED BUDGET)

### Operating Revenue and Expenditure

#### Key points:

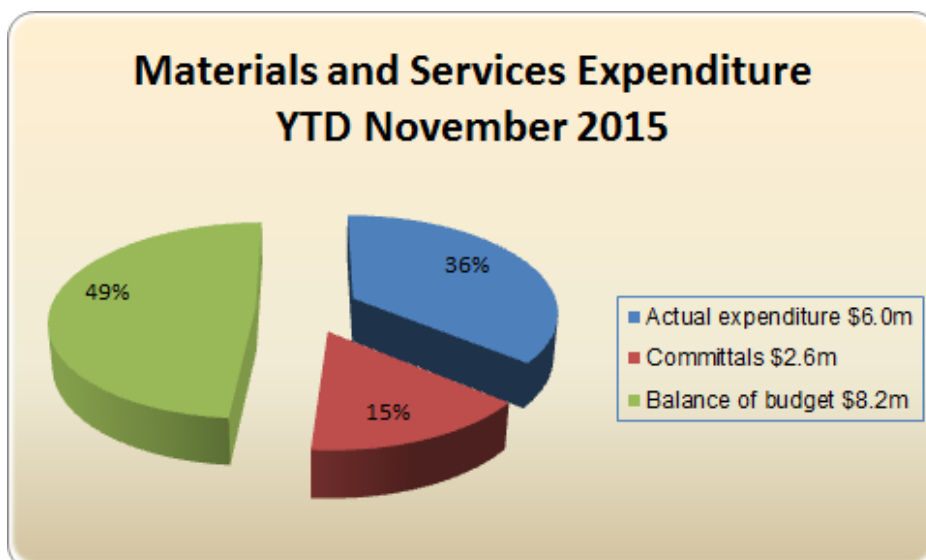
- *Council has received 50% of its annual budgeted operating revenue, including the early receipt of 50% of its annual allocation of Grants Commission funds*
- *year to date operating expenditure is currently well under budget*

Most categories of year to date operating revenue are close to budget, with the exception of:

- Grants and subsidies which are currently well ahead of budget as a result of the unexpected early receipt of 50% of Council's allocated Grants Commission funds.
- Fees and charges which are currently \$187k ahead of budget, due to the following year to date variations:
  - Ferry fares \$91k
  - Licences and Other fees and charges \$96k

On the operating expenditure side all categories of year to date operating expenditure are under or equal to budget as follows:

- Employee benefits expenditure is under budget by \$212k and can be impacted by various factors, such as staff vacancies, the amount of leave taken and the allocation of costs to capital expenditure.
- Materials and Services expenditure is under budget by \$1.7m and whilst committals equal \$2.6m it should be noted that many of these committals relate to annual expenditure contracts.



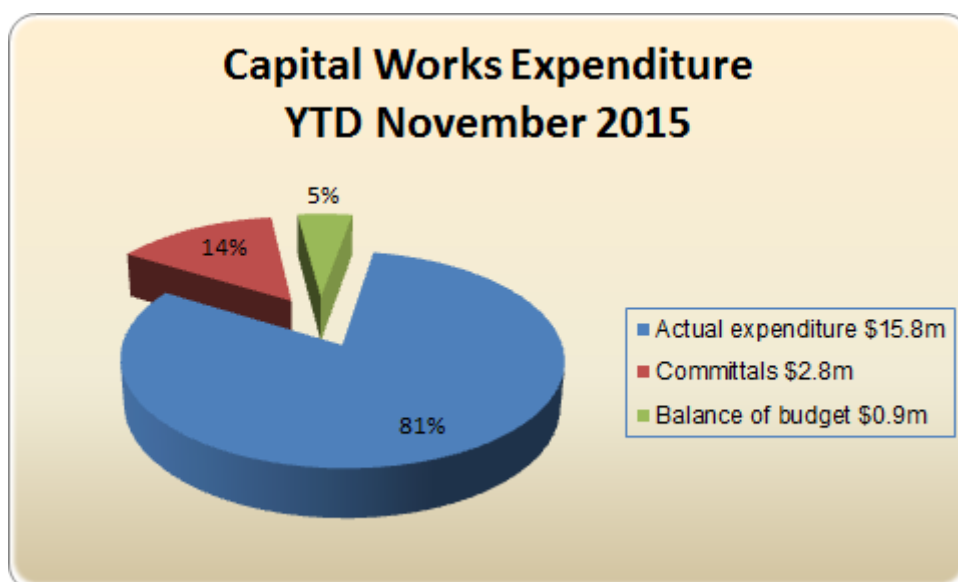
- Depreciation expense has been accrued based on the budget forecast and will be updated with actual depreciation once the asset register is rolled into 2015/16.

