

ORDINARY MEETING  24 MARCH 2015	5.4
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FINANCIAL REPORT FOR PERIOD ENDING 28 FEBRUARY 2015, INCLUDING  
2014/15 REVISED BUDGET FIGURES  
Darryl Crees – General Manager Corporate Services

**RECOMMENDATIONS:**

**That Council:**

1. **Notes the Financial Report for the period ended 28 February 2015.**
2. **Adopts the 2014/15 Revised Budget figures.**

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**EXECUTIVE SUMMARY:**

The attached Financial Report details the progress of the 2014/15 budget for the period ending 28 February 2015 and also includes 2014/15 revised budget figures. The revised budget includes re-estimates in a number of key revenue and expenditure areas, takes into account increased grant revenue, corrects a few budget allocations, incorporates NDRRA revenue and expenditure, allows for the carry forward of uncompleted capital works (and associated revenue) from the 2013/14 financial year and includes a few items of capital expenditure approved by Council since the adoption of the original budget. Adoption of the revised figures will provide a much closer alignment of the budget with actual revenue and expenditure and therefore will result in an improved budgeted operating position and net result for the 2014/15 financial year.

**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.

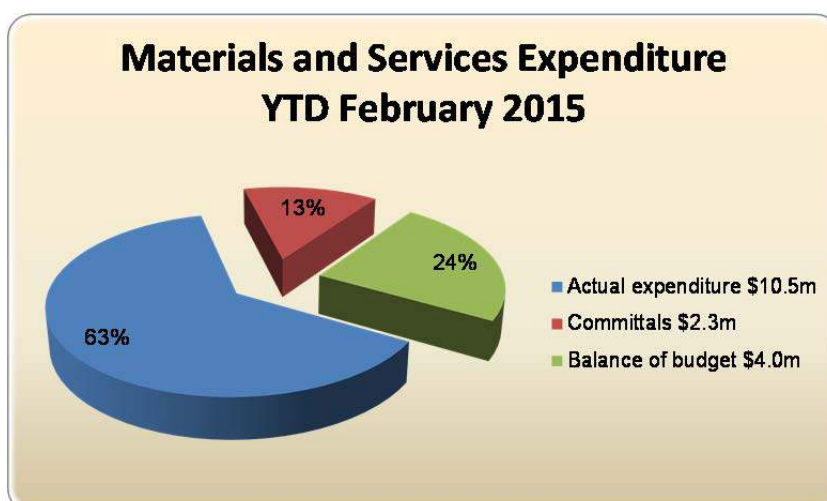
**COMMENT:**

The 2014/15 annual budget was adopted on 27 June 2014 and the attached financial report details progress against budget for the period ending 28 February 2015. A high level review of the budget has been undertaken and the report also includes proposed revisions to the budget figures in a number of key areas, resulting in an improved projected operating position for the financial year.

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. Committals represent goods and/or services for which an order has been raised but cannot be expensed until those goods and/or services are received by Council. In many instances orders are raised to cover known expenditure for the full financial year and are expensed progressively throughout the year as the goods and/or services are received eg existing contracts such as waste collection. The report also includes a number of tables relating to the revised budget.

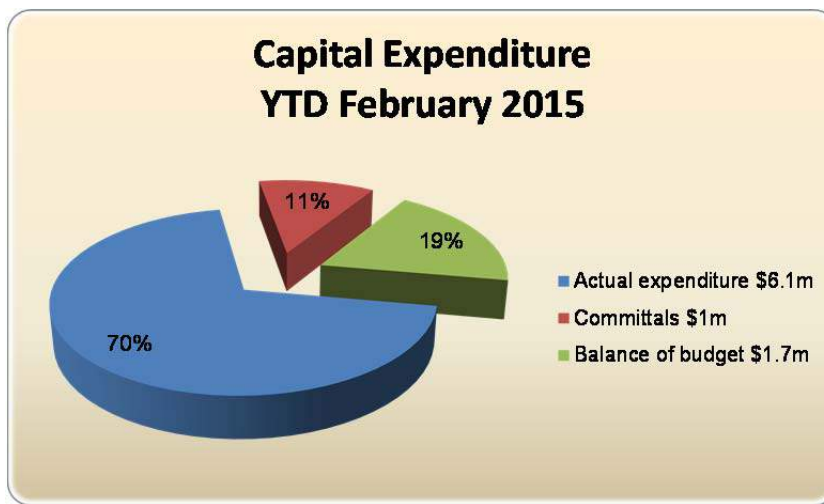
### Progress against year to date budget for the period ending 28 February 2015

