

## 5.6. MONTHLY FINANCIAL REPORT MARCH 2019

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**DEPARTMENT** Finance, Procurement and ICT

### RECOMMENDATION

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

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2018/19 budget for the period ended 31 March 2019. Key points to note include the following:

- operating revenue is ahead of budget by \$555k.
- operating expenditure is under budget by \$403k.
- the operating Surplus (Year to Date) is currently \$5.8m compared to a budgeted Surplus of \$4.8m.

### 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 2018/19 annual budget was adopted on 19 June 2018 and revised on 18 December 2018 and the attached financial report details progress against budget for the period ended 31 March 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 88% 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:

- Rates and utility charges are now currently \$21K behind budget as a result of anticipated revenue from water usage charges \$170k less than budget for water issued in March 19.

- Fees and charges are under budget by \$52k. This is due to the following:
  - Daintree Ferry revenue currently \$128k behind budget due to the recent monsoonal events.
- Grants and subsidies are over budget by \$481k primarily as a result of receiving a NDRRA Emergent payment from the March 2018 rain event of \$550k. The associated budget for this revenue is in June 2019 for \$450k. Timing of CHAS & Geospatial grant invoicing will correct the decline in this result from last report
- Other recurrent income is over budget \$142k 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 \$281k 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 \$429k and while committals currently equal \$3.3m it should be noted that \$2.6m of these committals relate to annual expenditure. Costs for materials & services emergent works were \$1.5m at 31 March, with a further \$30k in commitments and it is likely these costs will increase further.
- Although depreciation expense is currently \$549 under budget, this expenditure will progressively increase as a result of the ongoing capitalisation of Council's capital projects.

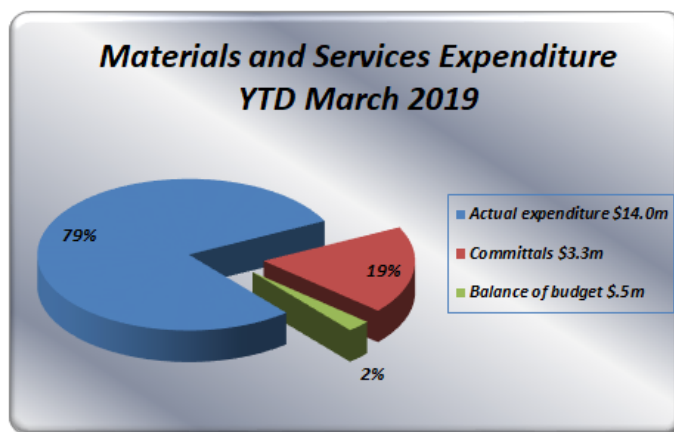


Figure 1.

## Capital Revenue and Expenditure

Key point:

- Council has received 62% of its annual budgeted capital grants and subsidies and contributions from developers, which primarily relates to Diggers Bridge, Port Douglas Reservoir, Roads to Recovery and NDRRA restoration works.

It should be noted that in addition to year to date capital expenditure a further \$4.7m had been committed as at the end of March.

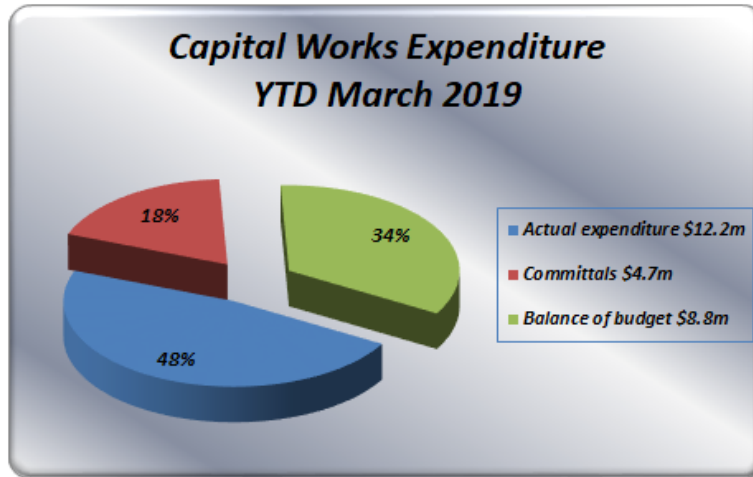


Figure 2.

