

5.2. MONTHLY FINANCIAL REPORT AUGUST 2019

REPORT AUTHOR	Tara Killeen, Chief Financial Officer
MANAGER	Mark Stoermer, Chief Executive Officer
DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 31 August 2019.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2019/20 budget for the period ended 31 August 2019. Key points to note include the following:

- Operating revenue is ahead of budget by \$311k.
- Operating expenditure is under budget by \$1.3m.
- The operating Surplus is currently \$8.9m compared to a budgeted Surplus of \$7.3m.

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 the current financial year's 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 2019/20 annual budget was adopted on 25 June 2019 and the attached financial report details progress against budget for the period ended 31 August 2019. 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, including the provision of relevant graphs.

Operating Revenue and Expenditure

Key points:

- Council has received 35% 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 variations occurring primarily within the categories as follows:

- Fees and charges are ahead of budget by \$20k. This is due to the following:
 - Daintree Ferry revenue currently \$25k ahead of budget
 - Building and Property Related Fees currently \$17k ahead budget.
 - Refuse Tipping fees are currently 18k behind budget

- Grants and subsidies are ahead of budget by \$342k, partially due to the timing of receipt of funding. In addition to this, Council received Grant funding in FY18/19 of \$114k for Storm Tide Study, \$40k for Hiptage & \$120k for Waste Levy. Audit advice has been to carry forward these grants to the FY 19/20.
- Other recurrent income is under budget \$64k primarily due to timing of Roads Maintenance Performance Contract works.

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

- Employee benefits expenditure is \$294k under budget and may be impacted by various factors, such as staff vacancies, the amount and timing of leave taken and the allocation of costs to capital expenditure. Work Cover Insurance premium is budgeted for expenditure in August but has not yet been received.
- Materials and services expenditure is under budget \$1m. Committals are currently \$5.7m including Annual Expenditure purchase orders.
- Depreciation expense has been accrued based on the budget forecast. The asset register is still being finalised as part of the 2018/19 end of financial year process and cannot be updated with actual depreciation for the new financial year until this process is completed.

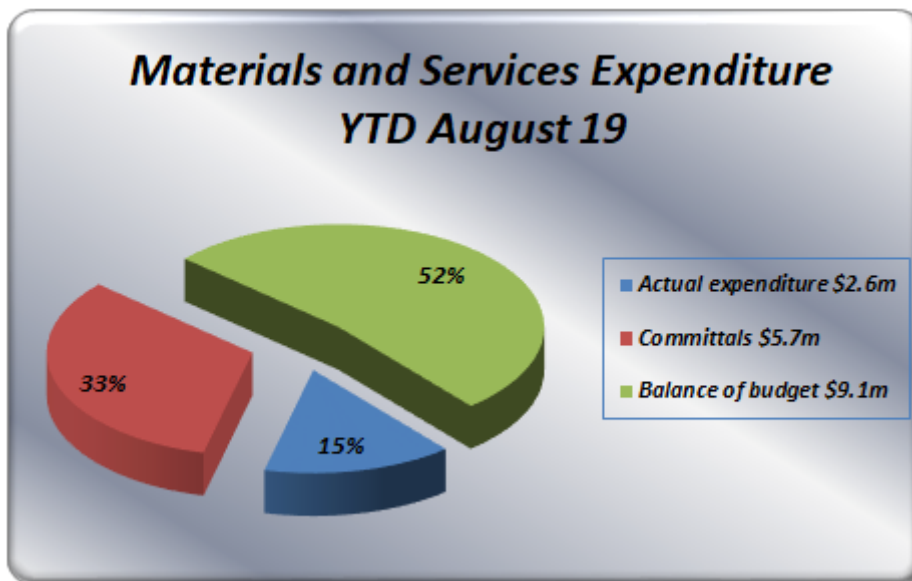


Figure 1.

Capital Revenue and Expenditure

Key point:

- Council has received 28% of its annual budgeted capital grants and subsidies at this early stage of the financial year
- Full budget amounts for capital revenue and expenditure are allocated to July. These amounts will be adjusted as part of a future budget review to take into account carry forwards (uncompleted works) from the previous financial year and any new capital projects.

It should be noted that in addition to year to date capital expenditure a further \$4.5m had been committed as at the end of August.

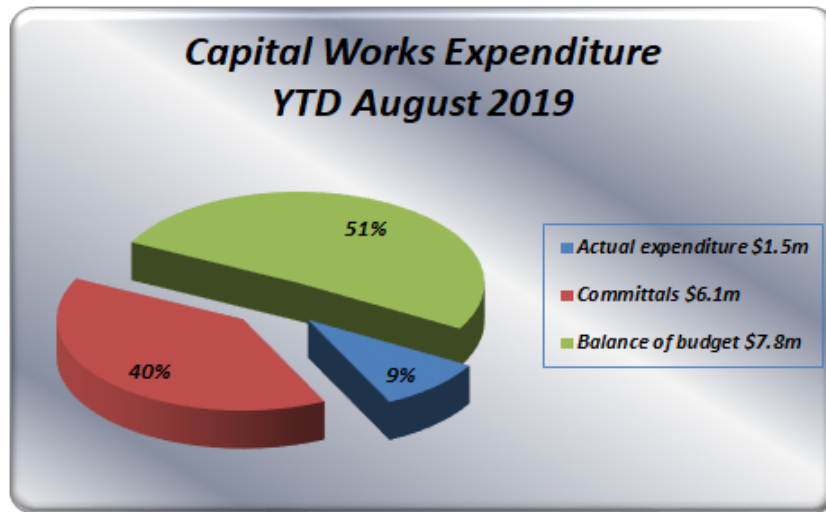


Figure 2.

