

5.4. FINANCIAL REPORT FOR THE PERIOD ENDED 30 APRIL 2018

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CHIEF EXECUTIVE OFFICER: Darryl Crees, Acting Chief Executive Officer

DEPARTMENT: Corporate Services

RECOMMENDATION

That Council notes the Financial Report for the period ended 30 April 2018.

EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2017/18 budget for the period ended 30 April 2018. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$964k.
- operating expenditure is under budget by \$1.1m.
- the operating surplus is currently \$3.5m compared to a budgeted surplus of \$1.4m.

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 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 30 April 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, including the provision of relevant graphs.

Operating Revenue and Expenditure

Key points:

- *Council has received 91% 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 and utility charges are \$31k 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.

- Grants and subsidies are \$71k under budget as a result of a timing difference in the expected billing of the CHAS Grant (awaiting external confirmation).
- Fees and charges are ahead of budget by \$27k due to the following variations:
 - Ferry fares \$3k (impacted by dry docking)
 - Building and property related fees, Licences and Other fees and charges \$24k.
- Other recurrent income is \$1m ahead of budget mainly as a result of:
 - Funds received for RMPC work undertaken \$143k (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 \$520k 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 \$369k and is impacted by a number of timing differences (including the transfer of applicable gravel re-sheeting expenses to capital) 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 may 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 \$256k
 - Council expenses related to the dry docking of the Daintree Ferry \$121k
 - RMPC work \$135k (contract work offset by revenue)

While committals currently equal \$2.9m it should be noted that \$1.7m of these committals relate to annual expenditure contracts.

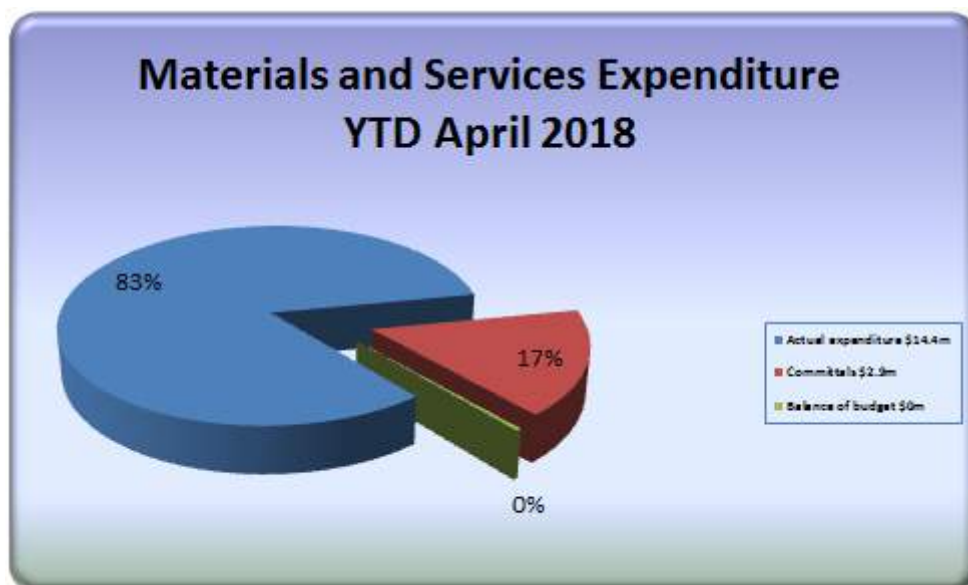


Figure 1.

- 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 \$978k under budget, however this expense is expected to move closer to budget as we approach the end of the financial year and more capital projects are completed, capitalised and depreciated.

Capital Revenue and Expenditure

Key point:

- *Council has received 44% 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 capital expenditure a further \$6.8m had been committed as at the end of April.