### Operating Result

Key point:

- the operating result is \$957k ahead of budget

As reflected in the attached report, total operating revenue at the end of March was ahead of budget and operating expenditure was under budget. This has resulted in an operating surplus of \$5.8m compared to a budgeted surplus of \$4.8m. As mentioned above however, this result does not include any committals for materials and services related to emergency works and the result is also inflated by the \$550k National Disaster Relief and Recovery Arrangements funding received early (\$450k was budgeted to be received in June 19)

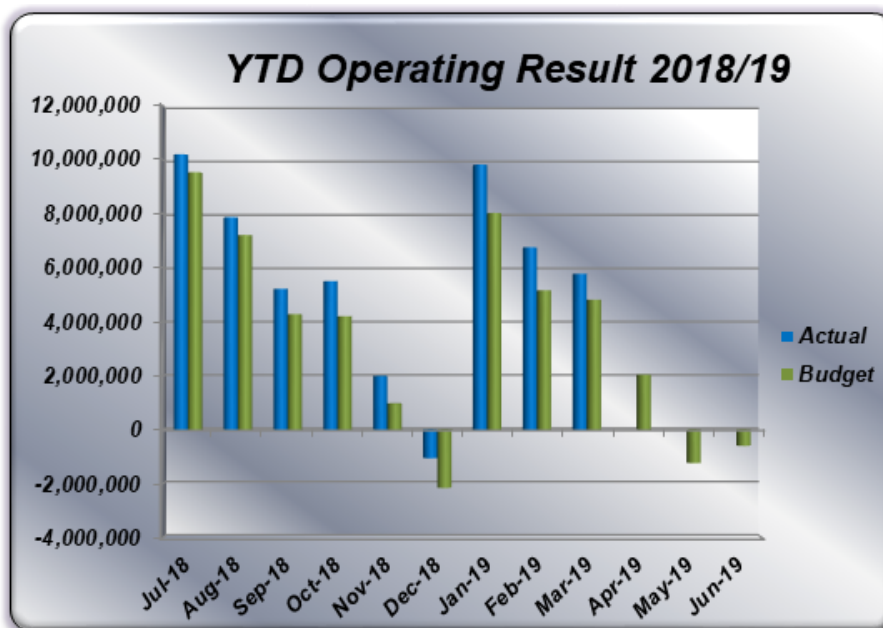


Figure 3.

### PROPOSAL

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

### **FINANCIAL/RESOURCE IMPLICATIONS**

The result at the end of March does not reflect the full emergent works cost of the monsoonal rain event. As a result of the significant weather events, there will continue to be expenditure for repairing and restoring the Shire for the remainder of the 2018/19 financial year.

Funding to reimburse elements of this expenditure will not be finalised until the 2019/20 financial year, therefore the net result for the 2018/19 year will be distorted by these costs. The attached report attempts to show the overall net result and then reflect the net result after removing the disaster funding and emergent works expenditure on materials and services.

