

5.11. INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019

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

RECOMMENDATION

That Council notes the Interim Financial Report for the period ended 30 June 2019

EXECUTIVE SUMMARY

The attached Interim Financial Report details the progress of the 2018/19 budget for the period ended 30 June 2019. Key points to note include the following:

- operating revenue currently exceeds budget expectations by \$1.6m.
- operating expenditure exceeds budget by \$1.98k.
- the operating deficit is currently \$952k compared to a budgeted deficit of \$595m.

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 Council's budget for the financial year. 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 30 June 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.

In reviewing this financial report, the following should be noted:

- The figures presented are interim and are subject to any adjustments required as part of the end of financial year and audit processes. These adjustments will include:
 - Accrual of any revenue earned but not yet received.
 - Review of all expenditure committals recorded via the purchase requisition process in Council's financial system and expensing of these committals where appropriate.
 - Accrual of any June expenses yet to be invoiced (that are not normally part of the purchase requisition process), for example utility charges such as electricity and telephone.

- Any revenue and expenditure adjustments that may be required between operating and capital.
 - Determination of final depreciation expenditure once all asset additions and disposals are finalised.
- This interim financial report includes quantifiable estimates, such as accrued investment interest, accrued salaries and wages, identified accrued expenses and capitalisations up to 30 June 2019.

Operating Revenue and Expenditure

Key points:

- *Council has received 104% of its annual budgeted operating revenue*
- *Year to date operating expenditure exceeds budget by \$1.98m*

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 \$241k under budget due to less than anticipated revenue from water billing attributed to continued wet weather.
- Fees and charges are \$23k ahead of budget due to the following variations:
 - Ferry fares \$34k under budget due to weather events
 - Building & property \$75k under budget
 - Refuse tipping fees \$41k over
 - All other fees and charges \$92k over
- Grants and subsidies are \$1.5m over budget primarily as result of receipt of unbudgeted NDRRA Emergent \$410k & Cat D funding of \$1m.
- Other recurrent income is \$361k ahead of budget mainly due to of RMPC works \$261k, Marine Works \$42k.

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

- Employee benefits expenditure is \$496k under budget and is 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 \$2.9m due to:
 - The use of agency staff where necessary to cover staff vacancies (offset by under expenditure on employee benefits) \$440k
 - Emergent works due to recent weather events \$1.3m (will be offset by future funding)
 - Daintree River which required an additional 2 Dredges including removal of sludge approx. \$750k (1 of these funded by Cat D Funding)
 - RMPC work \$97k (contract work offset by revenue)
 - Utilities above budget \$116k
 - Capital works expenditure for projects abandoned \$106k written back

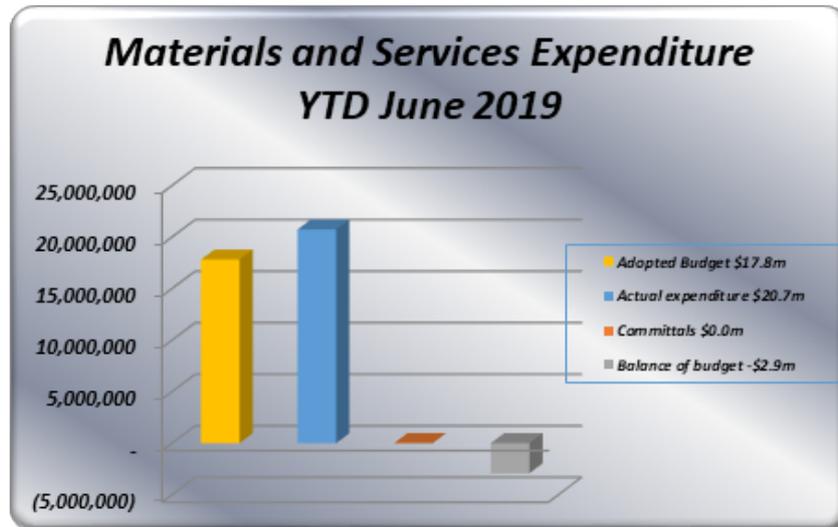


Figure 1.

- Depreciation expense is currently \$433k under budget. Overall depreciation is anticipated to be under budget due to a delay in the completion of some projects.

Capital Revenue and Expenditure

Key point:

- Council has received 88% of its annual budgeted capital grants and subsidies
- This interim report contains some unbudgeted Emergent Capital works undertaken and end of year adjustments that are required. End of year adjustments are still pending for items such as revaluations. All outstanding expenditure commitments have been carried forward to FY20 and will be addressed in the upcoming budget revision.