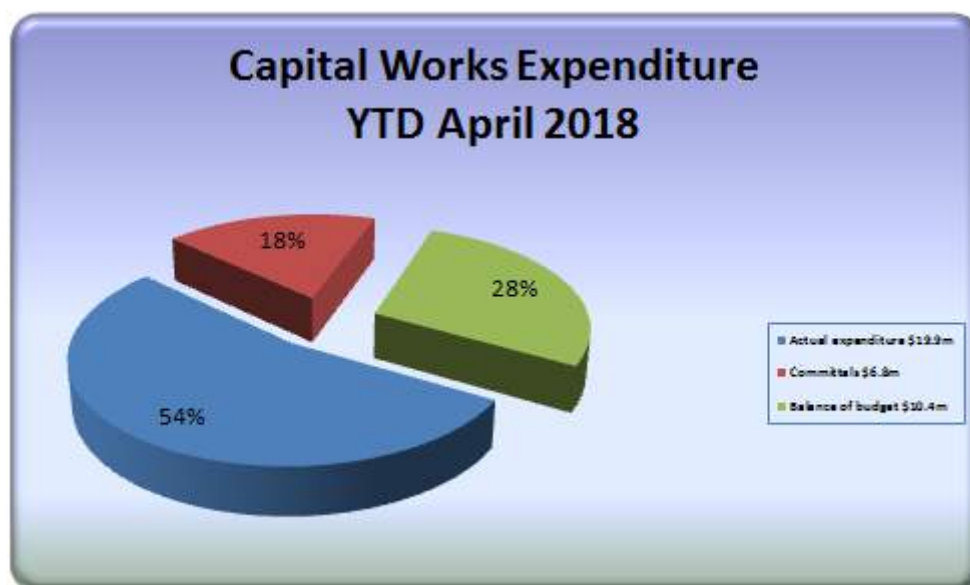


Figure 2.

Operating Result

Key point:

- *the operating result is \$2.1m ahead of budget*

As reflected in the attached report, total operating revenue at the end of April was ahead of budget whereas operating expenditure was under budget.

This has resulted in an operating surplus of \$3.5m compared to a budgeted surplus of \$1.4m. As mentioned above however, this result does not include any committals for materials and services.



Figure 3.

PROPOSAL

The Financial Report for the period ended 30 April 2018 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

The results as at the end of April 2018 have not revealed any significant 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 30 April 2018 [5.4.1]

Douglas Shire Council Statement of Comprehensive Income For the month of April 2018	Actual YTD 18 \$	Budget YTD 18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	29,951,428	29,982,443	(31,015)	32,563,015	92%
Fees and charges	4,441,131	4,413,818	27,313	5,176,949	86%
Grants, subsidies, contributions and donations	941,353	1,012,267	(70,914)	1,937,852	49%
Interest received	739,841	728,574	11,267	873,790	85%
Other recurrent income	1,541,648	514,263	1,027,385	648,327	238%
Total Operating Revenue	37,615,401	36,651,365	964,036	41,199,933	91%
Operating Expenses					
Employee benefits	10,579,832	11,099,456	519,624	13,709,083	77%
Materials and services	14,474,815	14,105,318	(369,497)	17,301,003	84%
Depreciation	8,960,357	9,938,550	978,193	11,526,237	78%
Finance costs	72,053	74,920	2,867	85,000	85%
Total Recurrent Expenses	34,087,057	35,218,244	1,131,187	42,621,323	80%
Operating Result	3,528,344	1,433,121	2,095,223	(1,421,390)	(248%)
Capital revenue					
Capital grants and subsidies	7,456,754	16,878,020	(9,421,266)	16,878,020	44%
Total capital revenue	7,456,754	16,878,020	(9,421,266)	16,878,020	44%
Net result	10,985,098	18,311,141	(7,326,043)	15,456,630	71%
Capital works program					
Capital additions	19,866,103	37,060,020	17,193,917	37,060,020	54%
Total capital additions	19,866,103	37,060,020	17,193,917	37,060,020	54%
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%
Capital additions	1,396,852	3,638,870	2,242,018	3,638,870	38%
Net position	(322,051)	604,830	(926,881)	604,830	