

5.5. INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2018

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DEPARTMENT: Finance and IT

RECOMMENDATION

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

EXECUTIVE SUMMARY

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

- operating revenue currently exceeds budget expectations by \$1m.
- operating expenditure is under budget by \$849k.
- the operating surplus is currently \$433k compared to a budgeted deficit 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 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 2017/18 annual budget was adopted on 27 June 2017 and revised on 12 December 2017 and the attached interim financial report details progress against budget for the period ended 30 June 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.

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.
 - Allocation 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.

- In order to provide as up to date figures as possible, the interim financial report already includes a number of quantifiable estimates, such as accrued investment interest and accrued salaries and wages up to 30 June.

Operating Revenue and Expenditure

Key points:

- *Council has received 102% 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 \$252k 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 (one property) and less than anticipated revenue from water usage charges. This excludes the end of financial year accrual for water usage revenue, which is still to be determined.
- Fees and charges are \$111k ahead of budget due to the following variations:
 - Ferry fares \$38k
 - Refuse tipping fees \$23k
 - All other fees and charges \$50k.
- Grants and subsidies are \$14k under budget primarily as result of a timing difference in relation to the receipt of grant revenue.
- Interest received has exceeded budget expectations and is \$10k ahead of budget.
- Other recurrent income is \$1.1m ahead of budget mainly as a result of:
 - An additional \$66k received in rental income
 - Additional funds received for RMPC work undertaken \$95k
 - Receipt of \$823k from the Department of Natural Resources, Mines and Energy (DNRME), representing Council's revenue share from the sale of operational trust land, as per the DNRME Revenue Share Policy.

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

- Employee benefits expenditure is \$574k 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. In addition, the end of financial year reconciliation / adjustment of leave provision accounts is still to be undertaken.
- Materials and Services expenditure is over budget by \$429k and is impacted by a number of timing differences (with accruals still to be undertaken) 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 will contribute towards an overspend on materials and services for the financial year (as evidenced in the graph shown below):
 - Emergent works due to recent weather events \$508k (will be offset by future funding)
 - Council expenses related to the dry docking of the Daintree Ferry \$121k
 - RMPC work \$163k (contract work offset by revenue)

While committals currently equal \$1.8m it should be noted that these committals reduced by approximately \$300k during the last month and should reduce much

further during the end of financial year accrual process, with a portion likely to be expensed.

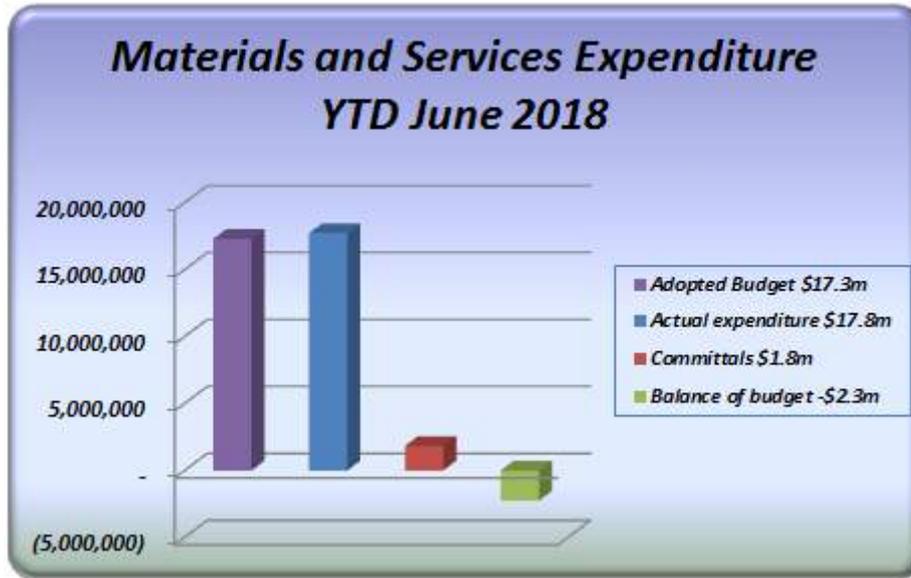


Figure 1.

- 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 \$702k under budget and while this expense is expected to move closer to budget during the end of the financial year process (as completed capital projects continue to be capitalised and depreciated), overall depreciation is now anticipated to be under budget due to a delay in the completion of some projects (such as the new reservoir).

Capital Revenue and Expenditure

Key point:

- Council has received 54% 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 expenditure a further \$5.9m had been committed as at the end of June.

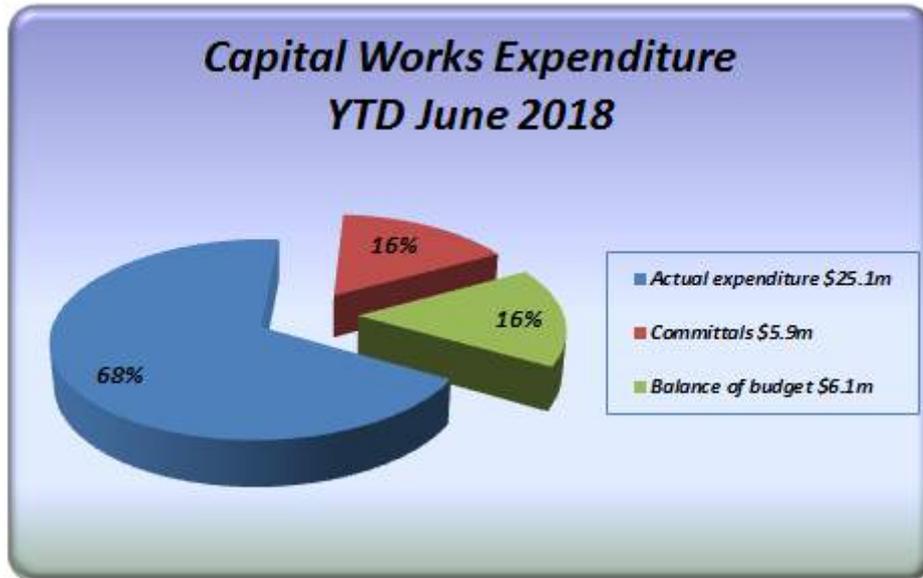


Figure 2.