### Capital Revenue and Expenditure

#### Key point:

- *Council has received 71% of its annual budgeted capital grants and subsidies, which mainly relates to NDRRA work*

Full budget amounts for capital revenue and expenditure were allocated to July, as the timing of this work had not been fully determined when the original budget was prepared. (As noted later in this report, these amounts are proposed to be adjusted as part of the budget review). It should be noted that in addition to year to date expenditure a further \$2.8m had been committed as at the end of November.

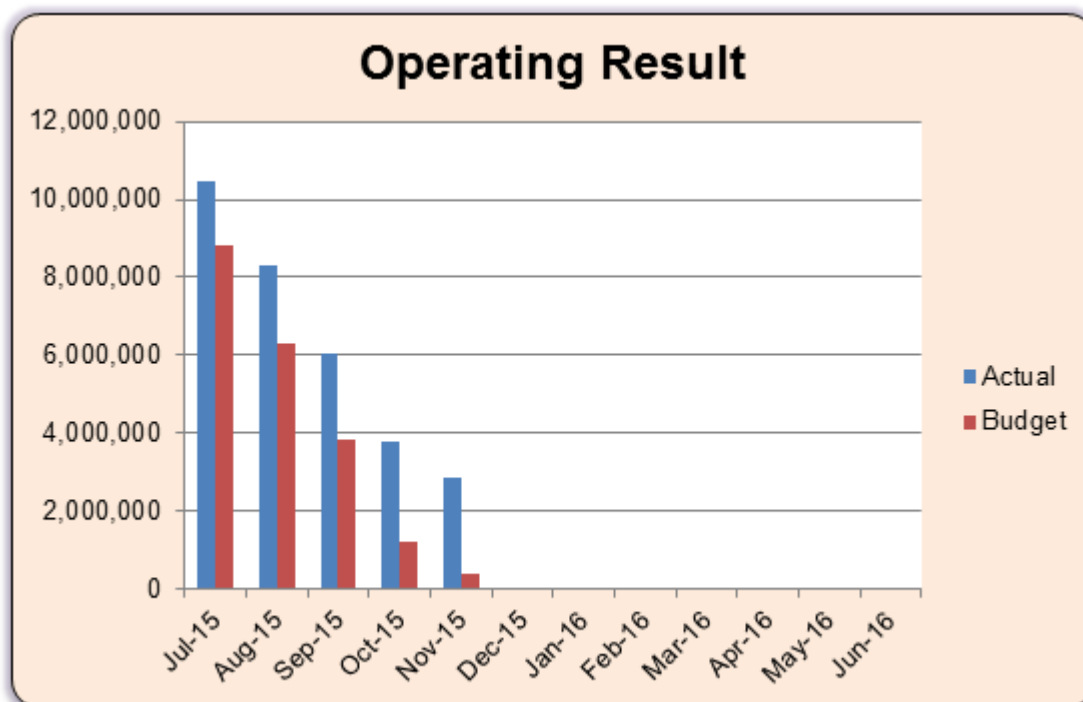


### Operating Result

#### Key point:

- *the operating result is \$2.5m ahead of budget*

As reflected in the attached report, total operating revenue at the end of November was ahead of budget whereas operating expenditure was well under budget. This has resulted in an operating surplus of \$2.9m compared to a budgeted surplus of \$371k. As mentioned above however, this result does not include any committals for materials and services and is also impacted by the early receipt of Grants Commission funds.