- Fees and charges revenue is still well ahead of the year to date budget mainly due to differences between the distribution of the budget over the twelve month period compared to the timing of when the actual revenue is earned. These timing differences should balance out by the end of the financial year (and the variance pattern will be taken into consideration when developing the 2015/16 draft budget).
  - Revenue from fees and charges currently exceeds budget by \$554k and includes the following year to date variations:
    - Building and property related fees \$171k
    - Licences \$47k
    - Private works \$70k
    - Refuse tipping fees \$27k
    - Ferry fares \$128k
    - Other fees and charges \$111k
  - Building and property related fees have also exceeded anticipated annual revenue and therefore an appropriate adjustment for this category of fees and charges is included in the revised budget.
- Grant revenue has exceeded budget as a result of a greater than anticipated increase in the Grants Commission Financial Assistance Grant and as a result of the receipt of \$657k from the Natural Disaster Relief and Recovery Arrangements (NDRRA) for funding of expenditure incurred during the 2013/14 financial year and the early part of the 2014/15 financial year on Counter Disaster Operations and Emergent Works as a result of a monsoonal event and Cyclone Ita in early 2014. Adjustments for these amounts are included in the revised budget.
- Interest received has exceeded budget as a result of greater than anticipated revenue from interest on outstanding rates and utility charges (\$26k) and from funds invested (\$244k). A re-estimate of the latter is included in the revised budget.
- Employee benefits expenditure can be impacted by various factors, including staff vacancies, the timing of leave taken and the allocation of costs to capital expenditure. As a result, expenditure is still currently under budget.
- Materials and Services expenditure is under budget by \$1m however current committals exceed this amount and include annual orders for some services.



- Depreciation expense has been determined based on Council's asset register, which was not available at the time of preparing the original budget. Accordingly, a revised estimate is included in the revised budget.

- Full budget amounts for Capital expenditure and the associated Capital revenue were allocated to July, as the timing of this work had not been fully determined when the budget was prepared.
  - In addition to year to date Capital expenditure a further \$1m had been committed as at the end of February.
  - Capital grants and subsidies have exceeded budget as a result of the receipt of a \$3.8m advance of approved NDRRA funding towards the cost of approved asset restoration work. Capital contributions have also exceeded budget and a revised revenue estimate is included in the budget review.
  - A revised budget estimate for Capital expenditure and Capital revenue budgets to incorporate NDRRA and also uncompleted capital works carried forward from the 2013/14 financial year is included in the budget review.



As reflected in the attached report, total operating revenue at the end of February was ahead of budget whereas operating expenditure was under budget. This has resulted in an operating surplus of \$6.8m compared to a budgeted surplus of \$3.6m. As mentioned above however, this result is subject to a number of variables, many of which are addressed in the budget review.

### **Proposed adjustments to the adopted budget**

At the time of the preparation and adoption of the 2014/15 budget there was very limited historical trend information available, Council did not have its new asset register in place (for depreciation estimate purposes) and some revenue components of the budget were still to be confirmed eg Council's financial assistance grant.

As a result, a high level review of Council's 2014/15 budget has now been undertaken and the annual budgets for a number of key items have been revised. The following table identifies proposed budget adjustments to various categories of revenue and expenditure, resulting in a closer alignment to actual revenue and expenditure and an improvement to both the budgeted operating result and budgeted net result.