### **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 Report 31 March 2019 **[5.6.1]**

| <b>Douglas Shire Council<br/>Statement of Comprehensive Income<br/>For the month of March 2019</b> | <b>Actual YTD 19<br/>\$</b> | <b>Budget YTD 19<br/>\$</b> | <b>Variance<br/>\$</b> | <b>Budget 18/19<br/>\$</b> | <b>Actual as % of<br/>Budget 18/19</b> |
|--|-----------------------------|-----------------------------|------------------------|----------------------------|--|
| <b>Operating Revenue</b>   |                             |                             |                        |                            |  |
| Net rates and utility charges  | 31,507,164                  | 31,528,456                  | (21,292)               | 34,088,347                 | 92%                                    |
| Fees and charges   | 4,156,742                   | 4,208,303                   | (51,561)               | 5,408,334                  | 77%                                    |
| Grants and subsidies   | 1,667,314                   | 1,186,404                   | 480,910                | 2,580,696                  | 65%                                    |
| Interest received  | 622,515                     | 633,657                     | (11,142)               | 842,895                    | 74%                                    |
| Other recurrent income   | 719,437                     | 561,166                     | 158,271                | 876,284                    | 82%                                    |
| <b>Total Operating Revenue</b>   | <b>38,673,171</b>           | <b>38,117,986</b>           | <b>555,185</b>         | <b>43,796,556</b>          | <b>88%</b>                             |
| <b>Operating Expenses</b>  |                             |                             |                        |                            |  |
| Employee benefits  | 10,257,778                  | 10,538,323                  | 280,545                | 14,356,112                 | 71%                                    |
| Materials and services   | 14,037,596                  | 13,597,974                  | (439,622)              | 17,816,073                 | 79%                                    |
| Depreciation   | 8,549,368                   | 9,099,194                   | 549,826                | 12,132,286                 | 70%                                    |
| Finance costs  | 59,095                      | 71,133                      | 12,038                 | 86,700                     | 68%                                    |
| <b>Total Recurrent Expenses</b>  | <b>32,903,837</b>           | <b>33,306,624</b>           | <b>402,787</b>         | <b>44,391,172</b>          | <b>74%</b>                             |
| <b>Operating Result</b>  | <b>5,769,335</b>            | <b>4,811,362</b>            | <b>957,973</b>         | <b>(594,616)</b>           | <b>(970%)</b>                          |
| <b>Capital Revenue</b>   |                             |                             |                        |                            |  |
| Capital grants and subsidies   | 7,148,019                   | 11,390,062                  | (4,242,043)            | 11,390,062                 | 63%                                    |
| Contributions from developers  | 48,607                      | 250,000                     | (201,393)              | 250,000                    | 19%                                    |
| <b>Total capital revenue</b>   | <b>7,196,626</b>            | <b>11,640,062</b>           | <b>(4,443,436)</b>     | <b>11,640,062</b>          | <b>62%</b>                             |
| <b>Net Result</b>  | <b>12,965,961</b>           | <b>16,451,424</b>           | <b>(3,485,463)</b>     | <b>11,045,446</b>          | <b>117%</b>                            |
| <b>Capital Works Program</b>   |                             |                             |                        |                            |  |
| Capital additions  | 12,208,217                  | 25,713,543                  | 13,505,326             | 25,713,543                 | 47%                                    |
| <b>Total capital additions</b>   | <b>12,208,217</b>           | <b>25,713,543</b>           | <b>13,505,326</b>      | <b>25,713,543</b>          | <b>47%</b>                             |
| <b>NDRRA portion of Capital Works Program (included above)</b>                                     |                             |                             |                        |                            |  |
| Capital grants and subsidies   | 1,743,175                   | 3,612,816                   | (1,869,641)            | 3,612,816                  | 48%                                    |
| Capital additions  | 832,024                     | 3,276,085                   | 2,444,061              | 3,276,085                  | 25%                                    |
| <b>Net position</b>  | <b>911,151</b>              | <b>336,731</b>              | <b>574,420</b>         | <b>336,731</b>             |  |
| <b>NDRRA portion of Operational Expenditure for Emergent Works (Included Above)</b>                |                             |                             |                        |                            |  |
| NDRRA Operational Funding  | 550,494                     | -                           | 550,494                | 450,000                    | 122%                                   |
| NDRRA Material & Services  | 1,493,914                   | -                           | 1,493,914              | -                          |  |
| <b>Net Operating Result Excluding NDRRA</b>  | <b>6,712,755</b>            | <b>4,811,362</b>            | <b>1,901,393</b>       | <b>(1,044,616)</b>         |  |