### PROPOSED ADJUSTMENTS TO THE ADOPTED BUDGET (BUDGET REVIEW)

A high level review of Council's 2015/16 budget has now been undertaken and apart from a few budget timing adjustments (particularly Grants Commission revenue) no changes are proposed for the operating revenue and operating expenditure areas of the budget. There are however proposed changes relating to the annual budgets for the capital revenue, capital expenditure and NDRRA areas of the budget to take into consideration:

- the carry forward of uncompleted capital works (and associated revenue) from the 2014/15 financial year
- a few additional items of capital expenditure (and associated revenue) approved by Council since the adoption of the original budget
- revised estimates for NDRRA capital revenue and capital expenditure

### Uncompleted 2014/15 Capital Works Carried Forward

A number of capital works items included in the 2014/15 budget were either not commenced prior to 30 June 2015 or were commenced but not completed until the current financial year. The revised budget figures make allowance for the unspent budget amounts from 2014/15 to be carried forward to 2015/16 for the completion of these works. The revised budget also includes carried forward grant revenue relating to these capital works items. The difference between the expenditure and grant budget amounts is funded from general revenue and reserve funds (which had been allocated to these items but was unspent during 2014/15). The following table provides details of the capital works items and their associated budget amounts.

<b>Uncompleted 2014/15 Capital works carried forward</b>	<b>Carried Forward Expenditure Budget \$</b>	<b>Carried Forward Grants Budget \$</b>	<b>Status as at 09/12/15</b>
- Cycling/Walking Strategy Implementation	18,502		Completed
- Grant Funding - Daintree Gateway	34,807	10,208	Completed
- Capital Fleet Purchase - Vehicles, Plant 2014- 2015	188,642		Completed
- Mossman WWTP Oxidation Ditch Capacity Improvement	8,461		Completed
- Implementation of Process Recommendations WWTP PD & Mossman	1,480		Completed
- Sewer Investigation and Relining Mossman & Port Douglas	13,199		WIP
- Mossman Aeration System Upgrade (Surface Aerators)	13,918		Completed
- China Camp (Fischers Bridge) Replacement	212,113		Completed
- Wharf Street Rex Smeal Drainage Work	1,020		Completed
- Footpath Renewal Front Street Mossman	9,689		Completed
- Footpath Renewal Connect Old Cooya to Ocean Breeze	55,931		WIP
- Implementation of Gas Chlorine Disinfection. Costing at early stage and a 5 year down payment agreement with supplier for the supply of equipment a possibility. Estimated total cost for consultation, equipment, telemetry, specialised reservoir dosing equipment.	30,533		Completed
- Refurbish, commission and integrate Mossman Reservoir back on line	15,431		Completed
- Up-grade Mowbray supply scheme: Upgrade 80mm AC water main to 150mm Class 16 PVC Main, length 5kms	272,865		Completed
- Repair and Upgrade of drainage system (spillways) as per TEP SDP	82,452		Completed
- #CULVERT 3	64,105	64,191	Completed
- Sugar Wharf Building (Historical Building) - 5 yr Renewal Plan - Replace roof screws & valley guttering, Replace Rotted timber with New	43,227		Completed
- Grant Funding - Mossman Causeways - Daintree Flood Gauge Automation	28,450	28,450	Completed
- Diggers Bridge - Major Works Replacement	146,191		Completed
- Land Purchase Capital Works Freehold	628,047		Completed
- Grant Funding - DLGCRR - Degarra Causeways Access Flood Immunity Upgrade	785,395	420,396	Completed
- Killaloe - Leachate Well Upgrades, pump replacement and gantry installation	16,314		WIP
- Killaloe Landfill - Development of Leachate Management Plan	21,595		WIP
- Killaloe - Replacement of Bunded Area for Hazardous Waste	30,000		Completed
- Killaloe - Drop bay reinforcement. Steel plates to line the bays. Stability of the existing bay walls is questionable. Large fissures, cracks and crumbling occurring.	100,000		WIP
- Killaloe - Closure of Phase A. Staged capping of Landfill as per TEP SDP	126,300		WIP
- Killaloe - Closure of Phase B. Staged capping of Landfill as per TEP SDP. Due June 2015	146,100		WIP
- Killaloe - Replace broken leachate irrigation system. Not repairable. Requirement of Environmental Authority	6,724		Completed
- Killaloe - Purchase and install cardboard baler. Cost to send loose cardboard for recycling not cost effective.	20,000		WIP
- Mahogany Street Reline Pipes	38,181		Completed
- Renewal of Kerb & Channel - Mossman Street	37,705		Completed
- Renewal, Kerb & Channel - Quaid St	21,705		Completed
- Renewal, Kerb & Channel - Grant St	9,175		Completed
- Port Douglas Waterfront improvements	45,065		WIP
- Newell Beach Geofabric Groyne	28,500		WIP
- Thornton Beach Next Step - Toilet Block Installation	73,794		Completed
- Landscape of Mossman Streetscape - Front Street	94,029		WIP
	<b>3,469,645</b>	<b>523,245</b>	

## NDRRA

The following table provides a summary of the revised budget figures applicable to Council's NDRRA Restoration of Essential Public Assets (REPA) capital expenditure and revenue.