<b>OPERATING REVENUE</b>	<b>\$</b>
Net rates and utility charges	
- Adjustment for Rural Fire Contributions not previously budgeted	35,138
- Re-estimate upwards of Rates remissions, based on actuals	- 27,749
	<u>7,389</u>
Fees and charges	
- Correction of misallocation to Other income in original budget	361,465
- Re-estimate upwards of Building and property related fees, based on actuals	100,000
- Correction of misallocation from Grants, subsidies contributions & donations in original budget	- 107,000
	<u>354,465</u>
Grants, subsidies, contributions and donations	
- Increase in approved Grants Commission Grant	565,594
- Correction of misallocation to Fees and charges in original budget	107,000
- Increase in Community and economic development grants, based on actuals	36,394
- NDRRA revenue based on CDO and Emergent works	657,006
	<u>1,365,994</u>
Interest received	
- Re-estimate upwards of Investment interest	344,000
Other recurrent income	
- Correction of misallocation from Fees and charges in original budget	- 361,465
- Re-estimate upwards of Rental income	174,108
	<u>- 187,357</u>
<b>Adjustments to Total Operating Revenue</b>	<b>1,884,491</b>
<b>OPERATING EXPENSES</b>	
Materials and services	
- Adjustment for Rural Fire Contributions not previously budgeted	35,138
- Increase based on Community and economic development grants	36,394
- NDRRA expenditure relating to Emergent works	146,896
	<u>218,428</u>
Depreciation	
- Re-estimate upwards, based on Asset register	362,547
<b>Adjustments to Total Operating Expenses</b>	<b>580,975</b>
<b>Movement in Operating Result</b>	<b>1,303,516</b>
<b>CAPITAL REVENUE</b>	
Capital grants and subsidies	
- Balance of unspent Capital revenue based on 2013/14 Capital works projects carried forward	704,990
- Degarra Causeways Access Flood Immunity Upgrade Project - Council report 5.7 - 26/08/14	600,565
- NDRRA asset restoration work	6,960,189
	<u>8,265,744</u>
Capital contributions	
- Re-estimate upwards of Developer contributions, based on actuals	150,000
<b>Adjustments to Total Capital Revenue</b>	<b>8,415,744</b>
<b>Movement in Net Result</b>	<b>9,719,260</b>
<b>CAPITAL EXPENSES</b>	
Capital expenses	
- Uncompleted 2013/14 Capital works projects carried forward	1,276,659
- Thornton Beach Toilet Project - outstanding work required under leasing arrangement	80,000
- Mossman TV Broadcast Digital Upgrade	32,737
- Degarra Causeways Access Flood Immunity Upgrade Project - Council report 5.7 - 26/08/14	858,130
- Newell Beach Geo-fabric Groyne - Council report 5.8 - 16/12/14	35,000
- NDRRA asset restoration work	6,960,189
<b>Adjustments to Total Capital Expenses</b>	<b>9,242,715</b>

A number of capital works items included in the 2013/14 budget were commenced prior to 30<sup>th</sup> June 2014 but not completed until the 2014/15 financial year. The revised budget figures make allowance for the portion of unspent budget from 2013/14 to be carried forward to 2014/15 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 (which had been allocated to these items but was unspent during 2013/14). The following table provides details of the capital works items and their associated budget amounts.

<b>Uncompleted 2013/14 Capital works carried forward</b>	<b>Carried Forward Expenditure Budget</b>	<b>Carried Forward Grants Budget</b>
	<b>\$</b>	<b>\$</b>
Skate & BMX facilities Wonga Park	98,035	64,972
Green Building Facilities Program (Yr 1 Solar for the Admin Building)	90,501	
Naiu Bridge Upgrade- Upper Daintree RD	41,111	
Generator Purchase and setup auto switchboard Mossman WW	44,703	
Connelly Bridge over Mowbray Valley - Engineering Design Services - Concrete Causeway	35,375	
Install SCADA Turbidity meter and shut off system- Rex Creek Intake	10,178	
Install new chlorine and caustic dosing pumps at mossman WTP	1,223	
Capital Fleet Purchase - Vehicles, Plant	108,510	
Purchase of Capital IT Equipment	92,833	
Design and Construction of Woobadda Creek Bridge Crossing - by Cook Shire Council	691,917	640,018
BBQ Renewal Program - BBQ to be dismantled and renewed.	10,000	
Warner Bridge Upgrade - Douglas Shire Council & Mackay Sugar Mill	52,273	
	<b>1,276,659</b>	<b>704,990</b>

