

## 5.5. MONTHLY FINANCIAL REPORT FEBRUARY 2019

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**DEPARTMENT** Finance, Procurement and ICT

### RECOMMENDATION

**That Council notes the Financial Report for the period ended 28 February 2019.**

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### EXECUTIVE SUMMARY

The attached Financial Report details the progress of the 2018/19 budget for the period ended 28 February 2019. Key points to note include the following:

- operating revenue is ahead of budget by \$753k.
- operating expenditure is under budget by \$833k.
- the operating Surplus is currently \$6.7m compared to a budgeted Surplus of \$5.2m.

### 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 28 February 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 82% 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 have exceeded budget by \$145k primarily as a result of greater than anticipated revenue from water usage charges.

- Fees and charges are under budget by \$86k. This is due to the following:
  - Timing differences with the raising of licence fees. This is expected to correct itself during March.
  - Daintree Ferry revenue currently \$98k behind budget due to the recent monsoonal event.
- Grants and subsidies are over budget by \$596k 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.
- Other recurrent income is over budget \$129k primarily due to timing of RMPC works.

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

- Employee benefits expenditure is \$342k 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 \$74k and while committals currently equal \$3.8m it should be noted that \$2.8m of these committals relate to annual expenditure. Costs for materials & services emergent works were \$813k at 28 February, with a further \$295k in commitments and it is likely these costs will increase further.
- Although depreciation expense is currently \$563k under budget, this expenditure will progressively increase as a result of the ongoing capitalisation of Council's capital projects.

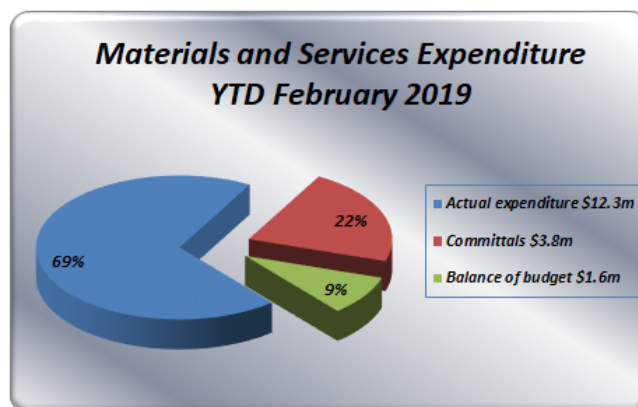


Figure 1.

## Capital Revenue and Expenditure

### Key point:

- Council has received 61% 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 \$5.3m had been committed as at the end of February.

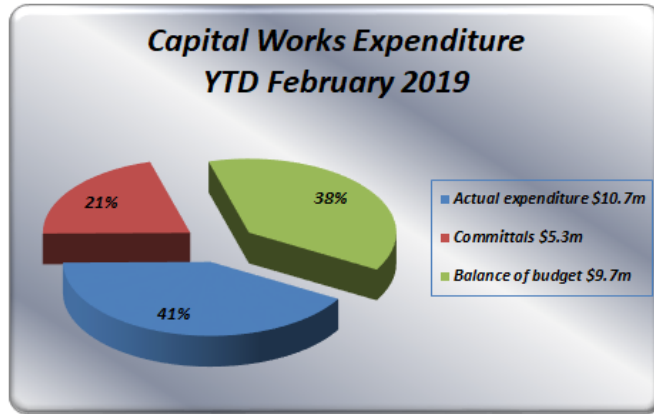


Figure 2.

### Operating Result

Key point:

- the operating result is \$1.6m ahead of budget

As reflected in the attached report, total operating revenue at the end of February was ahead of budget and operating expenditure was well under budget. This has resulted in an operating surplus of \$6.7m compared to a budgeted surplus of \$5.2m. As mentioned above however, this result does not include any committals for materials and services.