Operating Result

Key point:

- The operating result is \$1.6m ahead of budget

As reflected in the attached report, total operating revenue at the end of August was ahead of budget and operating expenditure was under budget. This has resulted in an operating surplus of \$8.9m compared to a budgeted surplus of \$7.3m.

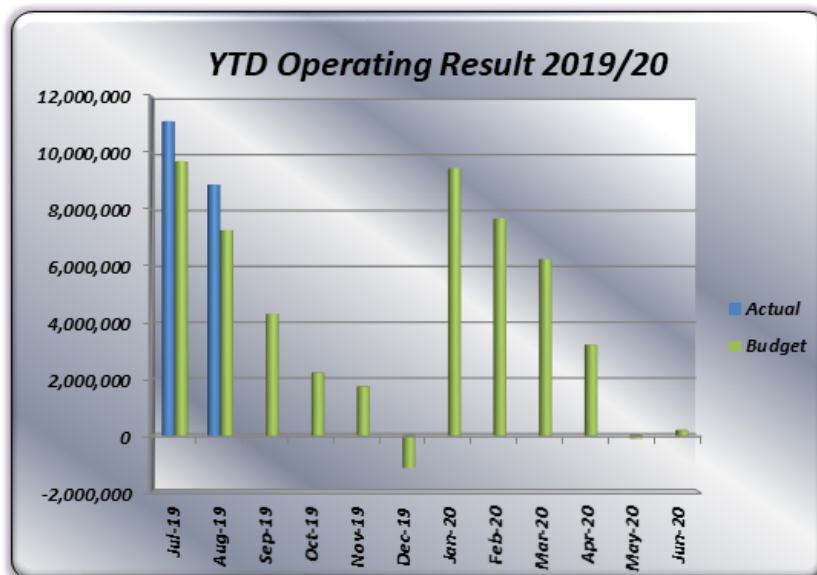


Figure 3.

PROPOSAL

The Financial Report for the period ended 31 August 2019 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of August 2019 have not revealed any significant negative impacts on the 2019/20 budget.

RISK MANAGEMENT IMPLICATIONS

Monthly financial reporting keeps Council informed of the progress in relation to the budget and allows for timely corrective action if required.

SUSTAINABILITY IMPLICATIONS

Economic: Council has adopted the first budget surplus since de-amalgamation which, if achieved will see Council meet all three of the 'measures of financial sustainability'.

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Goal 1 - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

Goal 3 - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Custodian Council owns and manages infrastructure, facilities, reserves, resources and natural areas. In fulfilling its role as custodian, Council will be mindful of the community, the economy, the environment and good governance.

Regulator Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator,

Council will utilise an outcomes-based approach that balances the needs of the community with social and natural justice.

ATTACHMENTS

1. Financial Report August 2019 [**5.2.1** - 1 page]

Douglas Shire Council Statement of Comprehensive Income For the month of August 2019	Actual YTD 20 \$	Budget YTD 20 \$	Variance \$	Budget 19/20 \$	Actual as % of Budget 19/20
Operating Revenue					
Net rates and utility charges	13,409,951	13,413,536	(3,585)	34,849,270	38%
Fees and charges	1,608,632	1,588,295	20,337	5,601,566	29%
Grants and subsidies	563,685	222,030	341,655	2,899,962	19%
Interest received	147,754	130,771	16,983	803,575	18%
Other recurrent income	58,550	122,596	(64,046)	996,089	6%
Total Operating Revenue	15,788,572	15,477,228	311,344	45,150,462	35%
Operating Expenses					
Employee benefits	2,178,161	2,472,241	294,080	14,813,589	15%
Materials and services	2,605,627	3,613,433	1,007,806	17,453,175	15%
Depreciation	2,116,704	2,116,704	-	12,616,241	17%
Finance costs	8,919	6,693	(2,226)	88,127	10%
Total Recurrent Expenses	6,909,411	8,209,071	1,299,660	44,971,130	15%
Operating Result	8,879,161	7,268,157	1,611,004	179,332	4951%
Capital Revenue					
Capital grants and subsidies	378,000	1,089,400	(711,400)	1,089,400	35%
Contributions from developers	-	250,000	(250,000)	250,000	0%
Total capital revenue	378,000	1,339,400	(961,400)	1,339,400	28%
Net Result	9,257,161	8,607,557	649,604	1,518,732	610%
Capital Works Program					
Capital additions	1,460,810	15,434,955	13,974,145	15,434,955	9%
Total capital additions	1,460,810	15,434,955	13,974,145	15,434,955	9%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	-	-	-	-	
Capital additions	404,855	-	(404,855)	-	
Net position	(404,855)	-	(404,855)	-	