The overall effect of the proposed budget revision is a \$1.3m improvement in the budgeted operating result and a \$9.7m improvement in the budgeted net result for the 2014/15 financial year, as summarised below:

	<b>2014/15 ADOPTED BUDGET</b>	<b>BUDGET ADJUSTMENT</b>	<b>2014/15 REVISED BUDGET</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Revenue	33,713,108	1,884,491	35,597,599
Operating Expenses	26,231,823	580,975	39,362,530
<b>Operating Result</b>	<b>(5,068,447)</b>	1,303,516	<b>(3,764,931)</b>
Capital revenue	1,152,000	8,415,744	9,567,744
<b>Net result</b>	<b>(3,916,447)</b>	9,719,260	<b>5,802,813</b>
Capital expenses	8,821,525	9,242,715	18,064,240

### **PROPOSAL:**

The Financial Report for the period ending 28 February 2015 be noted by Council and that Council adopts the 2014/15 Revised Budget figures.

**CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE:**

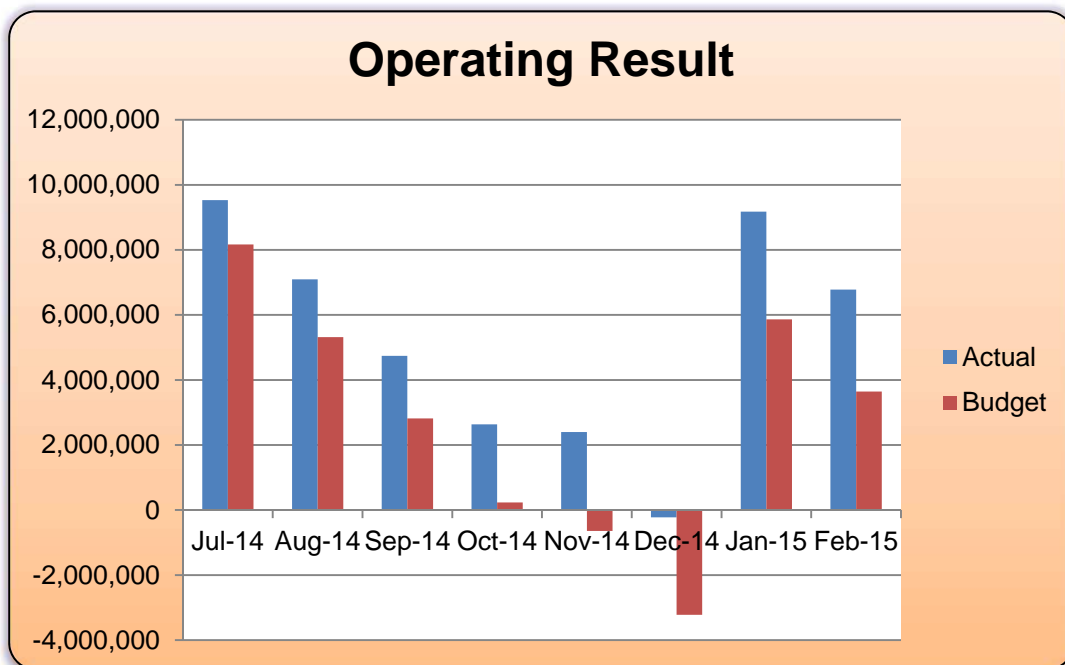
The preparation of this financial report aligns with Council's Corporate Plan –

Theme 5 Governance, Goal 1 “To develop a financially sustainable organisation through sound strategic planning” 5.1.1 “Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs”.