Operating Result

Key point:

- *the interim operating result is \$1.9m ahead of budget*

As reflected in the attached report, total operating revenue at the end of June was ahead of budget whereas operating expenditure was under budget. This has resulted in an interim operating surplus of \$433k compared to a budgeted operating deficit of \$1.4m. As mentioned above however, this result does not include any committals for materials and services and is also an interim result which is still subject to the end of financial year and audit processes.

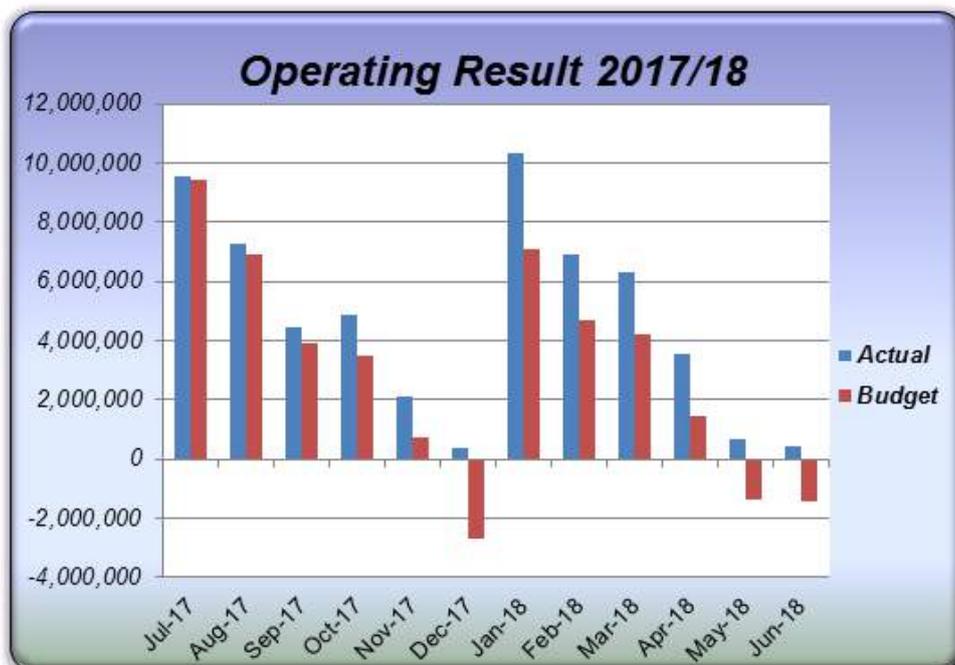


Figure 3.

PROPOSAL

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

FINANCIAL/RESOURCE IMPLICATIONS

The interim results as at the end of June 2018 have not revealed any significant overall negative impacts on the 2017/18 budget. However, it is noted that there are a number of significant variances in revenue and expenditure for the reasons outlined in this report.

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. Interim Financial Statement as at 30 June 2018 **[5.5.1]**

Douglas Shire Council Statement of Comprehensive Income For the month of June 2018 (Interim)	Actual YTD 18 \$	Budget YTD 18 \$	Variance \$	Budget 17/18 \$	Actual as % of Budget 17/18
Operating Revenue					
Net rates and utility charges	32,310,978	32,563,015	(252,037)	32,563,015	99%
Fees and charges	5,287,757	5,176,949	110,808	5,176,949	102%
Grants, subsidies, contributions and donations	1,923,692	1,937,852	(14,160)	1,937,852	99%
Interest received	883,490	873,790	9,700	873,790	101%
Other recurrent income	1,799,056	648,327	1,150,729	648,327	277%
Total Operating Revenue	42,204,974	41,199,933	1,005,041	41,199,933	102%
Operating Expenses					
Employee benefits	13,135,451	13,709,083	573,632	13,709,083	96%
Materials and services	17,729,946	17,301,003	(428,943)	17,301,003	102%
Depreciation	10,823,798	11,526,237	702,439	11,526,237	94%
Finance costs	82,868	85,000	2,132	85,000	97%
Total Recurrent Expenses	41,772,063	42,621,323	849,260	42,621,323	98%
Operating Result	432,911	(1,421,390)	1,854,301	(1,421,390)	(30%)
Capital revenue					
Capital grants and subsidies	9,153,828	16,878,020	(7,724,192)	16,878,020	54%
Total capital revenue	9,153,828	16,878,020	(7,724,192)	16,878,020	54%
Net result	9,586,739	15,456,630	(5,869,891)	15,456,630	62%
Capital works program					
Capital additions	25,118,849	37,060,020	11,941,171	37,060,020	68%
Total capital additions	25,118,849	37,060,020	11,941,171	37,060,020	68%
NDRRA portion of Capital Works Program (included above)					
Capital grants and subsidies	1,187,481	4,243,700	(3,056,219)	4,243,700	28%
Capital additions	1,479,894	3,638,870	2,158,976	3,638,870	41%
Net position	(292,414)	604,830	(897,244)	604,830	