<b><i>NDRRA REPA SUMMARY</i></b>	<b>Expenditure Budget \$</b>	<b>Revenue Budget \$</b>	<b>Net Movement \$</b>
Total Planned REPA	21,963,328	21,744,264	-219,064
Less: Expensed/Received 2014/15	3,193,376	4,653,622	1,460,246
<b>Planned REPA 2015/16</b>	<b>18,769,952</b>	<b>17,090,642</b>	<b>-1,679,310</b>
Carry Forward REPA from 2014/15	3,766,813	2,306,567	-1,460,246
Budgeted REPA 2015/16	9,060,000	9,000,000	-60,000
Additional Budgeted REPA for 2015/16	5,943,139	5,784,075	-159,064
<b>Revised Budget for REPA 2015/16</b>	<b>18,769,952</b>	<b>17,090,642</b>	<b>-1,679,310</b>

### Summary of Proposed Budget Adjustments

The following table provides a summary of all of the proposed adjustments to Council's 2015/16 capital revenue, capital expenditure and NDRRA areas of the budget, including additional items of capital expenditure (and associated revenue) approved by Council since the adoption of the original budget.

<b><i>CAPITAL REVENUE</i></b>	<b>\$</b>
Capital grants and subsidies	
- Balance of unspent Capital revenue based on 2014/15 Capital works projects carried forward	523,245
- Uncompleted 2014/15 NDRRA asset restoration work carried forward	2,306,567
- Cow Bay Toilet Block (Qld Parks & Wildlife Service Grant) - Mayoral Minute - 18th August 2015	80,000
- Banabilla Road Causeway (R2R Grant Funds) - Council Report 8.1 - 7th July 2015	360,370
- NDRRA asset restoration work - addition to original budget estimate for 2015/16	5,784,075
<b>Adjustments to Total Capital Revenue</b>	<b>9,054,257</b>
<b><i>CAPITAL EXPENSES</i></b>	<b>\$</b>
Capital expenses	
- Uncompleted 2014/15 Capital works projects carried forward	3,469,645
- Uncompleted 2014/15 NDRRA asset restoration work carried forward	3,766,813
- Thornton Beach Toilets - approved 2014/15 - additional cost 2015/16	40,000
- Mossman Hall Hose Reels (4 Mill Street) - Council Report 5.9 - 31st July 2015	85,000
- Cow Bay Toilet Block (Qld Parks & Wildlife Service Grant) - Mayoral Minute - 18th August 2015	90,000
- Banabilla Road Causeway (R2R Grant Funds) - Council Report 8.1 - 7th July 2015	360,370
- NDRRA asset restoration work - addition to original budget estimate for 2015/16	5,943,139
<b>Adjustments to Total Capital Expenses</b>	<b>13,754,967</b>

Attachment 1 to this report shows the Financial Statement for the Period Ending 30 November 2015 and incorporates three additional columns which show the abovementioned proposed adjustments, the resulting revised budget figures for the 2015/16 financial year and actual year to date expenditure as a percentage of the revised budget figures. The proposed adjustments are summarised in the following table.

<b>CATEGORY</b>	<b>2015/16 ADOPTED BUDGET</b>	<b>BUDGET ADJUSTMENT</b>	<b>2015/16 REVISED BUDGET</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Revenue	36,323,299		36,323,299
Operating Expenses	39,944,669		39,944,669
<b>Operating Result</b>	<b>-3,621,370</b>		<b>-3,621,370</b>
Capital revenue	9,375,000	9,054,257	18,429,257
<b>Net result</b>	<b>5,753,630</b>	<b>9,054,257</b>	<b>14,807,887</b>
Capital works program	19,473,500	13,754,967	33,228,467
<b>NDRRA portion of Capital Works Program (included above)</b>			
Capital grants and subsidies	9,000,000	8,090,642	17,090,642
Capital additions	9,060,000	9,709,952	18,769,952
Net position (NDRRA)	-60,000	-1,619,310	-1,679,310

## PROPOSAL

The Financial Report for the period ending 30 November 2015 be received and noted by Council and that Council adopts the 2015/16 Revised Budget figures.

## FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of November 2015 have not revealed any significant negative impacts on the 2015/16 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

Attachment 1 - Financial Report



<b>Douglas Shire Council Statement of Comprehensive Income For the month of November 2015</b>						<b>BUDGET ADJUSTMENT</b>	<b>REVISED BUDGET</b>	<b>Actual as % of Revised Budget</b>
	<b>Actual YTD '16</b>	<b>Budget YTD '16</b>	<b>Variance</b>	<b>Budget 15/16</b>	<b>Actual as % of Budget 15/16</b>	<b>\$</b>	<b>\$</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>				
<b>Operating Revenue</b>								
Net rates and utility charges	14,035,006	13,987,259	47,747	29,149,838	48%	-	29,149,838	48%
Fees and charges	2,469,397	2,281,665	187,732	4,198,518	59%	-	4,198,518	59%
Grants, subsidies, contributions and donations	1,054,378	706,736	347,642	1,415,891	74%	-	1,415,891	74%
Interest received	435,735	418,993	16,742	934,220	47%	-	934,220	47%
Other recurrent income	242,780	263,291	(20,511)	624,832	39%	-	624,832	39%
<b>Total Operating Revenue</b>	<b>18,237,296</b>	<b>17,657,944</b>	<b>579,352</b>	<b>36,323,299</b>	<b>50%</b>	<b>-</b>	<b>36,323,299</b>	<b>50%</b>
<b>Operating Expenses</b>								
Employee benefits	4,984,796	5,196,664	211,868	12,646,644	39%	-	12,646,644	39%
Materials and services	6,023,090	7,722,845	1,699,755	16,764,742	36%	-	16,764,742	36%
Depreciation	4,289,705	4,289,705	-	10,295,283	42%	-	10,295,283	42%
Finance costs	66,040	77,500	11,460	238,000	28%	-	238,000	28%
<b>Total Recurrent Expenses</b>	<b>15,363,631</b>	<b>17,286,714</b>	<b>1,923,083</b>	<b>39,944,669</b>	<b>38%</b>	<b>-</b>	<b>39,944,669</b>	<b>38%</b>
<b>Operating Result</b>	<b>2,873,665</b>	<b>371,230</b>	<b>2,502,435</b>	<b>(3,621,370)</b>	<b>(79%)</b>	<b>-</b>	<b>(3,621,370)</b>	<b>(79%)</b>
<b>Capital revenue</b>								
Capital grants and subsidies	6,639,271	9,375,000	(2,735,729)	9,375,000	71%	9,054,257	18,429,257	36%
<b>Total capital revenue</b>	<b>6,639,270</b>	<b>9,375,000</b>	<b>(2,735,730)</b>	<b>9,375,000</b>	<b>71%</b>	<b>9,054,257</b>	<b>18,429,257</b>	<b>36%</b>
<b>Net result</b>	<b>9,512,936</b>	<b>9,746,230</b>	<b>(233,294)</b>	<b>5,753,630</b>	<b>165%</b>	<b>9,054,257</b>	<b>14,807,887</b>	<b>64%</b>
<b>Capital works program</b>								
Capital additions	15,777,609	19,473,500	3,695,891	19,473,500	81%	13,754,967	33,228,467	47%
<b>Total capital additions</b>	<b>15,777,609</b>	<b>19,473,500</b>	<b>3,695,891</b>	<b>19,473,500</b>	<b>81%</b>	<b>13,754,967</b>	<b>33,228,467</b>	<b>47%</b>
<b>NDRRA portion of Capital Works Program (included above)</b>								
Capital grants and subsidies	6,411,014	9,000,000	(2,588,986)	9,000,000	71%	8,090,642	17,090,642	38%
Capital additions	13,170,760	9,060,000	(4,110,760)	9,060,000	145%	9,709,952	18,769,952	70%
<b>Net position</b>	<b>(6,759,746)</b>	<b>(60,000)</b>	<b>(6,699,746)</b>	<b>(60,000)</b>		<b>(1,619,310)</b>	<b>(1,679,310)</b>	