Theme 5 Governance, Goal 2 “To demonstrate leadership in local government through sound, transparent, accountable and equitable decision making” 5.2.1 “Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making”.

**FINANCIAL/RESOURCE IMPLICATIONS:**

The results as at the end of February 2015 have not revealed any significant negative impacts on the 2014/15 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.

**ATTACHMENTS:**

Financial Report

<b>Douglas Shire Council</b>							
<b>Statement of Comprehensive Income</b>							
For the month of <b>FEBRUARY 2015</b>							
	Actual YTD '15	Budget YTD '15	Variance	Budget 14/15	Actual as % of	BUDGET	REVISED
	\$	\$	\$	\$	Budget 14/15	ADJUSTMENT	BUDGET
						\$	\$
<b>Operating Revenue</b>							
Net rates and utility charges	25,554,658	25,495,054	59,604	27,775,175	92%	7,389	27,782,564
Fees and charges	3,472,681	2,918,685	553,996	3,703,494	94%	354,465	4,057,959
Grants, subsidies, contributions and donations	1,831,332	797,204	1,034,128	800,536	229%	1,365,994	2,166,530
Interest received	692,117	422,146	269,971	633,240	109%	344,000	977,240
Other recurrent income	407,268	240,902	166,366	800,663	51%	(187,357)	613,306
<b>Total Operating Revenue</b>	<b>31,958,055</b>	<b>29,873,991</b>	<b>2,084,064</b>	<b>33,713,108</b>	<b>95%</b>	<b>1,884,491</b>	<b>35,597,599</b>
<b>Operating Expenses</b>							
Employee benefits	7,836,980	8,060,860	223,880	12,048,582	65%	-	12,048,582
Materials and services	10,559,404	11,570,914	1,011,510	16,799,535	63%	218,428	17,017,963
Depreciation	6,690,481	6,487,248	(203,233)	9,730,868	69%	362,547	10,093,415
Finance costs	93,237	112,801	19,564	202,570	46%	-	202,570
<b>Total Recurrent Expenses</b>	<b>25,180,102</b>	<b>26,231,823</b>	<b>1,051,721</b>	<b>38,781,555</b>	<b>65%</b>	<b>580,975</b>	<b>39,362,530</b>
<b>Operating Result</b>	<b>6,777,953</b>	<b>3,642,168</b>	<b>3,135,785</b>	<b>(5,068,447)</b>	<b>(134%)</b>	<b>1,303,516</b>	<b>(3,764,931)</b>
<b>Capital revenue</b>							
Capital grants and subsidies	4,796,891	952,000	3,844,891	952,000	504%	8,265,744	9,217,744
Capital contributions	315,034	200,000	115,034	200,000	158%	150,000	350,000
<b>Total capital revenue</b>	<b>5,111,925</b>	<b>1,152,000</b>	<b>3,959,925</b>	<b>1,152,000</b>	<b>444%</b>	<b>8,415,744</b>	<b>9,567,744</b>
<b>Net result</b>	<b>11,889,879</b>	<b>4,794,168</b>	<b>7,095,711</b>	<b>(3,916,447)</b>	<b>(304%)</b>	<b>9,719,260</b>	<b>5,802,813</b>
<b>Capital expenses</b>							
Capital expenses	6,136,786	8,821,525	2,684,739	8,821,525	70%	9,242,715	18,064,240
<b>Total capital expenses</b>	<b>6,136,786</b>	<b>8,821,525</b>	<b>2,684,739</b>	<b>8,821,525</b>	<b>70%</b>	<b>9,242,715</b>	<b>18,064,240</b>
<b>NDRRA Sub-component of Capital Works Program (Included above)</b>							
Capital grants and subsidies	4,096,079	-	4,096,079	-	-	6,960,189	6,960,189
Capital expenses	2,394,431	-	2,394,431	-	-	6,960,189	6,960,189
<b>Net position</b>	<b>1,701,648</b>	<b>-</b>	<b>1,701,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>