Operating Result

Key point:

- *the interim operating result is a deficit of \$952k, \$358k behind budget*

Outside of the emergent costs, the operating result was further significantly impacted by the weather events experienced during 2018-19. Continued rainfall reduced water consumption revenue and the flooding necessitated additional Daintree River dredging expenditure to allow uninterrupted ferry operations.

As mentioned above however, this result is an interim result, which is still subject to the end of financial year and audit processes.

PROPOSAL

The Interim Financial Report for the period ended 30 June 2019 be received and noted by Council.

FINANCIAL/RESOURCE IMPLICATIONS

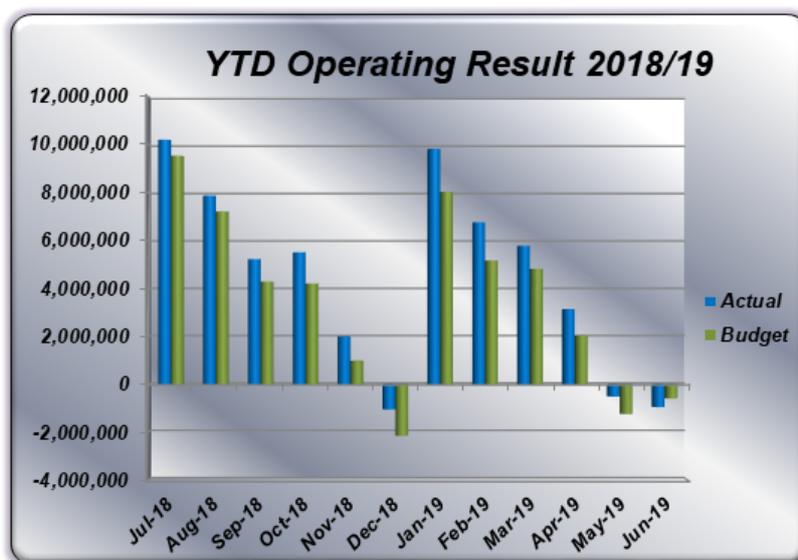


Figure 2.

The interim results as at the end of June 2019 have revealed that due to the impact of the weather events of 2019, there is likely to be a negative impact on the 2018/19 result vs budget.

RISK MANAGEMENT IMPLICATIONS

Monthly financial reporting keeps Council informed of the progress that has been made in relation to the budget.

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. Interim Financial Report 30 June 2019 [5.11.1 - 1 page]

Douglas Shire Council								
Statement of Comprehensive Income							Estimated 25	Variance to
	Actual YTD 19	Budget YTD 19	Variance	Budget 18/19	Actual as % of	June	Interim Result	
	\$	\$	\$	\$	Budget 18/19	\$	\$	
Interim Result YTD June 2019								
Operating Revenue								
Net rates and utility charges	33,847,540	34,088,347	(240,807)	34,088,347	99%	34,088,347	(240,807)	
Fees and charges	5,431,574	5,408,334	23,240	5,408,334	100%	5,408,334	23,240	
Grants and subsidies	4,078,584	2,580,696	1,497,888	2,580,696	158%	3,491,190	587,394	
Interest received	825,732	842,895	(17,163)	842,895	98%	842,895	(17,163)	
Other recurrent income	1,237,986	876,284	361,702	876,284	141%	1,173,284	64,702	
Total Operating Revenue	45,421,416	43,796,556	1,624,860	43,796,556	104%	45,004,050	417,366	
Operating Expenses								
Employee benefits	13,860,081	14,356,112	496,031	14,356,112	97%	14,356,112	496,031	
Materials and services	20,737,006	17,816,073	(2,920,933)	17,816,073	116%	19,604,132	(1,132,874)	
Depreciation	11,699,123	12,132,286	433,163	12,132,286	96%	11,932,286	233,163	
Finance costs	77,441	86,700	9,259	86,700	89%	86,700	9,259	
Total Recurrent Expenses	46,373,651	44,391,171	(1,982,480)	44,391,172	104%	45,979,230	(394,421)	
Operating Result	(952,234)	(594,615)	(357,619)	(594,616)	160%	(975,180)	22,946	
Capital Revenue								
Capital grants and subsidies	9,980,643	11,390,062	(1,409,419)	11,390,062	88%	11,390,062	(1,409,419)	
Contributions from developers	78,816	250,000	(171,184)	250,000	32%	250,000	(171,184)	
Total capital revenue	10,059,459	11,640,062	(1,580,603)	11,640,062	86%	11,640,062	(1,580,603)	
Net Result	9,107,224	11,045,447	(1,938,223)	11,045,446	82%	10,664,882	(380,564)	
Capital Works Program								
Capital additions	25,122,550	25,713,543	590,993	25,713,543	98%	25,713,543	590,993	
Total capital additions	25,122,550	25,713,543	590,993	25,713,543	98%	25,713,543	590,993	