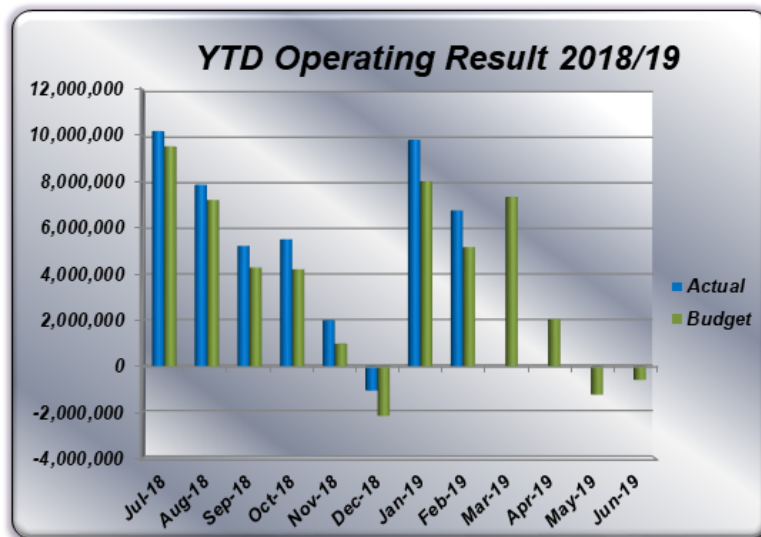


Figure 3.

### PROPOSAL

The Financial Report for the period ended 28 February 2019 be received and noted by Council.

## **FINANCIAL/RESOURCE IMPLICATIONS**

The result at the end of February does not reflect the full Emergent Cost of the Monsoonal Rain Event. This event could have a significant impact on the end of year result if the emergent claim is not processed within the 2019 financial year.

## **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 28 February 2019 **[5.5.1]**

<b>Douglas Shire Council Statement of Comprehensive Income</b>	<b>Actual YTD 19</b>	<b>Budget YTD 19</b>	<b>Variance</b>	<b>Budget 18/19</b>	<b>Actual as % of Budget 18/19</b>
<b>For the month of February 2019</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Operating Revenue</b>					
Net rates and utility charges	29,151,163	29,006,245	144,918	34,088,347	86%
Fees and charges	3,862,880	3,948,631	(85,751)	5,408,334	71%
Grants and subsidies	1,617,180	1,020,849	596,331	2,580,696	63%
Interest received	531,279	562,840	(31,561)	842,895	63%
Other recurrent income	611,100	481,297	129,803	876,284	70%
<b>Total Operating Revenue</b>	<b>35,773,602</b>	<b>35,019,862</b>	<b>753,740</b>	<b>43,796,556</b>	<b>82%</b>
<b>Operating Expenses</b>					
Employee benefits	9,116,890	9,459,270	342,380	14,356,112	64%
Materials and services	12,335,503	12,261,333	(74,170)	17,816,073	69%
Depreciation	7,525,456	8,088,167	562,711	12,132,286	62%
Finance costs	46,371	48,792	2,421	86,700	53%
<b>Total Recurrent Expenses</b>	<b>29,024,220</b>	<b>29,857,562</b>	<b>833,342</b>	<b>44,391,172</b>	<b>65%</b>
<b>Operating Result</b>	<b>6,749,382</b>	<b>5,162,300</b>	<b>1,587,082</b>	<b>(594,616)</b>	<b>(1135%)</b>
<b>Capital Revenue</b>					
Capital grants and subsidies	7,092,040	11,390,062	(4,298,022)	11,390,062	62%
Contributions from developers	48,607	250,000	(201,393)	250,000	19%
<b>Total capital revenue</b>	<b>7,140,647</b>	<b>11,640,062</b>	<b>(4,499,415)</b>	<b>11,640,062</b>	<b>61%</b>
<b>Net Result</b>	<b>13,890,029</b>	<b>16,802,362</b>	<b>(2,912,333)</b>	<b>11,045,446</b>	<b>126%</b>
<b>Capital Works Program</b>					
Capital additions	10,675,729	25,713,543	15,037,814	25,713,543	42%
<b>Total capital additions</b>	<b>10,675,729</b>	<b>25,713,543</b>	<b>15,037,814</b>	<b>25,713,543</b>	<b>42%</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	579,721	3,276,085	2,696,364	3,276,085	18%
<b>Net position</b>	<b>1,163,453</b>	<b>336,731</b>	<b>826,722</b>	<b>336,731</b>	